Commission which obviously cannot have a binding force. The real case against the acceptance of the link has been cogently argued by the second Pay Commission. The cost of living index, as is common knowledge, gives as heavy a weightage as 50 to 60 per cent to food articles. Now, increases in food prices are usually the result of natural calamities for which Government price policy cannot really be blamed. Similarly, adverse terms of trade may upset the domestic price level and here again the rising cost of imports obtained from the supplying countries is not a matter amenable to the influence of Government's price policy. Even apart from these, the hardship involved in an upward trend of prices ought to be shared by all categories of employees. However, the main argument against the automatic link between the dearness allowance and the cost of living index is that it injects into the structure of emoluments of the Central Government employees a permanent element having the effect of giving a boost to inflation by virtue of the wage-price spiral. Hence, the proposals of the second Pay Commission for a moderate increase in dearness allowance, consequent on a rise in the cost of living index, ought to be accepted as equitable.

The Government has shown a conciliatory attitude despite the militant posture adopted by the Joint Council because it is interested in ensuring the contentment of its employees. It cannot be ignored that a good part of the Government employees themselves are willing for an amicable settlement over the recommendations of the Pay Commission. What is more important, the National Federation of Indian Railwaymen has already reached a settlement with the Railway Board on all differences over the Pay Commission's recommendations, except a few, which are now referred for arbitration. And railwaymen constitute about half of the total Central Government employees. If in spite of these, the Joint Council has chosen to go ahead in challenging authority, it only strengthens the suspicion that its preparations are inspired by objectives which are not strictly relevant to a trade dispute. No Government can look at the situation with equanimity and there can be no doubt on which side the public will throw their weight in any action that the Government may choose to take.

Ugly Portents in Assam

RECENT events in Assam are disquieting and should be cause for genuine concern. Apart from the Naga problem (which has now come into the fore by the dramatic dash of Phizo to England and his activities in mobilising support for an independent Naga land) there are signs to show that along with the Punjab, this border State may also grow into a veritable trouble spot. According to reports this week, there is complete lawlessness in two districts of the State arising out of the language controversy. Along certain railway lines, the trains are carrying armed police guards and the situation in Gauhati is reported to be so tense that the administration has found it necessary to rush armed police. Unless the situation is tackled energetically, it is likely that the forces of disintegration will soon gain the upper hand. The centrifugal tendencies have here three different faci—linguism, provincialism and tribalism, one sometimes overlapping on the other. The result is the periodic manifestation of violence in different forms with different origins that should cause anguish and sorrow among all those who value the unity of this country and its progress on ordered lines.

The concept of unilingual States ever since the reorganization of States on a linguistic basis has been made into such a fetish that there seems to be no end to the process. Recently, at its Poona session, the All-India Congress Committee passed a resolution refusing to countenance any further division of the States. This is as it should be, though it is possible that it may only be a pious wish. The fact is a feeling has been engendered that any agitation will have its reward if it is persisted in. This is unfortunate. The language controversary in Assam has no consistent logic behind it. Assam is a multilingual State and the demand for making Assamese the State language cannot be sustained for the simple reason that Assamese is the language of only the Ahamiyas who constitute a minority of the population and are confined to six out of 11 districts of the State. The States Reorganisation Commission itself in its report pointed out that in spite of the interesting post-1931 spread of Assamese according to the census figures, the Assamese speaking population still constituted only 55 per cent of the population of the State. In the face of this, it is no wonder that the State Chief Minister, Mr. Chaliha, had originally refused to accede to the demand for making Assamese the State language unless it had the support of non-Ahamiyas. Last week, however, apparently under political pressure, he gave an assurance that during the next session of the State Assembly, a bill declaring Assamese as the official language of the State would be introduced with suitable safeguards. But it is evident that as the agitation in favour of Assamese intensifies, there is bound to be a demand for separation of the hill-tribes and eventually an Assamese-speaking State consisting of only six districts can be formed. This will be *reductio ad absurdum* which will not find favour even with the Ahamiyas. But linguistic fanaticism has in the meantime erupted and the recent events are the result of the violent turn the unfortunate language controversy has taken. Thus a systematic compaign has been started making life and property insecure to those who are opposed to Assamese being made the State language.

A variant of this linguistic agitation is the manifestation of an aggressive provincialism that took an ugly turn last month and threatened to hamper the activities of the oil refinery near Gauhati. The decision, it may be recalled, to set up an oil refinery near Gauhati was itself a concession to parochialism and political pressures and a powerful agitation launched in August 1958 to bring about this end. The trouble recently has been over recruitment of posts in the refinery. The movement against non-Assamese recruited by the refinery is nothing but philistinism of the most reprehensible type. There was even resort to violence and some non-Assamese officers of the refinery were assaulted in the streets and threatening letters were sent against their continuance in office. It would appear that even as it is, out of the 485 employees of the refinery, 315 belong to Assam, but the parochialists would not be satisfied unless non-Assamese are completely excluded. This is an absurd demand and, if followed, will lead to the most undesirable consequences.

The refinery project is a Central Government venture in which all the citizens of India have a claim. Apart from this, it has to be recognised that the top cadres of the refinery have to be men of great technical competence without in any way being governed by provincial considerations. A national undertaking cannot obviously be put into jeopardy for satisfying the whims of a few misguided elements. It is one of the merits of the Central Government projects that they serve as cementing forces of unity in the growing atmosphere of fissiparous tendencies. The all-India services to a certain extent perform this useful role and it is necessary that without prejudice to the claims of local aspirants, technical personnel for the execution of development projects should be recruited on a common basis so that they might have uniform standards of efficiency and have a feeling of belonging to common and important cadres. This is one of the important recommendations of the States Reorganisation Commission which, seeing what formation of unilingual States will ultimately lead to, was careful to suggest measures for correcting particularist trends. The happenings in Assam are a pointer and, if allowed to go on, bode ill for the future of this country.

The Sindri Scandal and Coal

THE revelation that the production of fertilizers at Sindri dropped precipitately by 55,000 tons from 330,000 tons in 1958 to 275,000 tons in 1959, is as shocking as it is unexpected. The steep decline in output has a moral to convey. It is doubtful whether the ground lost last year has been retrieved during the first half of this year. After Sindri had started on its dynamic phase of accelerated output, one should have expected the tempo of expansion to be carried to a higher pitch. The set-back now disclosed calls for a candid probe. From available reports in the Press it would appear that shortage of coking coal was primarily responsible for the shortfall. According to this version Sindri has been the victim of eleventh hour diversion of part of its coal supply to the public sector steel plants.

Last year's crisis in the supply of coal in general, and of coking coal in particular, was not an altogether unforeseen phenomenon. About the middle of the year, the coal industry had issued clear warnings to the Government about the growing magnitude of the crisis based on the current trends. The private sector's steel plants had been driven to a critical situation in which they had to use coking coal with an admixture of low-grade coals. More recently, towards the end of the first quarter of this year, the railways found themselves confronted with a crisis of a great magnitude. The danger point was almost reached when the curtailment of goods train services seemed almost unavoidable. Stocks of coal were hardly sufficient for consumption requirements of two to four days, as against the average of ten days, on some railways. The crisis was tided over by the make-shift of diverting coal from private industrial consumers to the railways. It is, of course, true that there was no alternative to this course since supply of coal to the railways is the very pre-condition of carrying stocks to other consumers. The solution merely amounted to transferring the hardships of shortage from one sector of the economy to the other.

The crisis of coking coal and the stop-gap device of diversion of supplies from Sindri cannot be attributed to any accidental circumstances. The root cause of the acute shortage of this type of coal is to be traced to the failure in implementing the schemes for setting up the coal washeries. It was on the basis that the coal washeries would supplement inadequate output of coking coal that the programmes for the public sector steel plants, among others, were drawn up. But the woeful delay in the coal washery projects has upset the balance in the distribution of coking coal even among priority consumers. The first coal washery is not expected to be commissioned into production until 1961, unless further impediments arise.

It is unfortunate that a dogmatic attitude of giving precedence to ideology over urgent practical considerations should have been adopted by the Government in preparing the present Plan for expansion of the coal industry. Production of coal in the private collieries in 1955 stood at 33.8 million tons and in the public sector collieries it was as low as 4.2 million tons. The private sector's offer to undertake the bulk of the additional output in the Second Plan, subject to the extension of requisite facilities, was turned down. In their ideological zeal the Government and the Planning Commission fixed a low target of 10 million tons of additional output for the private sector, which was less than one-third of its actual production at the start of the Plan. The public sector was allocated a target of 12 million tons of additional production, equivalent to nearly three times as much as its output at the outset. On what assumption it was believed to fulfil this Herculean task is difficult to comprehend. But the result has been that a shortfall of not less than 7 million tons is apprehended in the Second Plan target of 60 million tons, largely attributable to the State collieries.

There is obviously an urgency to step up the output of coking coal at least till the time the proposed coal washeries go into production. No doubt, our deposits of high-grade coal are limited, and have to be used sparingly, but it is nothing short of foolhardiness to allow production in some of the key industries like steel and fertilizers to suffer because the essential fuel required by them has to be conserved for future use. The extra depletion of coking coal reserves can be made up by curtailing its use when washed coal becomes freely available. The larger interests of the country today demand that private sector collieries, which supply practically the entire coking coal consumed in the country at present, should be allowed to increase their production of this type of coal even by granting them some special incentives. Apparently, these incentives cannot cost more than the heavy price the country will have to pay for procuring imports of essential commodities like fertilisers, to counterbalance the loss in domestic output.

In some circles, it is also suggested that the collapse in production at Sindri last year was partly due to managerial bottlenecks. A spokesman of the coal industry has challenged the reported shortage of coking coal supplies to Sindri on the basis that only a few weeks ago Sindri invited tenders for the purchase of 65,000 tons of hard coke said to be surplus to their requirements. How far this establishes that there was no shortage of coking coal supplies to Sindri last year it is difficult to say. But whatever be the reasons for slowing down of production at the Sindri Fertilizer Factory, it can hardly be denied that a major disaster has been allowed to overtake the country by complacency in New Delhi. This only provides major fuel for the criticism that the public sector is not fit for the expansion it has set for itself in the Third Five-Year Plan, as it is unable to maintain even in good operation a public undertaking completed in the First Plan. The Prime Minister owes it to the country to explain how public sector expansion can take place in circumstances such as these.

A DELHI DIARY

ARMA VIRUMNQUE CANO

I HAVE been commanded by the Editor to deal with two matters of major military interest—the tense situation on the Sino-Nepal border and the report of Dr. Raghuvira of his conversations with President Ayub Khan of Pakistan. I have also a personal claim in that I must say something about Sudhindranath Dutta, the great Bengali poet, whose sudden demise last Saturday has put Bengali litterateur and a great deal more in a deep mood of dejection. Thus, in a sense, I am dealing with arms and a man, although they are unrelated in this particular case. Undoubtedly, these matters of great moment needed editorial finality rather than the irregular undigested comment of a columnist who is sometimes (unjustly) accused of attempting humour. But perhaps just as what cannot be said may sometimes to sung—as Voltaire seems to have said—so what cannot be editorially dealt with can be discussed in seemingly trivial manner. I take no responsibility either for the failure to comply with my promise to deal with India and the German economy this week, or with the inadequacy of my treatment of the aforesaid serious matters which have been left in my inadequate hands.

The Mustang incident, as it has now come to be called, may well be a landmark in both Sino-Nepal and Indo-Nepal relations. No one, who followed Mr. Chou En-lai's utterances in Nepal in April, could have dreamt that so early a violation of the Sino-Nepal agreement would take place. It looked to us at that time as though Chinese policy was to play Nepal against India rather than to create a bitter fear and get Indo-Nepal friendship into a state of greater preparedness. Why, one wonders, have the Chinese made another Himalayan blunder of this kind? Could it be that they are determined now to use their superior might and are placing themselves in an impregnable position, keeping some areas disputed to prepare the grounds for "conversations", they did in the case of Ladakh? I doubt if in the Indian Union, at this time, China has a single all-weather friend. In Delhi the concern is deep and, on the whole, determined. The next session of Parliament, exactly a month away, promises to be full of foreign policy and defence. This means, surely, that like the last, we will hear much about Mr. V. K. Krishna Menon. And in Dr. Raghuvira's Press Conference on Thursday, coming events seem to have cast their shadows or is it their promise?

DR. RAGHUVIRA 'ENFANT TERRIBLE'

One of the consequences of the new pressure on Nepal was reflected in the unique interest excited by Dr. Raghuvira. Dr. Raghuvira has, it is true, just seen the Pakistan President, Field Marshal Ayub Khan, but one would never have believed that a Member of the Congress Parliamentary Party could have held such a conference on a matter concerning External Affairs, if there were no disquiet in the public mind on the manner in which our defence is being conducted. The suggestion of the Pakistan President "if the Indian army could be disentangled from the Indo-Pakistan border, it could very well defend the country from China, however numerically strong or equipped the Chinese army might be," certainly struck an answering chord. But what is one to make of this statement which Dr. Raghuvira also credited to the Pakistan President? "Mr. Nehru is a wall. He is unchanging. He is impervious to suggestions and he finds solace in the company of Mr. Krishna Menon, who considers Pakistan as the eternal enemy and China the eternal friend of India."

I keep asking myself this question: Would Dr. Raghuvira have made known this utterance, had he not felt that it would have had some interest for public and some effect on the Parliamentary Congress Party? In other words, is there not a feeling in the Congress Party already—which Dr. Raghuvira sought to encourage—to the effect, firstly, that Mr. Krishna Menon's influence was unduly large, and that the theory that Pakistan is the enemy and China the friend—past or future—is mistaken? If there was nothing more to the Press Conference than Dr. Raghuvira's personal presentation, it seems to me the Press Conference was without purpose. Nobody in Delhi would believe that.

SUDHINDRANATH DUTTA

For those who know Sudhindranath Dutta well, it is difficult to speak without enormous prejudice in his favour. By the magnificent many-sided quality of his mind, by his intense intellectual humility, by his generosity at all times, by his charming old world manners, he laid a spell over a large circle of friends both here and abroad. It was difficult to recognise in his company that he was not merely Bengal's first poet acknowledged with distinction almost every year (including the West Bengal Government's Tagore Prize more than once), but also eminent in philosophy, a good judge of music, and a master of English literature. In his last three years he found congenial occupation in lecturing on literature to a small group of eight in post-graduate work at Jadavpur. There can be few instances of men, in the whole range of Indian scholarship, who have had this magnificent many-sided achievement. And he was great as a man. He bore erudition not merely with humility but almost with denial. He was a deep critic of himself. While his criticism of other's writing was open and frank, it was always free from malice and invariably contained, with its charity, a constructive side.

Some of the work that Sudhindranath Dutta started remains incomplete. In the field of both Bengali poetry and Bengali prose, he has started trends which are the subject of continuous discussion in a small and selected group of Bengali writers, of whom Buddadeva Bose is perhaps the best known. Practically all recent writers in Bengali are, in part, his disciples, as he was the beloved disciple of the great Rabindranath.

There will be general regret that the autobiography which he began, while he was a visiting Professor at Chicago last year, has not been completed. There may be even greater regret that he departed in a creative mood, full of the fever of writing and the passion for teaching at Jadavpur. Perhaps it is good that he died thus in harness, for his work will not look as though it was finished. He was cut off, thus even at the age of 59, in his prime. It was of men like him that Lawrence Binyon wrote:

"They shall not grow as we are that are young grow old,
Age shall not weary them nor the years condemn.
At the going down of the sun and in the morning
We will remember them."

ARGUS

World War I

THE WEEK'S NOTES

Africa

THE MARCH OF NATIONALISM

THIS WEEK has been eventful for Africa. Four more States, the Belgian Congo, British Somaliland, Italian Somalia and Madagascar have emerged into independence. British Somaliland and Italian Somalia have, however, merged to form a Somali Republic. Thus another milestone has been reached in the onward march of African nationalism and the great rejoicings that have marked the celebrations in these countries underscore the sweep of the wind of change across this awakened continent. It is obvious that colonialism and European domination, which are already on the retreat, will be swept away by the rising tide of change that is shattering the old social patterns. The two stumbling blocks that stand in the way of the entire continent becoming free are the apartheid policy of South Africa and Portuguese colonialism. But these two also have to bow down before the storm sooner or later.

The emergence from tutelage of the African States, however, poses its own challenge. This is the consolidation of the newly-won freedom and translating it in terms of economic and social programmes that will give content to freedom. This by no means is an easy task. Our West European correspondent in two recent despatches in 'The Eastern Economist' has explained under what circumstances the Belgian Congo has emerged into independence and the problems facing the new State. It is revealing to know that the Congo has no more than 15 university graduates and she has to face the problems of national development and a fast growing population with almost no native technicians or administrators. It has to take into account the centrifugal forces at work—the personal rivalries of leaders, the threats of secession from the Katanga province and the growing evidence of a reversion to tribal division and conflict. It is, therefore, necessary that apart from what support Mr. Lumumba may be able to muster from African leaders in building a national State, the West should lend its hand without any hesitation. The treaty of friendship and co-operation signed between Belgium and the Congo will no doubt assist to some extent the young nation to hold on to its feet. But that is not enough if the political orientation of the Congo is not to become a matter for Communist exploitation.

Planning

WEST GERMAN AID

MR. MORARJI DESAI'S recent visit to Bonn has been fruitful though the outcome has not been quite spectacular. This is not quite surprising since with elections near, there has been no inclination on the part of the West German Government to commit itself to anything definite. Nevertheless, there is enough in the joint communique at the end of his talks with the Federal German Government that should be quite welcome to this country. For one thing, the West German Government has agreed to make a further $30 million available to meet the exchange gap under the Second Plan. This brings the total of West German aid, since the Washington Conference held in 1958 under the auspices of the World Bank, to $100 million (about Rs. 47.5 crores). Including the credit for the Rourkela plant of Rs. 75 crores, the total contribution of West Germany for the Second Plan would amount to Rs. 122.5 crores. Secondly, the West German Government has agreed for deferment of two-thirds of liabilities under the Rourkela project maturing up to March 31, 1961. It may be recalled that under an agreement signed in February 1958, the Government of India was enabled to postpone the payments by three years up to a total amount of Rs. 75 crores. The present deferment is now for a period of four years and even this, it has been stated, is "for the time being.". The implication is that at the appropriate time, the West German Government would consider sympathetically a request for further deferment from the Indian side.

Lastly, the communique has underlined West Germany's readiness to make her contribution to India's Third Five-Year Plan. This not only relates to the programme for the expansion of the Rourkela Plant, but the "participation in multilateral measures yet to be decided upon in detail." It is, of course, true that no negotiations had taken place as to the exact quantum of assistance that can be expected from West Germany. This can obviously be done only after exploring to what extent aid would be forthcoming from the other creditor countries of the West. But the substantial achievem of Mr. Desai's visit lies in the fact that he had West German leaders of industry and trade and l impressed upon them the beneficial aspects of grea West German investment in India. He had show how a developing country, which was compelled to b row for its development, could not possibly progr through loans and aids alone, and it had to earn forei exchange in ever-growing volume through exports meet her growing needs for imports as well as to servi its loans in the form of interest payments and capi repayments. It is in this context that his appeal the 'liberal tradition' of West Germany to remove sor of the restrictions imposed by it on the import of Indi goods gains force. How far this will find an echo in tl hearts of the Germans remains to be seen.

Small-scale Industries

CREDIT GUARANTEE SCHEME

THE LAUNCHING of the scheme on July 1 by th Reserve Bank of India guaranteeing commercial an co-operative banks' loans to small-scale industries fill a major lacuna in a sector of the Indian economy which is gradually coming to the fore not only as a important supplier of consumer goods but also as ar extensive field which would provide increasingly large avenues for employment. The scheme, which envisages sharing of the loss by the Reserve Bank to the tune of the Rs. 1 lakh in respect of any one loan by 49 commercial banks, the State Bank of India and its subsidiaries, 22 State co-operative banks, 14 State Financial Corporations and the Madras Industrial Corporation, to small industries with a capital not exceeding Rs. 5 lakhs, in 22 selected districts of the 15 States of the Indian Union, on a guarantee charge of ¼ per cent per annum on the maximum amount of advance (or limit) sanctioned, will go a long way in resolving the financial difficulties of the small entrepreneurs who hitherto have been finding it difficult to get adequate accommodation from commercial banks and other lending institutions. Since the scheme is being tried for the first time in this country and its success depends largely on the prudence of the lending institutions, both while granting and recovering loans, it is only natural that the Government of India should have stipulated a review of it to be undertaken after two years of working in the light of the difficulties experienced and deficiencies brought to surface.

It is comforting to note that the scheme envisages grant of both short-term and long-term advances extending up to seven years, which may be given for the

purpose of acquiring fixed assets or equipment or for providing working capital. Though the Reserve Bank has not stipulated any range of interest to be charged on these loans, it is hoped the terms would be kept quite liberal so that the small entrepreneur is able to derive the maximum benefit out of the scheme. Channelising of part of the PL 480 funds for provision of credit to the small-scale industries sector should also be helpful; the Government will do well to explore this possibility. These funds can be lent to small entrepreneurs through commercial and co-operative banks at quite a low rate of interest.

I.L.O.

PROBLEMS OF DEVELOPING COUNTRIES

MR. NAVAL H. TATA, in his speech delivered at the forty-fourth session of the International Labour Conference, held in Geneva recently, referred to some of the problems of the developing countries like population, development and housing. He suggested that workers should be made conscious of the impact of rising population on their living standards and through repeated warnings be told that real income would fall with the rise in population. This will, of course, take time, but in the long run prove useful in arresting population growth to some extent. As regards rural development, he said, it was a pity that not much attention was paid to it probably due to the 'prestige' value attached to industrialisation and to attempts made to emulate the 'glamorous' success of highly industrialised countries. The point is while not minimising the importance of industrialisation, one has to guard against the pitfalls of a lopsided economic development. Thus, while it is essential to exploit the industrial potential of a country, it is equally imperative that rural development should also be given high priority. Here, Mr. Tata suggested a programme before the ILO because it is concerned with the good of all the workers, whether in the industrial or the rural sector. He said that the ILO should evolve a special programme for a fairly long period of five to ten years and special efforts should be made to allocate a substantial grant to finance the programme far beyond the limits and resources available under the Expanded Programme of Technical Assistance. Also, a team of international experts should be invited to chalk out the programme of operational activities and programme embracing vocational training, productivity, management development in the cottage sector, research facilities, co-operatives and agricultural workers' education. Action on these lines, he said, would help to ameliorate the lot of the rural workers in the countries of Asia, Africa and Latin America. For the programme to be successful, it is essential that there should be active collaboration between the ILO and the FAO since both these organisations are connected with various facets of rural development.

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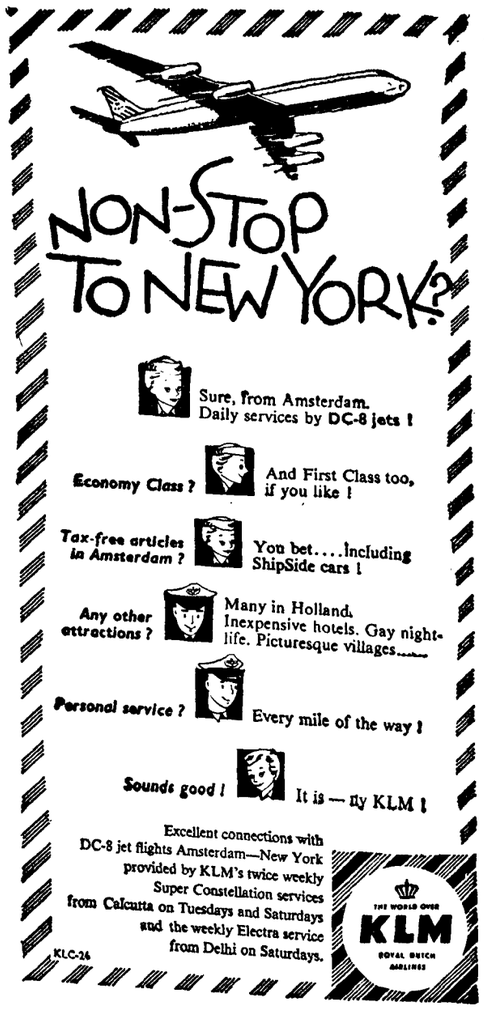
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A Window on the World

A FOREIGN VIEW OF INDIA'S ECONOMIC GROWTH: II

By

ODYSSEUS

WE noted last week as an encouraging sign of the times that the current issue of the "Economic Review" of the National Institute of Economic and Social Research (2, Dean Trench St., London S.W.1) contains an authoritative article, entitled the "Strategy of Indian Development", by Mr. I. M. D. Little, Fellow of Nuffield College, Oxford, which is both a critical analysis of India's development finances and a plea for foreign aid. The first conclusion that Mr. Little reaches — we noted here last week — is that India's shortage of capital and difficulties in earning foreign exchange render it all important that India should make adequate use of her own resources, which means, above all, adequate use of her abundant man power Since less than 3.5 millions are employed in India's factories, Mr. Little argues that it is mainly in agricultural investment that the possibility exists of a greatly increased use of labour.

There is no doubt that many more millions could be employed in rural development with the equipment that could be made available even in the next five years. Men can work on improving the land with negligible equipment — shovels, baskets, and good will — which would not divert capital from industry. The 1959 Report of the Ford Foundation's Agricultural Team on India's Food Crisis is one among many which testify to the unlimited possibilities in this sphere. Not all of it, perhaps, would be very productive, but some undoubtedly would. The possibilities include contour bunding, terracing and levelling, draining, irrigation ditches and minor canals, digging wells, fencing, making local roads, and other constructions from indigenous material, which can, again, be obtained with shovels, baskets, and honest sweat. Some social services also need negligible equipment, e.g., primary education and population control clinics. In this connection, it is relevant to note that widespread unemployment exists amongst university graduates, who are the kind of people equipped to teach others. Unfortunately, unless attitudes have changed greatly in the few years since I left India, it will be difficult to persuade university graduates to return to village life where they find themselves cut off from their peasant neighbours by the intellectual interests that they have developed. University graduates are inclined to be too "bossy" and intellectually contemptuous towards country folk.

RISKS OF INFLATION

Mr. Little draws attention to the need to prevent greater employment from increasing consumption too much. This might lead to inflation in the short run and, in the longer, it would be necessary to find more capital to produce factory-made consumer goods. This would mean a slower build-up of the capital goods industries and therefore further postponement of the day when India can grow her own resources. On the other hand, the existence of unemployed resources makes it possible that their fuller employment could yield, after some lag, both more investment goods and more consumption.

It has been suggested that inflation would not be created by putting idle hands to work because agricultural production (and more than half of India's personal consumption comes from agriculture) would quickly increase. Mr. Little believes that this is a mistake, because, men employed on improving land must be paid, and any extra output, however, quickly it comes (and in fact there must be a lag), will add to peasants' incomes, as well as to output, so that the extra output is only an offset to the extent that the peasants save more of their higher income.

Thus, the ability or willingness to tax is a limit not merely to the size of the Plan, but to the amount of employment that it can offer. A larger plan with less employment may put less strain on a politician's courage than a smaller and more labour-intensive plan.

The limitation on employment is not in opportunities for employment but in the immediate supply of consumption goods, primarily food. Thus, in Mr. Little's view, more employment depends on the government's willingness to redistribute consumption sufficiently in favour of the newly, or more intensively, employed men. This is the barrier round which many believe that China has found a way.

It has been argued that India's agricultural targets are, if anything, too high already. Would not much more employment on improving the land result in too much food? Mr. Little replies that (1) there is no certainty in agriculture, and (2) there is the matter of timing. For several years such further employment, which would increase each year as the programme was built up, would add more to the demand for food than to its supply. The problem would be to prevent excess demand for food. If it subsequently became clear that the eventual increase of supply would be excessive, some of the more capital-intensive ways of producing more food (e.g. major irrigation and fertiliser plants) could be cut back. Some combination of falling food prices and increased indirect taxation of factory-made consumer goods could always steer the extra consumption towards food. This would be necessary to prevent too large a part of future plans from being devoted to manufactured goods, with a consequent delay in the establishment of sufficient industry to provide for enough capital investment without foreign aid.

TAXES: THE HEART OF THE PROBLEM

The fiscal problem is, in Mr. Little's view, the heart of the problem. If a much larger programme of land improvement were added to the Third Plan, the need for taxation would be increased in the initial years. At it is, the Third Plan will demand considerably higher taxation. But these increases in taxation will not be excessive — if the Plan is a success. This needs no argument, because total consumption is planned to rise by 4 per cent a year and the increased taxation will be needed only to prevent it from rising faster. At a very rough guess, assuming that India obtains the aid that she hopes for, £75 millions worth of additional taxes, or increased rates, might be needed every year. Mr. Little emphasises that this is more every year than any Indian Finance Minister has yet added in any one year, and that the idea horrifies the middle classes

which are the back bone of the Congress Party. Yet, Mr. Little argues, very few need be made poorer, and those not for long.

Mr. Little points out that some people have the impression that tax rates in India are high. This, he says, is not so. Only corporation tax and direct personal tax on the very rich are high and the latter (in Mr. Little's view) is not effective. Other rates of tax are mostly low. In fact, the middle classes, those, say, with over £180 a year, are very lightly taxed: even on paper, the direct tax paid does not match British standards below about £4,000 a year, and indirect taxation is far lower. Administratively, it is harder to tax in India, but there is no doubt that the fiscal requirements of the Third Plan are well within India's administrative limits. Nevertheless, Mr. Little makes no secret of his fear that "fiscal pusillanimity" is a danger, especially because of the difficulty that the Government of India has in persuading the State governments to increase the taxes reserved to them, which, of course, include all taxation of land, and of incomes derived from the land.

If the Third Plan were enlarged to step up employment on land improvement, a still greater taxation effort would be required in the first few years in order to damp down the demand for food. All taxation will do this to some extent. But increases in land taxes — which in real terms have been declining for decades — would be most appropriate, not only because the peasants would be first to benefit by the increased employment of those members of their families who are at present under-employed, and by the subsequent increase in output and in the value of their land, but also because they eat a higher proportion of their incomes than others.

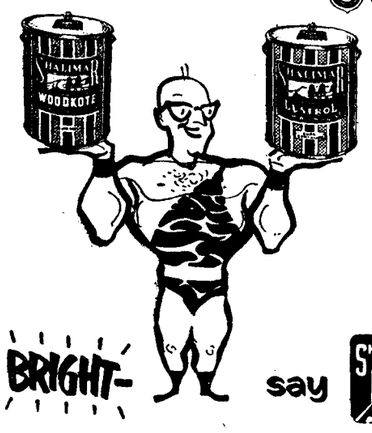
Increased land taxation depends, however, not only on the co-operation of the states, but is particularly disliked by the Congress Party, much of whose support comes from the richer farmers. But they should not forget that if agricultural output responded well to increased investment, then the burden of taxation should be shifted towards the indirect taxation of manufactured consumer goods.

Mr. Little finally invites us to note that the higher paid wage earners in India are scarcely touched by taxation. The only way to restrain the rise in their consumption is to stop real wages from rising. Mr. Little counters the suggestion that this would be harsh by pointing out that the average wage in organised industry in India is about four times as high as the lowest wages. Mr. Little urges that it is not sufficiently realised that high real wages help to keep down the numbers who can be employed and provide employers with an incentive to use more capital, though he is careful to add that this is of secondary importance only because the number of well paid employees is still small.

Mr. Little concludes that despite the political difficulties of raising taxes and of restraining the consumption of those with sufficient work, the best use of India's resources required a still larger, and more labour-intensive, plan. This assumes that sufficient foreign aid will be available for industrial development and other import using projects.

In India does not obtain the aid that she needs, the industrial part of the Third Plan would have to be cut. India could partly compensate for the loss of income so caused by increased effort towards agricultural improvement and in the social services (education, etc.). But in that event the day when India can stand on her own feet to ensure her own growth, from a level of desperate poverty, would recede even further into the future. This would be a catastrophe not only for India but for the whole free world. If it is to be avoided, the industrialised West will have to restrain its immediate consumption in order to release savings for investment in India. Since the biggest pressure for greater consumption comes from the trades unionists of the West, I suggest that India's trade unions should send a delegation on a prolonged tour of America and Europe to put the facts before the workers of the free world.

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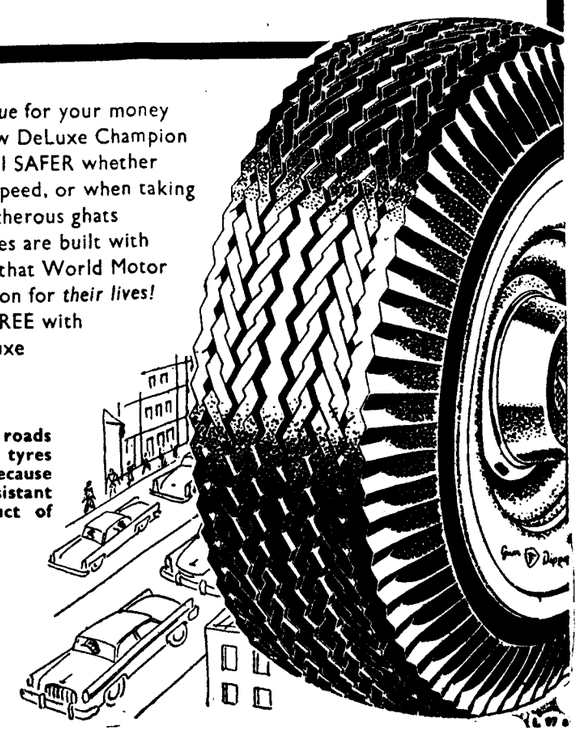
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PUBLIC DEPARTMENT

The European Scene

AUSTERITY AND DICTATORSHIP

From Our Special West European Correspondent

SAN SEBASTIAN, June 27.

SAN SEBASTIAN is the summer capital of Spain and so this week, in an operation that recalls the stately annual migration of the Governor-General from Calcutta to Simla, all the Ministries and embassies of Madrid will move up here to work, throughout the torrid Spanish summer, beside the beautiful bay of the Basque city. The transfer of the Government here does not make San Sebastian a particularly suitable place from which to follow the evolution of the Spanish economy, because all official information in this country (and that includes everything that appears in the Press which is entirely Government-run, editors being appointed by the Caudillo) is lies, evasions and hypocrisy. For example, our Madrid homonym, "El Economista", has the impudence to refer in this week's issue to "the Spanish economic miracle", meaning by that the 20 years of ignorance, indolence and inflation that brought Spain to bankruptcy last year and made her the ward of the IMF and the OEEC. This sort of fatuousness is typical of the regime but, more important, it shows the special conditions in which the Western banks and international organisations are seeking to rehabilitate the Spanish economy.

To do that, they are using medicine that has proven its value since the war in countries such as Britain, Belgium, West Germany and, quite lately, France. The ingredients are familiar: devaluation, rigid control of credit, a balanced budget, higher taxes and dearer public services, and a liberalisation of imports. This entails a period of deflation and austerity, with an inevitable reduction of consumption and some increase in unemployment. But (and this is an essential part of the formula) it is not deflation for its own sake: once prices are stabilised, the currency honestly valued and economic ambitions brought into line with economic possibilities, there follows a period of expansion. This indeed is the whole object of the exercise, the preceding deflation being intended to base the expansion on a sounder foundation. The resumed expansion is not financed by inflation but draws its substance from three main sources: domestic saving, which revives when price stabilisation renews confidence in the national money after long inflation; foreign investment which is attracted by the new value put on the currency and by sundry reforms in exchange regulations, capital-movement facilities, company law, etc; and finally a previously established government investment programme, made possible by the reduction in personal consumption and in productive state spending. A fourth source of cash, the loans consented by the IMF and foreign banks at the time of devaluation, is not meant to finance later expansion but simply to safeguard the exchange rate during the difficult and dangerous transition period.

That, very briefly, is the familiar and well-tested doctrine of Western financial orthodoxy, which has at various times been associated with the names of Camille Gutt, Ludwig Erhard and Antoine Pinay. For all its rigour, it is basically a democratic programme, firstly because the main idea is to persuade a nation to return to the system of putting free-market prices on all goods and services, including "welfare", and secondly because its success depends on the people (both workers and entrepreneurs, as well as soldiers, planners and other public spenders) realising the danger of continued inflation and accepting the necessity for a spell of painful austerity. Thus, publicity and intelligent explanation are vital, as are the people's confidence in the good faith of their leaders and their knowledge that everybody is suffering, if not equally at least to a substantial extent.

One may judge of the incompetence of the Francoist regime to carry through such a reform when no one has any trust left in the Caudillo, when a gaged Press is incapable of explaining anything to the people let alone win their confidence, and when the official doctrine is that Spain has been brought to this pass by an "economic miracle." Because of the absence of free discussion and impartial information, many Spaniards do not yet understand the necessity of the current financial reform, and they regard its rigours as new burdens added on top of the sufferings caused by previous bad governance. If they are better informed, they know that the new policy is not a continuation of the old but was forced on a reluctant Franco by his American and West European saviours, but that merely inclines them to take it as another intervention by the wicked foreigner, that stock whipping boy of the regime. (For 20 years past, Franco has preached the perfidy of "soul-less Western capitalism" just as vigorously as he has denounced atheist Communism). The bewilderment of the Spanish worker is expressed in a manifesto published lately by the Workers' Catholic Action, a document that was not meant to be clandestine but which, having been seized by the police, is circulating here secretly. ..

"The working class", it says, "which in many cases has no authentic representation and no means of making its voice heard or its influence felt, was not consulted either during the preceding inflationary phase or before the adoption of the current stabilisation plan. The lack of information disconcerts the worker, who does not know the real causes and reasons for the sacrifices that are being imposed on him...It is useless to try to convince the workers that they must humbly accept salary-cuts or even total unemployment as long as public and private waste continue." Actually, public and private waste have vastly decreased in the past year but the regime cannot show the people that they have done so without admitting the scandalous proportions they attained before. This republic of silence and subterfuge cannot even claim the credit due for its recent wisdom, without telling the truth about prior misgovernment. Having bluffed and suppressed for 20 years, it cannot claim the nation's trust and patience now when they are needed, in order to ensure the success of the only rational economic programme modern Spain has known.

Another document that is circulating here at present attacks the same weakness. It is a letter signed by 339 Basque priests and addressed to the bishops of San Sebastian, Pamplona, Bilbao and Vitoria; it deplores the fact that "super-propaganda and the one-sided presentation of facts are making impossible any knowledge of realities" and declares: "The fact is in Spain that the present political leaders have cut out all public opinion by the roots, by monopolising or dominating all means of expression and by repressing with the aid of military tribunals every vestige of political action that does not follow the unique line of thought imposed to the exclusion of all others...The Spanish Press, reversing the order established by God, is an instrument for the deformation of public opinion. It does not educate the citizen for public life; it does not express impartial judgment on the activities of the country's political, economic and social institutions..." The Basque priests

go on, in their very long indictment, to condemn such a regime in the name of natural law and the Catholic religion. My present point is more limited: the difficulty of implementing a rational economic programme in a country shrouded in ignorance and distrust. Tha totalitarian atmosphere is compatible with a variety of economic policies but not with the one that Franco has reluctantly agreed to follow under the instructions of the Western democracies. For that, the support of public opinion is an indispensable condition.

The obvious danger is that this policy, which deserves to be set to the credit of the Government, is counted as another of its sins. Franco is at last doing something useful and hopeful for Spain but he has never been more unpopular. Yesterday in a San Sebastian bar I heard him vilified with the most exquisite obscenities before a crowd of clients, something that would have been unthinkable when I lived in Spain four years ago. It is an open secret that the Spanish Church is at present quite divided over the consequences of the economic reform, with all the more liberal and humane clergy condemning that policy, leaving the defence of economic rationality to those that have been unfalteringly subservient to the regime.

This would not be so serious if one could be sure that present sufferings were a passing phase and that within a year everyone in Spain would have seen the benefits of the period of deflation and austerity. But the lack of confidence in the reform is prolonging the dangerous stage of economic contraction, and signs of the subsequent upturn are still rare. One reason is that foreign capital (and, no less important, native capital that has been smuggled abroad), which is an essential element in the recovery and the object of the devaluation and exchange-control liberalisation, remains as uninformed and as distrustful as domestic opinion. The Pinay reform in France, to take the most recent successful example, was accompanied by the repeated public admission that France had been behaving foolishly for over a decade but that a clean break was now made with the past. Full information and honest accounts secured the acceptance of this conviction, and capital began to flow back to the country for the first time in 40 years, setting off a compensatory expansion that was eventually reinforced by the revival of domestic saving.

This is not happening in Spain, where Franco again congratulated himself in Barcelona recently on "20 years of consolidation and reconstruction" alleged to have been accomplished since the civil war. No wonder foreign opinion is not convinced of the Spanish reform and that "El Economista" should complain this week that "foreign capitalists are not completely satisfied. Little capital has been invested. We have not managed to create that climate of confidence that is the basis of a flow of investments". This frankness is quite unusual in the Spanish Press (no statistics on capital movements and the payments balance are ever published and it is doubtful if Madrid really has had any reliable information on this subject until lately) but the journal in question drew from this a counsel of despair: that Spain should join the Common Market and try to use her cheap (and oppressed) labour to attract some of the American capital now going into united Europe. This is absurd of course; Spanish industry would be annihilated in the Common Market. It would be a sufficient beginning if the regime practised the obligations imposed by Spain's admission to the OEEC and told the truth, both to Spaniards and to foreign investors, about the deplorable condition into which Franco led the country and about the reasons, and the hopes, of the current painful reform.

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CANNANORE and PALGHAT.

Economic Report from the U.S.

TRADING WITH THE SOVIET UNION

BY GUY SIMS FITCH

WASHINTON, June 29.

THE past two years have witnessed a general and heartening trend towards the elimination of discriminatory trade and payments arrangements around the world. The progress made in this direction, hailed in the U.N. International Monetary Fund's recently released eleventh annual report on exchange restrictions, has been cited as a major element in both the growth of international trade and the evident economic progress being made by many free nations. Reports of sustained economic growth and high levels of international trade have come not only from the United States and Western Europe, but also from such areas as Australia, Canada, Japan, India, Argentina, Brazil and West Africa.

There is another United Nations study, however, that offers a rather sharp contrast to the Monetary Fund's favourable report on the easing of trade relations among the free nations. Prepared for submission to the July 5 meeting in Geneva of the U.N. Economic and Social Council (ECOSOC), its main burden is that nations with basically free market economies have a difficult time in their dealings with countries with centrally planned economies. This report notes that countries with centrally planned economies—for which one can read the communist-bloc economies—place many obstacles in the way of normal international trade relations. Among the obstacles cited are the secrecy surrounding actual opportunities open to traders from free nations; the subordination of foreign trade plans to national political and economic programmes; and the question of "dumping" when deemed expedient. There also is the added difficulty that in a centrally planned state the barriers against trade with outsiders are in the words of the report, "neither precisely identifiable nor of constant incidence."

It is interesting to note that a recent survey among more than 500 American businessmen in some 77 countries has turned up pretty much the same reaction to dealings with communist countries. The survey, conducted by the U.S. Chamber of Commerce, was principally with problems of trading with the Soviet Union, the prime example of a centrally controlled economy. Specially, the survey brought out a number of points which the businessmen cited as obstacles to the expansion of trade with the U.S.S.R. The foreign trade of the Soviet Union seems politically motivated to a large extent, with its main effort concentrated in countries where the U.S.S.R. may be able to gain particular political advantage; the methods used by the communists vary from country to country.

Experience has shown the Soviet practice is not to honour patent rights and other types of contracts; The Soviets seem interested mainly in short-term arrangements, especially those that enable them to obtain the latest in American machines and technological know-how which can serve as prototypes for Soviet production. One can only conclude, on this basis, that the Prime element of fruitful international commerce seems to be missing when it comes to dealing with the Soviet Union: that is, trade should be mutually beneficial and of long-term advantage to all parties. One of the most interesting studies yet made of Soviet trade practices indicates, moreover, that its own communist satellites of Eastern Europe fare even more poorly than do the free nations when it comes to trading with the U.S.S.R. Prepared by Dr. Horst Mendershausen, an economist with the Rand Corporation, a leading private research organization, the study shows that the Eastern European satellites have been losing more than $100 million a year in their trade with the Soviet Union, mainly because that trade is conducted at prices that usually favour Soviet buyers and sellers. The study discloses, additionally, a pattern of adverse price discrimination in Soviet trade relations with its satellites when compared with Soviet commerce with Western Europe. Moreover, non-communist countries which have unusually close trading relations with the Soviet Union also suffer price discrimination when compared with Western Europe, although they generally receive better treatment than do the patently exploited Soviet satellites.

All this would appear to warrant a sign labelled "caution" when it comes to establishing close trade ties with the Soviet Union. And it may help explain why American businessmen see little prospect at this time of any substantial increase in their trade with the U.S.S.R., even while they welcome the expansion of international commerce generally as an important contribution to a healthy, world-wide economic growth.

A Letter to the Editor

TOWARDS DIESELISATION?

Sir,

All credit to Mr. Suri for putting the existing hydrodynamic, hydrostatic and mechanical components into a new configuration (British Patent specification No. 818, 964) and for bringing the invention to the development stage. The transmission may prove to be an alternative to the Voith and the Maybach transmissions which are widely used in the present day Diesel-Hydraulic locomotives.

It must be remembered that Suri-transmission, in common with the Voith and the Maybach ones, does not constitute a complete drive from the engine to the locomotive wheels. Therefore, in estimating the overall efficiency of a locomotive one has to take into account other components such as the engine, final drive, auxiliaries etc. along with the main transmission that go to make a complete drive. And the design features of these components differ according to the characteristics of the main transmission.

A new development of this kind, naturally will take time, may be five years or more, before the teething troubles are overcome and the invention proved to be a workable proposition both technically and commercially. The claim that the new invention is 10% per cent better than the existing electric and hydraulic transmissions, it seems to me, at any rate, at this stage, is of a very tall order. Someone, it appears, has been counting his chickens before the eggs have been hatched.

Another interesting point to be considered is that if the transmission proved successful, can India hold her own against Maschinenban Kiel (MAK) with MAK holding the initiative by virtue of their preliminary work in the development of the invention?

Yours truly,
SCEPTIC

Dudley, England,
20th June, 1960.

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Special Article

INDIA'S TRADE WITH COMMUNIST COUNTRIES: 1956—59

A NEW trade and payments agreement with Hungary was signed by the Indian Union on June 25, 1960. This is a bilateral agreement envisaging payments in Indian rupees for transactions of both commercial and non-commercial nature between the two countries. This is not the first agreement of its kind. Such trade agreements, based on non-convertible rupee account, in fact, exist between India and most of the other Communist countries. An appraisal of our trade with these countries has assumed added importance in view of the bleak prospects forecast for the primary exports of the ECAFE countries in one of the recent studies of the Economic Commission for Asia and the Far-East. The Commission had analysed the likely pattern of the export prospects of ECAFE countries with the free world ignoring altogether the probable pressures of demand from the Communist bloc. Perhaps the solution of the trade imbalance between the ECAFE countries and the industrially advanced nations of the free world could be corrected by extending trade relations with the Communist bloc. In the case of the Indian Union it seems a major gap could be filled by the rupee account trade. It is with this background in view that Indian trade with the Communist countries during the last four years has been analysed in this special article.

Till 1958 there existed an unfavourable balance of trade with the Communist countries as a whole. The emergence of a favourable balance of trade in 1959 was in part a result of the bilateral agreements between India and these countries. This fact is brought out clearly in Table I below. Whereas in 1956 India's imports from the Communist bloc exceeded exports by nearly Rs. 12 crores, a sharp swing occurred in 1959 when Indian exports exceeded imports by as much as Rs. 15.2 crores. The balance of trade with the U.S.S.R. in particular, improved by a significant order. While an adverse balance of trade with East Germany, Poland, Bulgaria and Hungary still persists, the magnitude of our trade with these countries is extremely small. The favourable balance of trade with the U.S.S.R. more than wiped out the marginal imbalance registered in the case of other countries. Another interesting fact which needs to be recorded is that India's trade with the Communist bloc rose by more than fifty per cent in the period under review. As against the total trade with the Communist bloc at Rs. 54.47 crores in 1956, it rose to Rs. 87.84 crores in 1959.

Tables II and III present both country-wise and commodity-wise structure of India's foreign trade. Amongst our major imports from these Communist countries may be mentioned machinery, transport equipment, chemicals and base metals such as aluminium. In recent years, the base metals have indicated a declining trend while the share of machinery and chemicals, both relatively and absolutely, is on the increase. Base metals which constituted about two-thirds of our imports from these countries in 1957 declined to two-fifths in 1959. On the export front, tea, coffee, cashew nuts and cocoa form the biggest group, followed by crude materials, consisting largely of mineral ores. The pattern of exports to all these countries is not uniform. While food articles constituted, on the average, about 42 per cent of the U.S.S.R. imports from the Indian Union during the period 1957-59, in the case of Czechoslovakia, they were less than 5 per cent of the total imports from the Indian Union. Czechoslovakia, on the other hand, imported mostly crude materials. This pattern was in keeping with Czechoslovakia's general import structure, because more than half of her total imports in 1958 consisted of raw materials.

This analysis indicates that the demand for Indian products in the Communist countries is likely to grow steadily. It has, after the signing of the bilateral agreements, shown a marked upward swing and promises to grow more rapidly in the next few years. It will not be surprising if during the next two years, India's exports to the Communist countries rise from the current level of about Rs. 52 crores to over Rs. 100 crores. This belief is strengthened by the ambitious seven-year plan which the U.S.S.R. has already embarked upon in an effort to catch up with the standard of living in the USA. The trend of consumer goods' imports in the USSR indicates a pronounced upward course. Consumer goods constituted not more than 5 per cent of the total imports of the USSR before the war. By 1950, they have risen to about 15 per cent and at the end of 1958 the share of consumer goods was a little less than one-fourth of the total Russian imports. There is, thus, sufficient ground to believe that India's new markets in the Communist countries will grow steeply in the years ahead. Are Indian industrialists thinking enough about this new demand? The answer at present is in the negative.

Table I

(Rs. Lakhs)

	IMPORTS FROM COMMUNIST COUNTRIES				EXPORTS TO COMMUNIST COUNTRIES			
	1956	1957	1958	1959	1956	1957	1958	1959
U.S.S.R.	14,91	22,68	21,71	16,65	12,50	17,53	23,32	30,36
Czchoslovakia	6,28	6,15	6,49	3,72	2,91	3,78	3,93	4,24
China	8,36	4,86	5,28	4,86	3,83	3,70	3,42	7,92
Poland	2,17	4,88	2,26	4,02	1.09	1,15	92	3,59
Germany, Eastern	28	71	1,09	3,13	26	1,36	72	2,50
Hungary	78	77	62	2,39	51	30	61	73
Rumania	23	52	40	1,32	7	52	52	2,02
Bulgaria	23	13	7	25	6	2	7	24
Total	33,24	40,70	37,92	36,34	21,23	28,36	33,51	51,50

Table II

COMPOSITION OF INDIA'S IMPORTS FROM THE COMMUNIST COUNTRIES

(Rs. Lakhs)

Group	Year	USSR	Czechoslo-vakia	China	Poland	Germany Eastern	Hungary	Rumania	Bulgaria
1. Chemicals	1957	13.97	34.54	131.10	20.67	34.41	5.75	0.85	8.80
	1958	90.95	22.87	222.17	13.94	29.69	5.03	2.12	6.03
	1959	94.70	17.00	219.38	32.84	101.68	5.72	26.58	21.09
2. Paper and paperboard	1957	61.70	5.75	93.52	2.59	6.13	...	...	...
	1958	63.53	11.21	88.67	16.40	1.48	...	7.01	...
	1959	112.53	8.73	54.83	32.97	2.06	...	15.53	...
3. Base metals	1957	1923.75	226.88	74.38	236.15	0.30	9.74	...	0.08
	1958	1713.55	239.66	108.75	70.76	0.27	16.07	...	...
	1959	1196.46	18.75	50.26	52.37	0.05	47.59	...	...
4. Manufactures of metals	1957	73.45	28.60	8.32	20.94	2.88	23.24	...	..
	1958	121.69	6.14	8.10	11.44	2.10	1.25	...	...
	1959	7.76	7.89	10.52	14.23	1.77	81.86	0.43	...
5. Machinery and Transport Equipment	1957	115.22	243.62	3.76	44.71	8.62	24.56	2.54	3.52
	1958	116.16	333.84	9.92	110.67	26.56	27.60	22.46	0.97
	1959	106.39	261.18	36.35	221.63	81.67	54.37	26.73	2.98
6. Others	1957	80.11	75.87	175.03	12.60	18.88	13.64	48.90	0.11
	1958	65.25	35.24	90.59	3.18	49.25	12.09	8.63	0.01
	1959	38.68	31.28	71.20	18.09	96.15	30.79	0.95	0.13

TABLE III.

COMPOSITION OF INDIA'S EXPORTS TO COMMUNIST COUNTRIES

Group	Year	USSR	Czecho-slovakia	China	Poland	Germany Eastern	Hungary	Rumania	Bulgaria
Food	1957	783.46	10.14	269.24	22.04	77.38	1.94	8.72	1.92
	1958	1186.40	16.02	4.01	28.42	57.51	6.84	5.31	3.67
	1959	1087.65	28.62	0.74	243.35	157.64	6.94	12.95	3.67
Crude materials (inedible except fuels)	1957	516.09	322.87	64.60	88.14	29.82	26.39	4.11	0.04
	1958	553.40	348.41	153.12	53.71	5.37	53.63	1.51	1.34
	1959	775.26	350.70	220.98	66.60	44.01	49.57	50.06	9.79
Manufactured goods	1957	164.93	7.49	2.68	2.23	8.50	...	...	...
	1958	339.51	6.12	79.59	2.72	5.13	0.16	8.87	1.97
	1959	391.35	7.23	615.24	6.37	4.38	6.80	9.38	10.52
Oils and Fats	1957	83.68	21.57	0.40	...	6.59	...	38.17	...
	1958	100.04	15.80	1.45	...	...	...	35.55	...
	1959	87.32	...	7.70	...	3.94	...	106.17	...
Footwear	1957	115.92	...	...	...	...	..	...	...
	1958	69.01	...	...	5.42	0.81	..	..	..
	1959	110.88	...	...	...	8.70	...	...	...
Others	1957	89.05	15.98	32.53	3.14	15.56	1.40	0.81	0.03
	1958	83.66	7.00	103.93	1.49	3.47	0.06	0.58	0.18
	1959	104.92	6.18	13.14	2.22	2.55	1.27	2.66	0.08

Note: Figures for 1959 relate to eleven months only.

THE BUSINESS WORLD

Commendable Change in Census Concept

By

CROESUS

TO many census is no more than a decennial 'tamasha' of counting heads. Even to many actually engaged in the census operations, save where it is performed voluntary, it is a matter of how much money one can make. I can well recall my contribution to the census work in 1921, which consisted of no more than writing a number of slips (slip-writing as this used to be called, though it would be more appropriate to describe it as slipshod writing) and entering a few details about age, sex, and occupation. Although with each subsequent census, more particulars have been collected, it is still true to say that the importance of census has not been understood or fully appreciated. And, as for considering the census data as an aid to the promotion of economic and social development, the less said the better. Indeed, this is a new concept which has assumed importance or grown with the concept of economic planning. It is a sad commentary on the preparedness of the underdeveloped countries that they should still be apathetic to, if not unaware of, the profound implications of the census data and demographic research to planned economic development. Dr. V. K. R. V. Rao, the Honorary Chairman of the Seminar on Evaluation and Utilisation of Census Data for Asia and the Far East, doubtless had this at the back of his mind when he urged the Seminar to take a much larger and wider view of census operation than we have been accustomed to take so far in this part of the world. In this connection, he said: "countries of the ECAFE region cannot solve their current problem of poverty, nor get rid of all the stigma of economic backwardness, nor indeed reach their full potentialities of economic growth, unless they resort to social and economic planning. But planning presupposes knowledge of requirements and resources. (Earlier in this address, I should like to say here, Dr. Rao divided resources into human and material and, in pointing out that the Seminar was chiefly concerned with the human aspect, of economic development, added: "man is both producer and consumer; his needs, therefore, determine the objectives of planning, while his abilities determine the strategy for fulfilling these requirements.")

India, (without being too parochial, may I add Bombay?) is undoubtedly fortunate that this Seminar, the first of its kind to be held in the ECAFE region, is being held here. As the Chief Minister of Maharashtra State observed in his inaugural speech, this Seminar "is not only the first international gathering to be held in this new State of Maharashtra after its formation, but it concerns a subject of vital importance to all of us, namely the effect of the rapid growth of population on the standard of living of the people and its bearing on the formulation of plans and policies for economic and social development." Another reason why the Seminar is of particular significance to us — and this the Union Minister of Health pointed out — is that we are "not only on the threshold of the 1961 census but are facing a serious demographic challenge". After listening to the speeches of Mr. Chavan and Mr. Karmarkar, one could not fail to discern the anxiety of the two about such aspects of population as the rapid rate of growth, the migration from rural to urban areas and, above all, the subject of family planning. The Union Health Minister did not mince words when he repeatedly referred to the problem of family planning, which he described as "a problem that can be neglected only at great hazard". It was also clear from the speeches of all the three that the census operations so far have lacked both diversity and dynamism, features so necessary, to make them useful. Although the decennial census offers an exceptional opportunity for collecting valuable information and digging out vital results from a mass of statistical data collected during the census, much of their usefulness is lost to us because they are made available after an appreciable interval of time, as Mr. Karmarkar pointed out, The importance of vital statistics lies not so much in their collection as in their being made available promptly and interpreted precisely. Dr. Rao evidently had all these considerations in his mind when he insisted on the census organisation being not an ad hoc and amateur agency coming into existence and dying within a brief span of time of every ten years, but a permanent and continuous agency having a whole time professional and trained staff which would be continuously engaged in census operations by samples and also in analysis and research, enlarging themselves every ten years for the purposes of undertaking the more comprehensive national census by enumeration. This, no doubt, invites what one may call the coming into operation of Parkinson's Law and all the attendant expenditure, but, as Dr. Rao said, the choice that is left to us is severely limited. It is whether we can afford this necessary luxury or whether we are prepared to carry the stigma of economic backwardness indefinitely.

Dr. Rao, it seemed to me, was unduly apologetic about accepting the Chairmanship. Out of modesty, he said, he had no special qualifications, nor was he a trained statistician. Even after the brilliant address he made and the series of valuable suggestions he threw out, he was seeking the indulgence of his more expert colleagues in the Seminar. There were, of course, present people like Prof. F. W. Notestein, President of the U.S. Population Council, who came to India not only to participate in the Seminar but to deliver a Convocation Address to the students of the Demographic Research and Training Centre at Chembur. (Incidentally, this centre owes its origin to the munificence of the United Nations and the Sir Ratan Tata and the Sir Dorabji Tata Trusts. The person that I missed most on the occasion was Dr. John Matthai, who greatly helped to bring the Centre into being. He was also the first Chairman of the Governing Body of the Centre. It occurs to me that a proper recognition of the late Dr. Matthai's work for the Centre would be to have a full-size oil painting of that great and inspiring personality.)

Among the suggestions that Dr. Rao put forward for the consideration of the Seminar, I would attach the utmost importance to his suggestion for a properly trained personnel, to undertake the census operations. No less important and very interesting too was his suggestion for a simultaneous intensive sample survey, along with each census, of the enumerated household by traineed investigators.

The need for this can be appreciated by what the sample verification count, taken for the first time in the history of census operations, after the 1951 census of India, revealed. It revealed, as Dr. Rao disclosed to the Seminar, an underenumeration of the order of 1.1 per cent. The idea of publishing a handbook along with each census is also an excellent one. But the handbook must be a really intelligent one, giving all the relevant details of the methods and machinery employed in the census. If we had such a handbook accompanying each census operation, any research worker would be able to work out norms of comparability and prepare analysis of census material extending over several decades. But perhaps the most important of Dr. Rao's suggestions to the Seminar was his proposal for linking census investigations with the initiation and continuation of research on demographic problems. As he pertinently observed in this connection an analysis of census data is becoming more and more a technical affair, needing not only the assistance of statistician but also of the economist and the sociologist. The time has come, therefore, when every country, especially in the ECAFE region, should think in terms of delibrately sponsoring and encouraging demographic research. Fortunately for us, we have already a number of demographic research centres, independent of the Governmental machinery. These include the centres in the Institute of Economic Growth, Delhi, and in the Indian Institute of Statistics in Calcutta, beside, of course, the Demographic Research and Training Centre in Bombay. It is gratifying to learn that there are plans for setting up several more of these centres. It is not that there are no demographic research centres which are doing valuable work in other parts of the world. Indeed, valuable contributions have been made by some centres in the West, contributions which are not without their usefulness to us. Even then there are problems which are peculiar to the economically less developed countries and only Demographic Research Centres established in these countries can deal with them by evolving, if need be, new techniques applicable to our situation and environment.

However, whatever original work we may do or whatever special techniques we may evolve, we can never afford to remain impervious to implications of fresh research techniques in other parts of the world. For this reason, I must say it was a well-considered proposal that Dr. Rao made to the participants in the Seminar to observe the working of the Chembur Centre and offer their suggestions for making it more useful for the promotion of Demographic Research as an aid to economic developments in Asia and the Far East. This centre enjoys the good fortune of not only having such reputed academicians as Dr. V.K.R.V. Rao and Dr. P. S. Lokanathan to guide its destinies, but also an eminent Demographist in the person of Dr. C. Chandrasekharan as its Director. Dr. Chandrasekharan, who has assumed charge as Director of this Centre, brings with him a distinguished record of valuable contribution to the science of demography, which has already earned for him international reputation.

Canada's Industrial Progress *

CONTRIBUTED

CANADA is no longer on the fringes of industrialization but ranks among the world's important manufacturing countries. Basic historical developments, such as the opening of the West and the magnitude of requirements of all kinds for World Wars I and II, have been followed by recent discoveries of far-reaching significance. Such events as the discovery of a major oil pool on the Prairies in 1947, the discovery of large-scale deposits of iron and the successful search for uranium have given new dimensions to Canadian thinking and business planning. Yet it is not the mere rate of expansion that is significant. The real signifiance is that never before had there been an advance on such a broad industrial front as in the past few years. A shift gradually took place toward the further expansion of basic industrial capacity and away from investment in consumer goods and services.

The stability of current levels of manufacturing is indicated by the fact that such activity is the result of business assessment of resources and market potentialities. Millions of dollars are being invested in oil because the Prairies can produce oil as economically as other great fields on the North American Continent. Petrochemical plants are being erected because the raw materials are readily at hand. Kitimat is based on the coincidence of abundant and cheap hydro-power and access to ocean transportation, both of which are essential to the low-cost production of aluminium. The exploitation of the Ungava iron deposits rests on the belief that the steel industry of the North American Continent will need the high-grade ores involved in order to meet continuing peace-time demands. No country is in a more favourable position than Canada to supply uranium for the production of atomic energy.

Perhaps the most significant contribution to Canada's post-war growth and potential as an industrial power—presently sixth industrially and fourth in international trade among the nations of the world—is the abundance and variety of energy resources. Thus, to Canada's rich coal resources of some 98,000,000 tons and its abundant and widely distributed water-power resources may now be added the vast resources of petroleum and natural gas in its extensive interior plains, estimated in 1958 to comprise proved recoverable reserves of 3,500,000,000 bbl. and 21,000,000,000,000 cu. ft. respectively. The tremendous activity that has recently taken place in the transporting, refining and marketing of oil and gas energy resources has significantly strengthened the Canadian economy. As a result of several major pipeline operations and the attendant expansion of strategically placed oil refineries, Canada is rapidly becoming self-sufficient in oil and gas, and the economy of the Western Provinces and Ontario is undergoing important structural changes through the establishment of ancillary industries utilizing these fuels; the thriving petrochemical industries close to the major refining centres or near the low-cost natural gas and oil fields are striking examples.

Canada is, moreover, a leading world source of uranium ores, one of the newest and most spectacular of energy resources. Its 20 uranium mines in production at the end of 1958 with 16 processing plants had attained a uranium ore capacity of 39,700 tons a day. Canada is also among the leaders in atomic research for industrial purposes and has under construction an atomic power station for experimental purposes in the technical field of electric power generation through the use of nuclear fuels.

That Canada in ten years has more than doubled its mineral production indicates that it is producing many basic minerals vital to its own economy and in short supply in other countries. Furthermore, the fact that these resources are available in a politically and economically sound Canada has attracted a remarkable inflow of investment capital and technical skills from the United States. Increased Canadian and foreign investment in new mines, in oil fields and related industrial projects, and in new transportation facilities has brought about substantial shifts in Canada's economic geography, broadening the distribution and diversification of industry and strengthening the national economy.

* Canada's National Day—July 1—is an appropriate occasion to review her rapid strides in industry.

It is only in the past two decades that manufacturing has attained its position of pre-eminence in the Canadian economy. When war broke out in 1939, Canadian industry responded to a flood of military orders and expanded and diversified at a dramatic rate. Canada, along with the United States, became "the arsenal of the free world." Productive capacity, inadequate to meet the demands placed upon it, underwent intensive expansion, particularly in the heavy industries producing automobiles, aircraft, ships and steel. There was spectacular development in such fields as aluminum, electrical apparatus, tool-making and chemicals.

The postwar period brought neither a reversal of the outstanding industrial progress of the war years nor any major setback. Reconversion from wartime to peacetime production was completed within two years, and most industries embarked upon programmes of modernization and expansion. The outbreak of the Korean war in 1950, Canada's obligations under the NATO treaty, and heavy annual defence expenditures served to stimulate industries in the fast-developing fields of electronics, jet aircraft and engines, and shipbuilding. Full employment, immigration, a high birth rate—all made for strong and sustained consumer demand.

In less than twenty years the number of manufacturing establishments increased by almost 50 per cent and the total number of workers in industry by about 110 per cent. Manufacturing directly supports nearly one-third of the whole population; it contributes significantly to the employment of other Canadians through purchases by manufacturers and their employees of raw materials, foods, farm products and transportation services, to mention only the more important. There are now as many Canadians employed in manufacturing as in the combined industries or farming, forestry, fishing, mining and construction. The value of manufactures—$9,822,000,000 in 1957—was nearly one-third of the gross national product for that year.

Indicative of the rapid industrialization and changing pattern of Canadian manufacturing production during the past decade is the increasing importance of the industries producing durable goods. Aircraft and parts which did not rank among the leading industries in 1949 advanced to the ninth place in 1957; miscellaneous electrical apparatus and supplies from nineteenth to eleventh place; industrial machinery from twenty-sixth to twelfth place; miscellaneous food preparations from twentieth to thirteenth place; primary iron and steel from eighth to sixth place; and petroleum products from fifth to second place. On the other hand, moderate declines were recorded by some of the consumer goods industries.

Business Notes

Shipping

INADEQUACY OF ALLOCATIONS

THE INDIAN SHIPPING tonnage has no doubt been steadily expanding since Independence, as the table below shows, but one cannot contend that the extent of expansion has been satisfactory, let alone adequate, considering the phenomenal growth in world tonnage, world trade, and India's own international trade.

Period	Second-hand Ships		Ships newly constructed		Total acquisition	
	No.	GRT	No.	GRT	No.	GRT
Pre-Plan (1-1-46 to 31-3-51)	57	252,921	18	80,127	75	333,048
First Plan	42	117,467	31	192,596	73	310,063
Second Plan (Upto 30-11-59)	33	128,193	11	73,582	44	201,775
TOTAL	132	498,581	60	346,305	192	844,886

The inadequacy of Indian tonnage will become particularly obvious if we set down our position against the international setting. The rate of new additions made every year to world tonnage—which stands today around 130 million tons gross—is as high as 9 million tons, largest additions to this evergrowing fleet being made by the major shipowning countries of the world. While countries like Germany and Italy which had practically lost their fleet during the Second World War possess today tonnage higher than what they had in the pre-war days, a number of the countries which did not have to face the ravages of the war, like Norway and Sweeden, have increased their tonnage spectacularly. Thus, while the major maritime countries of the world have been steadily acquiring more and more tonnage annually, India's tonnage expansion, though upward, has been neither remarkable nor commensurate with the country's requirements. On the other hand, India's tonnage has remained for quite sometime now at just a little over one per cent of world tonnage, accounting for the carriage of not more than a meagre 10 per cent of our seaborne trade.

Viewed against this background, the announcement made by the Union Minister for Transport and Communications, Dr. P. Subbarayan, regarding an allocation of just Rs. 55 crores in the Third Five-Year Plan for the development of shipping when he inaugurated the last Annual General Meeting of the Indian National Steamship Owners' Association in Bombay, is bound to cause disappointment. This allocation is far too inadequate to enable this vital industry to make any substantial headway. It is difficult to understand how or why even at a time when the economy is said to be on the threshold of a "take-off" and when no stone is being left unturned both to earn and conserve foreign exchange, allocations to shipping, which is both an important earner and saver of foreign exchange, could be made so grudgingly. If nothing else moves the Government, at least the imperative need to participate in importing the 17 million tons of foodgrains from the United States to the maximum extent feasible ought to provoke it to a better sense of proportion in regard to this question. The first step in this direction then should be to revise upwards the allocation to shipping substantially, or, better still, double the present provision of Rs. 55 crores.

Co-operation

BOMBAY STATE CO-OPERATIVE BANK

THE BOMBAY State Co-operative Bank, one among the three Apex Banks in the co-operative banking hierarchy of the former Bombay State, has been playing a vital role in fostering co-operative movement in the State since 1912. The year 1958-59 (ending June 30, 1959) was another successful period in the annals of co-operation in the State. The credit goes to the Bombay State Co-operative Bank, though generous and timely accommodation by the Reserve Bank of India and the net-work of branches, which the State Bank of India had been building up, played no less a significant role in bringing about this success of the movement.

Its deposits, which had more than doubled in the last decade and which stood at a level of Rs. 17.20 crores on June 26, 1959, constituted a little more than one-third of the total deposits of all the sixteen Apex Banks combined together. This improvement in deposits had enabled the Bank to meet the credit needs of the affiliated institutions and place less reliance on refinancing facilities as compared to other Apex Banks. In the year under review, the Bank improved its resources—paid-up capital, reserve funds, borrowed capital, deposits etc.—by about Rs. 5 crores, and three-fifth of this addition

came from a rise in deposits. This raised the share of deposits in the total resources from 56 to 57 per cent This increase in deposits was in tune with the rise of deposit of the banking system as a whole in 1958-59.

The demand for financial accommodation broadened considerably during the year under review, though on account of improved repayments, outstandings at the close of 1958-59 showed a net rise of Rs. 80 lakhs only. The bulk of lendings was for financing short-term agricultural operations and this had a definite bearing on the increased agricultural output in 1958-59. Income, largely in the form of interest received on loans, was up by about Rs. 10 lakhs, but profits increased by Rs. 1.5 lakhs only. This was because of larger appropriation under the head interest paid on borrowed capital and deposits which increased by about Rs. 4.7 crores in the same year.

A well-merited tribute ought to be paid to Mr R. G. Saraiya who retired on 14th October 1959 from the Chairmanship of the Bank, for his invaluable services. It is largely because of his sterling guidance as Chairman (1938-59) and Director (1932-59) that the institution continued to occupy a dominating position among all the Apex Banks in the country.

Rayon

NATIONAL RAYON'S STEADY PROGRESS

THE NATIONAL RAYON CORPORATION achieved a higher level of turnover during 1959. While the output increased as compared to the previous year, the figure for cost of raw materials consumed was considerably lower. This is essentially due to the fact that caustic soda, the principal raw material required for the manufacture of rayon yarn, was produced by the company itself. The company's plant worked at full capacity so that it did not have to purchase imported caustic soda and instead, only salt and raw materials required for the manufacture of caustic soda were purchased. The company has not, however, been able to make proper use of chlorine, an important by-product of caustic soda, because it does not have sufficient number of cylinders and other containers. As the empty containers return to the company very late it is considering the purchase of some more cylinders. At the present time production of chlorine compounds is in the research stage and depending on its success it may be manufactured on a commercial scale.

Mr. Kasturbhai Lalbhai, Chairman of the Company disclosed at the last annual meeting that the scheme for the production of Tyre Cord was progressing well and expressed the hope that production would start some time in the second half of 1961. This section will certainly prove fruitful as the number of tyre manufacturing companies is growing rapidly. On the score of the distribution of Rayon Yarn, which is practically controlled by the Government due to shortage, the Chairman has made a pointed reference to the fact that there have been delays in the issue of necessary quota certificates and cards for the distribution of yarn, although the scheme has been in operation for a period of three years. "The office entrusted with the work," he added, "still takes about two to three months to distribute cards to consumers". This delay perforce necessitates the holding of larger stocks by the producers and is detrimental to the industry as well as the consumers. The Government ought to investigate this complaint to eliminate avoidable delays.

Engineering

PROGRESS OF KAMANI CORPORATION

AT THE 14th Annual General Meeting of the Kamani Engineering Corporation Ltd. Mr. R. H. Kamani, Chairman of the Corporation, spoke with confidence of the progress attained by the Corporation. In a nutshell, the progress achieved is demonstrated in the record production, technical collaboration for railway electrification work with its Belgian partner and further development in the manufacture of Mark II "Tractamount" Road Rollers with latest improvements. The encouraging aspect in the development of the Mark II Kamani-Twose Tractamount Road Roller is that not only will it supply the necessary machinery for road development, but would also save considerable foreign exchange. In regard to the railway electrification work, the first contract received by the corporation is for the supply and installation of 25 Kv. A.C. Traction Overhead Equipment over Kharagpur-Tatanagar Section of the South Eastern Railway at an approximate value of Rs. 56 lakhs. With a larger electrification programme envisaged for the railways in the Third Plan, more opportunities will be opened up to the corporation,

In addition to all this, is the satisfactory development in the field of exports. First of its kind to be exported from India is the Kamani Engineering's modest consignment of 47.6 meters high communication Mast exported to Thailand for the Royal Irrigation Department, Bangkok. Thailand is in need of engineering goods in particularly the transmission line towers. Every effort needs to be made to cater to that market. Greater exports to that country could help us in paying for the much-needed rice. In the country itself Kamani's have supplied to important power projects over 50,000 tons of towers ranging from 22 KV to 220 KV. They have designed as many as 200 different types of towers for about 59 projects, 100 sub-station structures and about 30 Aerial Communication Masts. The Corporation is thus firmly set on a new phase of expansion.

Bicycles

SEN - RALEIGH'S FORWARD RECORD

THE BICYCLE industry in India attained another peak in the field of production so that output during 1959 increased over the previous year by 30 per cent. In line with the industry in general, Sen-Raleigh Industries have been able to achieve an expansion of about 50 per cent in their production and sales of bicycles over 1958. One notable development in the industry has been the successful operation of a bicycle export pool organised by the Cycle Manufacturers' Association of India. Sen-Raleigh Industries in this respect played a prominent part and contributed nearly 70 per cent of the total exports during 1959. This fine record of the Company speaks of the quality of its products which were appreciated in the foreign market. It may be added that no little part in the improved working of the industry was played by the import licensing policy of the Government of India. As the foreign exchange position became less stringent, a simpler and rational import licensing policy was introduced which has helped the industry considerably.

Although the output targets in the proposed Third Five-Year Plan for the bicycle industry are bound to be higher, at the moment the Government of India has a policy to restrict the issue of licences for additional units. The Chairman, Mr. Abhijit Sen, pointed out at the annual general meeting, held recently in Calcutta, that the Company is thinking along fresh lines of branching out into such allied lines of light engineering manufacture where capacities are granted more easily and fed to the fullest extent by release of raw materials. The Company already has a reputation for quality and for technical ability in developing light engineering goods which certainly would stand in good stead to obtain industrial licences. It goes without saying that such diversification into new lines of manufacture will help turnover and reduce overheads considerably. It need not, however, shift the Company from its main line of activity where it has established itself during the last few years.

Current Topics

CUT IN U.K. ATOMIC POWER PROGRAMME

The British Government's accelerated £919 million power station programme, which was announced in 1957, is to be cut by £90 million.

THE main reason for this, says a White Paper published last week, is that coal has become plentiful and oil supply prospects improved. Another reason for the reduced programme is the extent of the fall in the cost of producing electric power from the new conventional stations.

The White Paper says: "Since 1957, coal had become plentiful and oil supply prospects have also improved. The need on fuel supply grounds for an immediate and sharp acceleration in the rate of ordering nuclear capacity has, therefore, passed. Although the cost of electricity from the first nuclear stations to be commissioned next year will be rather higher than earlier estimates, the costs of later stations are following closely the downward trend foreseen in 1957. What was not foreseen was the extent of the fall which has also taken place in the costs of conventional power from new stations."

The developmen of larger generating sets, it says, has reduced the capital cost of these new stations and the use of higher steam temperatures and pressures has increased their efficiency. Siting of new stations near to low-priced coal sources has also had an advantageous effect.

The White Paper says that the national interest will best be served by continuing for the time being to place orders for nuclear stations at the rate of about one every year. At this rate, there should be at any time five or six stations in various stages of development. Because the capacity of individual stations is likely to increase, this decision should produce a steadily rising rate of nuclear commissioning which should give the country about 5,000 megawatts of capacity in 1968.

However, despite the present world surplus of coal and oil, says the White Paper, Britain still faces the eventual prospect that her growing energy demands will call for more and more supplies of nuclear power. By 1975 power stations will be consuming the equivalent of some 125 million tons of coal a year — well over double the present rate — and by the 1980's their annual requirements would reach the equivalent of 200 million tons. In the long run, Britain shall, therefore, need increasing supplies of nuclear power. In about 10 years' time it should be cheaper to generate base load in nuclear stations than in conventional ones provided Britain achieves the technological progress that is expected.

Sir Roger Makins, chairman of the U.K. Atomic Energy Authority, questioned about the statement in the White Paper that there would be some loss to the Authority, said that a large part of the loss would be due to the stocks of uranium secured to meet the 1957 programme. "It was necessary to procure uranium on long-term contract", said Sir Roger, "and there had to be installation of capacity to fabricate and process the fuel. The loss is a substantial figure — some millions — I would not like to say further than that."

PRODUCTION OF STAINLESS STEEL

It is proposed to make a trial run for the production of 100 tons of nickel-free stainless steel in the new Alloy and Special Steel Plant to be put up in the public sector. The economics and prospects of production on a commercial scale will only be known after the success of the trial test.

THE metal, which is included under the broad category of stainless steel, is used for all kinds of domestic utensils, pressure cookers, cooking ranges, wash-basins and sanitary fittings. It is also used in hospital ware, dairy equipment, decorative and architectural purposes, steel furniture and high strength structural members. This category of steel may also be manufactured at the special steel plant in the private sector the application for which is already under consideration of the Government.

The public sector special steel plant was originally planned to produce about 40,000 tons of special steel ingots with provision in the layout for rapid expansion to 80,000 tons. But as the demand for special steels is growing rapidly, it may be necessary to have a larger plant initially. In the agreement with the consulting engineers, therefore, an alternative scheme for a works with an initial output capacity of 80,000 tons of ingots a year calculated to yield 50,000 tons of saleable finished products and capable of rapid expansion to 160,000 tons of ingots a year, calculated to yield 100,000 tons of saleable products, has been included. The location of the plant will be decided after examining the detailed project report. The consulting engineers are to examine the suitability of the site at Bhadravati, Rourkela, Bhilai and Durgapur and make recommendations on their relative merits.

The private sector plant — Tatas — have submitted a scheme for setting up an alloy and tool steels plant with an initial capacity of 100,000 tons of ingots or 60,000 tons of finished products per year. According to their scheme the plant is to be located near their main Works at Jamshedpur from where clean scrap will be readily available without much transport difficulty and cost.

*

The year 1959 was notable in Britain's economic annals as a year of rapidly increasing activity which culminated in November with a record total working population estimated at 24,385,000. The annual report of the Ministry of Labour, published on June 28, states that by the autumn overtime had risen to a very high level and short-time working had fallen to one of the lowest levels recorded. Although the year started with nearly 621,000 registered unemployed—the highest number since 1947—the fall in this number brought the average down to 475,000. The fall in the course of the year was nearly 200,000, and unemployment became essentially a local problem.

A DELHI NOTEBOOK

HEAVY PLATE AND VESSEL WORKS

SOME details are now available of the recommendations of W. S. Atkins and Partners on the establishment of a Heavy Plate and Vessel Works in India. "The works would provide a market for the steel plate to be manufactured by India's large new iron and steel industries and would supply a market created by general industrial expansion." The works will be a jobbing shop capable of making a very wide range of products from heavy steel plate, the main portion of the output being vessels (both pressure and non-pressure vessels) and containers with their ancillary pipe-work and supporting structures. As the products of the works are to be mainly "purpose built" there will be little scope for adoption of the methods of mass production.

W. S. Atkins and Partners have expressed the opinion that it would be desirable that the works is self-contained, capable of completing the job in a form ready for use by the consumer. For this purpose, they have included in their scheme both heavy machining capacity and facilities for fabricating structures. A few ferrous and non-ferrous castings, however, would have to be obtained from other sources.

The works will have a manufacturing capacity for working plates 1½ inches thick and for hot pressing plates 2 inches thick. Vessels would be made up to 15 feet diameter and 100 feet long, although larger vessels could be made by making special arrangements. The planned output is 12,000 tons per year when working on a single shift basis, but provision is made for extending the shops to raise output by approximately 30 per cent. This output, however, would only meet a fraction of India's demand.

A typical sub-division of the various kinds of platework and ancillary work is as follows:

Product	Typical Yearly Output Maximum Size	Output (In tons)
Plate pressings	15 feet diameter	2,000
Heavy flat and rolled platework	3 inches thick	2,800
Light flat and rolled platework	1 inch thick	3,000
Structural work	All rolled sections	3,200
Ancillary pipework	14 inches bore	200
Machined parts	—	800

A total of 142 staff and 654 work people would be required for the scheme with single shift working. The total capital cost, including working capital and commissioning expenses but excluding the cost of the land required, is estimated at Rs. 619.06 lakhs. After two years' working, when the works should be in full and efficient production, the profit is estimated as Rs. 152.69 lakhs per year after allowing for depreciation. This gives a return of 27 per cent on the capital outlay before allowing for provision for taxation. The estimated capital and operating costs are based on prices ruling in July 1959. Although certain provisions are incorporated for rising prices, the financial conclusions of the report are subject to changes in price level. It is estimated that 2-1/3 years would be required to complete the project, with an additional period of at least 4 months for running-in, depending upon the experience of the staff and technicians.

No specific site has been recommended in the report as W. S. Atkins and Partners were not required to go into this matter. In preparing their report, they have made some assumptions, the important of them being (1) that sufficient electrical and water supplies would be available on the chosen site; (2) that the works would be located within a reasonable distance of the supply of steel plates, steel sections and castings; and (3) that adequate staff and labour would be easily available.

To achieve a flexible production unit capable of manufacturing the wide variety of products, the works is planned to have three main fabrication bays; namely the heavy vessel shop, the light vessel shop and the structural shop. The remaining bays, comprising two stockyards, the marking and preparation bay, the press shop and the machine shop, will provide service to the fabrication shops.

THIRD PLAN

The latest reports indicate that the draft of the Third Five-Year Plan will be published for public comment by the end of the next week. In addition to the inclusion of the fourth public sector steel plant, to be set up at Bokaro, the final draft, it is understood, contains a provision for a higher coking coal target. The coking coal target, it is learnt, has been stepped up from 9 million tons to 11 million tons and the major portion of this output will come from the private sector.

Some details about the Bokaro Steel Plant too are now available. It is learnt that this plant will be a second Rourkela so far as the end-products are concerned. It will mainly manufacture plates and sheets which are currently in short supply and which are likely to remain so far another few years to come.

An important feature of the Third Plan, it is further learnt, is that at least the first two years of it would be devoted to the preparation of detailed reports of the projects included in it. During these years, therefore, the actual expenditure in the public sector may not be according to schedule. It is largely for this reason that the view is held in some circles that the foreign exchange requirements of the first two years of the Third Plan may prove to be over-estimates.

DISTRIBUTION OF PETROLEUM PRODUCTS

The Government of India, reports suggest, is in favour of utilizing service co-operatives for the distribution of petroleum products like kerosene, wherever feasible. The oil companies, it is said, have already been informed of this move and they are credited with having assured the Government of their co-operation. The service co-operatives will assist the newly set-up Government-owned oil marketing company, the Indian Oil Co. Ltd., in its operations. The Indian Oil Company, it is understood, has already applied to the International Co-operative Petroleum Association, for affiliation. The ICPA at present has affiliates in nearly 20 countries, including Egypt and Israel.

ELECTRIFICATION OF EASTERN RAILWAY

The implementation of the second phase of the electrification programme of the Eastern Railway system, it is learnt, is well underway. The Railway Board has placed an order with the British Insulated Callenders Cables Group for the supply and installation of overhead equipment for 25 A.C. electrification on some 300 track miles between Gaya and Moghalsarai, on the main line connecting Delhi and Calcutta. The contract is worth £1,200,000 and is to be executed by July next year. The equipment to be supplied is similar to the one being installed at present on the South-Eastern Railway system.

CALCUTTA PORT SERVICES

The Government of India has decided to set up a one-member committee, consisting of Mr. S. N. Guha Roy, a retired judge of the Calcutta High Court, to enquire into the conditions of service of the six Marine Services—Assistant Harbour Masters' Service, Hooghly Pilot Service, Dredger and Despatch Service, Marine Engineers' Service, River Survey and Berthiug Masters' Service—at the Calcutta port. This follows the putting in of a series of demands by each of these services, which the Governmnt thinks can best be dealt with collectively by one person.

WORLDGRAM

India

Good-Year's New Tyre Project: Details of the erection of the Rs. 6-crore tyre and rubber manufacturing plant at Ballabgarh, 21 miles south of Delhi, were revealed by Mr. R. E. O. Carey, Managing Director of the Good Year Tyre & Rubber Co. of India Private Limited. The 71-acre site was chosen after a careful study of various factors, and was encouraged by the desire of the Government of India to industrialise this area, and to equitably distribute the manufacture and marketing of tyres. This will be the most modern tyre factory in India and will operate the very latest in equipment. In addition, it will introduce into India the revolutionary new processing of tyre fabric—called 3-T, which has been developed by Good Year technicians after years of reserach and considerable investment. The 3-T unit is a factory within a factory. Mr. A. G. Buckley, Manager, Construction Engineering of Goodyear, Arkon, Ohio, who is in charge of construction, stated that the plant is expected to be completed early in 1961. It will employ approximately 900 workers and manufacture a complete range of passenger, truck and farm tyres and tubes. The project is a part of the programme of Goodyear—the world's largest tyre company—to place before all its overseas organisations, the benefits of its experience, resources and technical skill.

*

Liquid Fuel from Coal and Blast Furnace Gases: The possibilities of producing liquid fuel from low grade coals and blast furnace gases are now being investigated at the Indian Institute of Technology at Kharagpur. A 100-gallon per day capacity pilot plant for the production of synthetic fuel from coal has been designed and fabricated in the Department of Chemical Engineering of the Institute. Its working will provide data for the design, construction, operation and maintenance of a commercial plant.

*

Bhilai Steel Billets for East Pakistan: The first consignment of 600 tons of mild steel billets produced at the Bhilai Steel Works was dispatched from Bhilai recently for East Pakistan. This is for the first time the Hindustan Steel billets from Bhilai are going to a foreign country. The Bhilai Steel works have produced more than 120,000 tons of steel billets which have been despatched to re-rolling mills all over India.

*

Manufacture of Scooters: The Enfield India Limited Tiruvottiyur, will commence production of scooters from 1961. This factory which is the only motor cycle manufacturing unit in West and South-East Asia and which is now annually turning out 5,000 Royal Enfield motor cycles, is licensed to produce 6,000 scooters a year. The Government of India have given formal sanction for the manufacture of scooters by the factory.

U.S.S.R.

Joint Beneficiation Combine in Urals: Work has started on a giant beneficiation combine at Kachakanar, near the Urals city of Nizhni Tagil. The undertaking will take up an area of 100 square kilometres. It will process the Kachkanar iron ore the resources of which, according to preliminary estimates, will last for 130 years if worked at 30 million tons a year. The first section of the combine will be put into operation in 1961. By the end of the Seven-Year Plan (1965) it will have become the principal supplier of enriched ore to the iron and steel industry of the Central and Northern Urals.

U.S.A.

Assistance to India: The United States Government's assistance rendered to India up to June 18, 1960, is as follows:

	Dollars (Million)	Rupees (Crores)
Aid under Indo-American Technical Co-operation Programme	475.4*	226.3
Public Law 480, Title I	2,243.5	1,067.9
Development Loan Fund	281.1§	133.8
Export-Import Bank credits	165.4	78.7
Wheat Loan of 1951	189.7	90.3
Agricultural commodities distributed through voluntary agencies (Public Law 480 Title III	102.1	48.6
Famine relief grants to Indian Government (P.L. 480—Title II—$4.9 million + ICA—$5.5 million)	10.4	4.9
Total	3,467.6	1,650.5
Breakdown		
Loans repayable in dollars	355.1‡	169.0
Loans repayable in rupees or dollars	1,493.7†	711.0
Grants to Indian Government for economic development	1,051.8¦	500.7
Amounts under PL 480, Title I reserved for U.S. Government use (including funds for loans under the Cooley amendment)	448.4	213.4
Famine relief grants to Indian Government	10.4	4.9
Agricultural commodities distributed through voluntary agencies (PL 480, Title III)	102.1	48.6
Foreign currencies programme	6.1	2.9
Total	3,467.6	1,650.5

* As of 30th April, 1960. Includes $6.1 million worth of foreign currencies made available to India in exchange for rupees.

§ Includes $10 million DLF loan to National Small Industries Corporation announced on June 17. This is the only change in the statistics since last fact sheet dated June 4, 1960.

‡ Consists of wheat loan of 1951 and Export-Import Bank credits.

† Loan portion of PL 480, 1st to 5th agreements $1,062.6m
Development Loan Fund loans 281.1 „
4 loans granted by TCM 150.0 „
$1,493.7 „

¦ Grant portion of PL 480, 1st to 5th agreements $ 732.5 „
Aid under Technical Co-operation Programme ($475.4 million) less loans ($150 million) and foreign currencies programme ($6.1 million) $ 319.3 „
$1,051.8 „

United Kingdom

Economic Aid to India: Details of the amounts of loans, grants and other forms of economic assistance made available by the British Government to India since she became an independent member of the Commonwealth were given in the House of Commons

June 21 by Mr. C. J. M. Alport, Minister of State for Commonwealth Relations. Mr. Alport, in a written answer to a question put by Mr. George Thomson, gave these figures:

(a) Loans made under Section 3 of the Export Guarantee Act tied to U.K. goods and services, 1958, for the Durgapur steelworks £15,000,000; 1958, for general imports $28,500,000; 1959, for the Assam pipeline £3,000,000; 1959, for general imports £19,000,000.

(b) 1958, advance repayments of surplus pension funds due to India £22,000,000.

(c) 1951-59, technical assistance costing approximately £1,400,000.

*

Modernising Iraqi Irrigation System: A British firm's scheme for modernizing an irrigation system near Baghdad has been approved by the Iraqi Economic Planning Board, it was stated in London on June 21. It is estimated that the work will cost £17,000,000. The Iraqi Ministry of Agriculture has been instructed to sign a contract with the firm (Sir M. Macdonald & Partners). The scheme is intended to improve the existing system of irrigation in the Diayala area, which extends north-east of Baghdad, by using water stored behind the Derbendi Khan Dam, now being built.

France

Warning Device for Icy-roads: The Jules Richard Company, which is well known for its measuring and weather devices, has just developed a new device for warning of frost and icy road conditions. The new device will be used by the Bridges and Highways Department, at airports, by rail-roads (for switches and on traction cables), by port installations and for various purposes in mountainous country.

Italy

Laying the Assam-Bihar Pipeline: An Italian-German combine, SAIPEM (of ENI Group) and MANNESMANN ROHRLEITUNGSBAU, has been recently awarded the contract for laying the 720 miles long pipeline which will convey the crude oil drilled in Nahorkatiya, Assam, by Oil India Pvt. Ltd. to the new refineries of Gauhati and Barauni. The first stretch, connecting the oilfields to the refinery of Gauhati, will be 260 miles long, and the diameter of the pipes will be 16". The second stretch, which will reach the refinery of Barauni, Bihar, will be 460 miles long and the diameter of the pipes will be 14". The pipe laying work will take about two years. The pipeline will run mostly through jungle, tea gardens and paddy fields, and will require the crossing, either suspended or submerged, of several rivers. The approximate cost involved in the execution of the project is calculated at about US $12,500,00.

Japan

MITI Releases White Paper on Japan's Foreign Trade: The Ministry of International Trade and Industry has recently released a White Paper on Japan's Foreign Trade (1960 edition). The latest White Paper, the 12th of its kind to be published since the first edition was issued in 1949, analyses the current picture of Japan's foreign trade on the basis of trade developments in the calendar year 1959, and points out various problems to be tackled in the period ahead, placing special emphasis on the question of liberalizing Japan's foreign trade and exchange controls.

U.A.R.

Locust Control Agreement: Seventeen of the 19 countries participating in the UN Special Fund's six-year project for controlling the desert locust have now signed formal agreements with the United Nations. The Food and Agriculture Organization is the executing agency for the $ 3.8 million project, which seeks to reduce losses from locust damage in an area stretching from the western part of Africa through the Arabian penninsula and the Middle East into Pakistan and India.

The United Arab Republic is the latest country to sign an agreement. The other 16 are Ethiopia, France, Ghana, India, Iran, Iraq, Italy (Somalia), Jordan, Lebanon, Morocco, Pakistan, the Sudan, Tunisia, Turkey, the United Kingdom and Yemen. The other two participating countries are Kuwait and Saudi Arabia.

Rumania

Production of Mineral Fertilizers: According to the provisions of the draft Directives of the Third Congress of the Rumanian Workers' Party for the plan of development of the national economy in the years 1960-1965 and for the long-term economic programme, Rumania's production of mineral fertilizers will reach some two million tons in 1965. In the plan of development of the industry of fertilizers, particular attention is paid to the production of nitrate fertilizers which have a powerful basis of raw material—the methane gas. A factory of nitrate fertilizers has started functioning at the chemical combine of FAGARAS which, by the chemical treatment of the methane gas, will yearly produce 100,000 tons. Assembly work is also going on in a combine of nitrate fertilizer in Moldavia with a production capacity of 210,000 tons a year which is to start operation in 1961.

Yugoslavia

Trade with East European Countries: As shown by the statistical data available, Yugoslav trade with the countries of Eastern Europe during the first quarter of 1960 was at an appreciably higher level than in the corresponding period of 1959. The value of exports was raised by 1.3 billion dinars and totalled 7.8 billion in all. This proves that the upward trend of exports registered by the end of 1959 was continued at the beginning of 1960; on the other hand imports from the East European countries were also increased appreciably having reached about 17 billion dinars during the first quarter of 1960 against only 5.04 million during the corresponding period of 1959.

Belgium

Biggest Power-Station Turbo-Alternator in the World: Two turbo-alternators which can be considered at the moment as the biggest units in the world designed for a speed of 3,000 r.p.m. are shortly to be installed in France, in the central power-stations of the E.D.F. The machines in question will be built in France according to the plans supplied by the Belgian firm of Ateliers de Constructions Electriques de Charleroi, which recently finished the complete study thereof.

F.A.O.

Freedom-From-Hunger Campaign: The world-wide Freedom-From-Hunger Campaign sponsored by FAO will be launched in the various countries on July 1st. In India, where a National Campaign Committee has been constituted under the chairmanship of Dr. Panjabrao Deshmukh, Union Minister for Agriculture, for participation in the five-year Campaign, the Campaign will be inaugurated on July 1st with a recorded broadcast talk to the nation by Dr. Rajendra Prasad, President of India. The proposal for a Freedom-From-Hunger Campaign was first conceived by the Director-General of FAO and outlined at the meeting of the Economic and Social Council (ECOSOC) in the summer of 1958. The proposal was later discussed at length at the Tenth Session of the FAO Conference in November 1959. The main objectives of the Campaign it will be recalled, are to promote a better understanding of the problem of providing adequate food for the present and future world population in the light of the rapid increase in populations and of all the methods available for bridging the gap between available and optimum food supplies, and to stimulate national and international action with a view to bridging the gap. To achieve these ends, the activities related to the Campaign will fall into four broad categories, viz. informational and educational; research; national action programmes; and FAO guidance when requested for Technical Assistance projects and programmes.

NEWS IN BRIEF

INDIAN

According to an analysis made by the World Trade Department of the Indian Chamber of Commerce, India's exports of tea, jute goods, cotton textiles, and engineering goods showed substantial increases in the first quarter of 1960 over the corresponding period of 1959.

*

Agriculture and weaving head the list of crafts whose educational potential as a medium of children's education has been the subject of research at the National Institute of Basic Education in New Delhi.

*

The programme of training extension personnel has been geared to meet the full requirement of 50,000 gramsevaks and 10,000 gramsevikas by October, 1963.

*

Over Rs. 605 lakhs were earned as revenue by the Damodar Valley Corporation from the sale of power, produced by its network of power houses, in the year 1959-60. The cumulative sale of power during this period was about 1,312.5 million KwH.

*

The attention of the Government of India has been drawn to the insistence by many Indian companies on the production of Estate Duty Clearance Certificates under the provisions of Section 84(2) of the Estate Duty Act, 1953, before allowing mutation of shares held by deceased members in the names of their heirs or successors.

*

A six-member technical team of officials left recently for Poland to study the projects for which the Polish credit of Rs. 14.3 crores could be utilised.

*

The import of rice and paddy, including their products, into Rajasthan has been prohibited, according to an extraordinary gazette notification issued by the Central Government.

*

As a measure of export promotion, the Government of India propose to grant drawback of duty on iron castings at the rate of Rs. 10 per ton, consequent on the imposition of Central Excise duty and a corresponding increase in the rate of import duty with effect from March 1, 1960.

*

The Government of India have referred the dispute between the Madras Port Trust and their employees to the Additional Industrial Tribunal, Bombay, for adjudication.

*

The Government of India have sanctioned the purchase of two shipping tugs for the major port of Vizagapatam at a cost of about Rs. 78 lakhs. The tugs which are required to provide facilities to the ships coming into the port, are to be built in India.

FOREIGN

In line with its policy of encouraging private investment in developing Greek industry, the Government has decided to hand over the development of the new Greek sugar-refining industry to a mixed company. The headquarters of this company will be at Salonika

*

Soviet exports of oil and oil products moved up from 4.2 million tons in 1953 to 25 million tons in 1959, according to figures published in the latest issue of "Vneshnaya Torgovla" (Foreign Trade). In the same period exports of iron ore moved up from 6.3 to 13.4 million tons; rolled steel from 1.2 million tons to 2.4 million tons and sawn timber from 1.3 million cubic metres to 4.4 million cubic metres.

*

It is reported that by 1962, Mexico will have 28 petro-chemical plants. Half of these are already under construction.

*

The Government of South Africa is backing a sea-going exhibition of South African products in an attempt to open new markets in the Persian Gulf area.

*

Two Czech concerns are to build eight factories in Cuba for completion of next year. Recently Dr. Castro announced that negotiations were going on with Czechoslovakia for the purchase of 70 complete plants, to be built in Cuba during the next three to four years.

*

Increased quotas for the export of consumer goods and machinery and equipment were agreed at the annual review of Anglo-Soviet trade which finished in London recently.

*

A large number of new jobs for people in Scotland, particularly in the engineering and chemical industries is envisaged by the Scottish Council (Development and Industry) as a result of its energetic campaign to attract new industry north of the border.

*

Under an agreement between the International Harvester Company of Great Britain and S. A. de Construcciones Agricolas of Sevilla, a version of the IHB-275 tractor is to be made under license in Spain.

*

The Export-Import Bank has announced the granting of a $ 5 million six-year credit to the Central Bank of Chile, which in turn, will lend the fund to Chilean businessmen for the purchase of U.S. equipment and services.

*

The Bundesbank is renewing two credits to the World Bank totalling $55 million at interest rates below the normal commercial level.

*

The Italian Government is studying possible changes in taxes on stock transactions along with changes in the general taxation system.

*

It is reported there was a bigger expansion in the planting of coffee, tea and pyrethrum in African farming areas of Kenya during 1959 than in any previous year. In the case of coffee, 5,800 arcres were planted and the estimated African crop currently being sold from earlier plantings is 4,785 tons, which has an export value of £1,900,000.

COMMODITY NEWS AND NOTES

RUBBER PRODUCTION IN CEYLON

Rubber production in Ceylon in the first quarter of 1960 showed an increase of about 40 per cent over the comparable quarter of 1959. The amount exported rose by 31.3 million pounds to 87.7 million pounds. Of the total exported, 62 per cent was in the form of sheet rubber, a predominant portion of which was shipped to China. The rest of the shipment consisted of crepe rubber. The steep increase in the volume of rubber shipments in the first quarter of this year was mainly due to an increase in the level of exports to China. Smaller increases were also recorded in respect of the United Kingdom and Canada. In contrast with the rising trend of Ceylon rubbers to most markets, shipments to the U.S.S.R., which had totalled about 8 million pounds in the first quarter of 1959, declined sharply to slightly under 1 million pound in the period under review.

NO BAN ON EXPORT OF WHEAT, RICE OR JOWAR FROM MAHARASHTRA TO GUJERAT

Reports have been received from various foodgrain dealers, merchants, Associations, Chambers of Commerce etc., alleging imposition of ban by the Maharashtra Government on the export of wheat, rice and jowar from that State to places in Gujarat State. The Government of India has been informed by the Government of Maharashtra that no statutory restrictions have been imposed on the export of wheat, rice or jowar from that State to Gujarat State.

WOOL PROMOTION TALKS IN HONG KONG AND JAPAN

A series of wool promotion talks are now taking place in Japan and Hong Kong between representatives of the New Zealand Wool Board and leaders of the respective wool textile industries. Those from New Zealand taking part in the talks includes Messrs H. J. Wardell, chairman of the New Zealand Wood Board, J. Acland, deputy chairman, and J. D. Fraser, general manager of the Board. Before leaving Wellington, Mr. Fraser said that the visit to Hong Kong was being made for the purpose of launching wool promotion activities there. Hong Kong would become a centre of wool promotion throughout the Far East and was regarded as a show window for Communist China, whose shipments of New Zealand wool increased from 7,500 bales in July 1958/February, 1959 period to 25,000 bales in the same period ending February this year. Japan took 32,500 and 41,500 bales in the same two periods. These talks follow the decision at the recent London meeting of the International Wool Publicity and Research Fund executive to launch an unprecedented wool sales-promotion campaign in the Far East.

CEMENT PACKING CHARGES FOR JULY-SEPTEMBER

The Government of India have fixed the packing charges for cement for the next quarter commencing from July 1, 1960, at Rs. 18.77 per ton (20 bags) in new D. W. Heavy Cees quality gunny bags. All the State Governments have been informed accordingly. The packing charges for cement are fixed every quarter on the basis of the average of the maximum and minimum market price for packing material during each week of the immediately preceding nine months plus Rs. 1.25 per ton to cover incidental charges. On this basis, packing charges for the current quarter were fixed at Rs. 12.80 per ton for New D. W. Heavy Cees quality gunny bags.

DEMAND FOR COTTON

Demand for cotton in international markets continued strong in the first quarter of this year, reflecting the continuing growth of cotton consumption—now estimated to reach some 31 million bales in 1959-60—and the replenishment of stocks in importing countries. Cotton prices have therefore stayed firm or increased further. The long and extra long staple cottons in particular have benefited, and their premium over medium staples, which had become unusually small in the 1958-59 season, has again assumed more normal proportions. A major part of the Egyptian cotton exports has in recent years been sold to the U.S.S.R., Eastern Europe and China (nearly 70 per cent in 1958-59), and demand from those countries has been strong this season, too. A larger share than last season, however, has been sold to Western Europe and Japan, as well as to India which has experienced domestic supply difficulties owing to a reduced crop. Therefore, the over-all demand for Egyptian cotton has been very strong.

B. I. C.

THE

BRITISH INDIA CORPORATION LTD.,

KANPUR.

Branches:—Cawnpore Woollen Mills Branch, Cooper Allen Branch, North West Tannery Branch, New Egerton Woollen Mills Branch.

Subsidiary Company:—

BEGG, SUTHERLAND & CO. PRIVATE LTD.

Managing Agents for:—Elgin Mills Co., Ltd., Brushware Ltd., The Cawnpore Sugar Works Ltd., Champarun Sugar Co., Ltd., Cawnpore Textiles Ltd., Saran Engineering Co., Ltd.

Secretaries of:—The Beta Picker Co. Private Ltd.

Agents for: **The Royal Exchange Assurance.**

SECRETARY TO ... 8 - JUL 1960 PUBLIC DEPARTMENT

COMPANY AFFAIRS

THE AHMEDABAD MANUFACTURING AND CALICO PRINTING COMPANY LTD.

The annual report of the Company reveals that the cost of production in the cotton textile industry has been increasing and during the year to March 31, 1960, the raw material position caused some amount of concern to the producers. The supply of foreign cotton was severely limited on account of India's foreign exchange shortage. Towards the end of the year, due to a substantial shortfall in the Indian cotton crop, Government controlled Indian cotton by fixing ceiling prices and rationing supplies by quota system.

In response to the appeal by Government for larger exports the Company made a bid for export market. Senior members of the sales staff travelled to several countries to establish contats and ascertain consumer preference. On the basis of these investigations distinctive designs were prepared to suit the tastes of export buyers. It is reported that the results achieved during the last six months were fairly satisfactory.

Considering that there has been an increase in cloth produced by hand and power-looms and most of the weavers have no facilities for bleaching and finishing their products, the Calico Mills have purchased the shares of Rajindra Dyeing & Printing Mills Private Ltd. which had a small processing unit in Ahmedabad. It will be necessary to re-equip the unit in order to make it an efficient and modern independent cloth processing plant.

The Company was granted permission to issue Debentures of the second series for Rs. 1.48 crores ranking pari passu in point of security with the debentures of the first series. The Company proposes to borrow money from banks against the security of these debentures. The building for the Polyvinyl Chloride and Calcium Carbide Plants have been completed and machinery erection is proceeding satisfactorily. The plants are expected to go into production during 1960-61.

During the year under review there was a substantial rise in profits to Rs. 2.04 crores against last year's Rs. 1.59 crores. The Directors have credited Rs. 6.23 lakhs to the Statutory Development Rebate Reserve and Rs. 2.08 lakhs to Rehabilitation and Development Reserve. A sum of Rs. 28.05 lakhs will be absorbed on account of the payment of Final Dividend for the year at the rate of Rs. 17 per share subject to income tax on 1,65,000 shares. This includes Re. 1 to be paid out of Tax-exempt Dividend Reserve (Interim Dividend of Rs. 14 per share subject to Income-tax paid).

THE INDIAN GALVANIZING CO. (1926) LTD.

The year to December 31, 1959, was considerably eventful for the Company in the sense that it entered into agreements with Industrial Containers Ltd., and Steel Containers Ltd., for the transfer to these companies of certain assets belonging to the Company. In consideration of this transfer, shares in these companies were issued to the Indian Galvanising Co. (1926) Ltd. and in consequence Industrial Containers Ltd., and Steel Containers Ltd., have become its subsidiaries.

Steel Containers Ltd., acquired the entire assets of the Company's branch at Bombay and since January 1, 1959, has been fully operative and carries on the business of manufacture of steel drums formerly carried on by the branch. Industrial Containers Ltd. acquired the assets of the Company formerly employed in the manufacture of 40-45 gallon steel drums in the Calcutta factory and these assets have now been installed in a new factory established at Paharpur, Calcutta. The factory is now complete in all respects and is in a position to commence production as soon as supplies of steel are forthcoming.

The licence for the establishment of the business to be carried on by Hope's Metal Windows (India) Ltd. has still not been obtained, which the Company hopes to get shortly. Negotiations for the sale of the remaining assets of the Company are successfully concluded and the directors hope to proceed with the implementation of the plan to wind up the Company, to repay the Preference Share Capital and to distribute shares in the new companies to the members registered in respect of the Ordinary Shares. The indications are that it should be possible to do so in the near future.

The profit for the year (including items relating to previous years) was Rs. 96,167. The Board has transferred Rs. 81,268 from the provision for doubtful debts to Profit and Loss Account. After deducting these two items from the balance brought forward of Rs. 2,73,694 and after payment of Wealth Tax amounting to Rs. 22,257, there remains a balance of Rs. 1,24,516 at the debit of Profit and Loss account which it is proposed to be carried forward.

CAPITAL ISSUES

During the last quarter of 1959 the Controller of Capital Issues gave consents to 50 applications involving an amount of Rs. 38.15 crores. A break-up indicates that the amount consented for the industrial groups was 84.7 per cent of the total. An analysis of the type of securities to the issue of which consent was given indicates that 49.2 per cent of the issues were in ordinary shares and 25.1 per cent in fixed dividend/interest bearing securities. Out of the later 25.1 per cent, Preference shares constituted 4.4 per cent and debentures, 20.7 per cent.

The table below gives the Industry-wise distribution of consents granted during the year 1959 for issue of capital to non-residents of the value of Rs. 21.7 crores in 26 new companies.

(In lakhs of rupees)

Serial No.	Industry	No. of consents	Total capital involved	Issue to non-residents
1.	Addressing and embossing machines	1	10.00	5.50
3.	Aluminium	1	15.00	3.90
3.	Aluminium cables	1	30.00	15.00
4.	Calendar bowls	1	7.00	4.20
5.	Cement	1	100.00	25.30
6.	Combing wooltops	1	28.00	10.67
7.	Condensed milk	1	30.00	27.00
8.	Crude petroleum	1	2,100.00	1,400.00
9.	Drums	1	15.00	7.00
10.	Electric wires and cables	1	110.00	66.00
11.	Engineering equipments	1	540.00	268.92
12.	Gears	1	25.00	6.50
13.	Glass	1	20.00	7.00
14.	Iron and steel	1	70.00	52.50
15.	Medicals and pharmaceuticals	2	27.50	18.00
16.	Oil	1	13.67	3.00
17.	Portable compresser and rockdrills	1	36.00	36.00
18.	Portable electric tools	1	20.00	9.00
19.	Rayon yarn	2	700.00	66.80
20.	Steel wires	1	20.00	1.00
21.	Synthetic rubber	1	450.00	112.50
22.	Tractors	1	21.40	10.50
23.	Tyres and tubes	1	200.00	10.00
24.	Yeast	1	20.00	6.60
	Total	26	4,608.57	2,172.89

Company Meetings

THE NATIONAL RAYON CORPORATION LTD.

SPEECH OF THE CHAIRMAN, SHRI KASTURBHAI LALBHAI

Speech delivered by Shri Kasturbhai Lalbhai, Chairman of The National Rayon Corporation Ltd., at the Thirteenth Annual General Meeting held on 23rd June, 1960.

Gentlemen:

It gives me great pleasure to welcome you this evening and to place before you for adoption the 13th Annual Report of the Directors and the Statements of Accounts for the year ended the 31st December, 1959. These were circulated and have been in your hands for over a month now and if you will permit me, they may be taken as read.

2. The report covers all the salient points regarding the working of the Company during the year. The accounts also give the figures of the preceding year for comparison and I will, therefore, confine myself only to making a few general observations by way of further elucidation.

3. The higher turnover this year amounting to about Rs. 90 lakhs was principally due to the increase in production as already reported. A sizable portion of the increase, however, pertains to the additional excise duty due to increase in its rates and also due to lower stocks of yarn at the close of the year.

4. The figure of cost of raw materials consumed appears lower than that of the preceding year in spite of increased production and requires some explanation. As you are perhaps aware caustic soda is one of the principal raw materials required for the manufacture of rayon yarn. The Company's caustic plant having worked at its full capacity during the accounting year, the Company had not to use any imported caustic soda. Under the item of cost of raw materials consumed, the figure of the preceding year includes the cost of imported caustic soda, whereas for the accounting year only the cost of salt, the raw material required for the manufacture of caustic soda, has figured, the other items of operating costs having been debited to respective heads of accounts. This, combined with a few other factors account for the lower figure of cost of raw materials though there has been all round increase in the production of different products during the year.

5. The slight increase that you find in the operating costs and Other expenses are in proportion to the increased production all round.

6. You will have also observed from the report that we have recommended payment of dividend on the preference shares at Rs. 5 per share subject to deduction of tax at the rate of 30 nP. in a rupee as prescribed under Section 18(3) (d) of the Indian Income-tax Act. The Board had to consider the new system of deduction of tax from dividends (as introduced by the Finance Act, 1959, and being amended by the Finance Bill, 1960) so far as it affects the rights of dividends of Preference Shareholders. Though different interpretations are possible, the Board hold the view that the Preference Shareholders should continue to receive the same gross amount per share as they used to receive under the old system of taxation. The Company has declared dividends on preference shares accordingly and you are hereby requested to confirm the same.

7. You must be aware that the price and distribution of rayon yarn are practically controlled due to shortage of this material in the country. It appears this position will continue for quite a few years to come. While we have nothing to say about the price and distribution control of yarn which is quite equitable and fair and in the larger interests of the weaving industry, I wish the Government offices entrusted with the issue of necessary quota certificates and cards are adequately staffed with a view to facilitating quick distribution of yarn to intending consumers. As it is, even though the scheme of controlled distribution has been in operation for over a period of 2½ to 3 years, the office entrusted with the work still takes about 2 to 3 months to distribute necessary cards to the consumers thereby necessitating holding of large stocks in the godowns of the Company to the considerable detriment of the genuine consumers concerned. Incidentally, I may add that we are strictly adhering to the selling rates which were approved by the Government and which are in vogue for the last three years.

8. As already reported the Tire Cord scheme which unfortunately was delayed for about a year and a half for reasons beyond our control, is now well under its way and we hope to be in production sometime in the second half of 1961. You must have already observed from the reports appearing in the newspapers that the tyre manufacturing industry is growing at a fast rate in the country and by the time we are in production, we believe the country's requirement of tire cord yarn would be much more than what we had anticipated when we embarked upon this scheme. We do not, therefore, expect difficulty in marketing the product.

9. The full utilisation of chlorine, co-product in caustic soda chlorine plant, is still an unsolved problem, because we have not on hand sufficient numbers of cylinders and containers for filling in the liquid chlorine for supplying it to users all over the country. Their turn-round from the moment they leave our factory till the empties are back with us is not as fast as we wish, and this serves as a handicap to clear the chlorine stocks that accumulate on production. Efforts to get more containers are being made and also to try to utilise chlorine for manufacturing different allied chlorine compounds for marketing them on a commercial scale, but the stage is not yet ready beyond research on pilot plant level.

10. As regards raw materials position, I may say that in spite of the tight foreign exchange, the Government has adopted a policy which ensures reasonable supplies of all the important raw materials required by the industry and this has enabled us to maintain a fair inventory of raw materials like pulp, sulphur and other processing chemicals. The prices of raw materials were fairly well maintained during the report year. There was a slight decrease in the price of sulphur but this reduction has been offset by the increase in price of coal and more recently by levy of a surcharge on railway freight on coal.

11. The Central Government have accorded their approval to the reappointment of Messrs Chinai And Company Private Ltd., as Managing Agents of the Company but have reduced the tenure of their offce from 10 to 5 years and have fixed the following sliding scale

of remuneration subject to a minimum of Rs. 50,000 per year in the event of absence or inadequacy of profits in any one year:

10 per cent on the first Rs. 10 lakhs or fraction thereof,
9 per cent on the next Rs. 10 lakhs or fraction thereof,
8 per cent on the next Rs. 10 lakhs or fraction thereof,
7 per cent on the next Rs. 10 lakhs or fraction thereof,
6 per cent on the next Rs. 10 lakhs or fraction thereof,
5½ per cent on the next Rs. 25 lakhs or fraction thereof,
5 per cent on the next Rs. 25 lakhs or fraction thereof,
and 4 per cent on any sum over one crore of rupees.

Your Board at their meeting held on the 12th May, 1960, have approved of these modifications and have executed a new Managing Agency Agreement. Very shortly, a circular letter will be issued to all the shareholders embodying the details of the executed agreement.

12. The workers of your Company have recently presented us with a Charter of Demands asking for substantial increase in the scales of their wages and for further concessions in the conditions of service. The emoluments now being paid to our workers and the service conditions they have been enjoying are not only fair and better than those prevailing in the industries operating in the vicinity of our factory but compare very favourably with the emoluments paid by many of the progressive and leading industrial units in the country. I only hope that at the time of negotiations better counsels will prevail and that a settlement satisfactory to all the interests concerned would be reached to usher in a fairly long period of industrial peace and harmony in the industry.

13. I am sorry to state that some interested parties have been spreading rumours about the activities of the Company which are incorrect. It is quite true that the Company is investigating the project for the manufacture of rayon grade Pulp but it is still in its exploratory stage and even if the Company ultimately decided to go in for one, it is unlikely that the pulp to be manufactured here will be cheaper than the imported pulp. The main objective for going in for manufacturing of pulp is to make the industry, as far as possible, self-sufficient in respect of its main raw materials.

14. About the persistent rumours for the issue of fresh capital, I may assure the shareholders that no such issue is under contemplation at present.

15. Before I conclude, I must say a word or two about the workers and the staff whose efficient work, I must admit, has been largely responsible for the smooth running of the whole plant and satisfactory working of the Organisation.

16. With these few words, I commend the Report and the Statements of Accounts for adoption and propose the following Resolution:-

RESOLUTION

"THE THIRTEENTH ANNUAL REPORT AND THE STATEMENTS OF ACCOUNTS FOR THE YEAR ENDED THE 31ST DECEMBER, 1959, BE AND THEY ARE HEREBY ADOPTED."

Thank you, Gentlemen.

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

KAMANI ENGINEERING CORPORATION LTD.

RECORD PRODUCTION AND BRIGHT FUTURE

An all time record production, Technical collaboration for Railway Electrification work and further development in the manufacture of Mark II 'Tractamount' Road Rollers with latest improvements were some of the highlights of the progress made by Kamani Engineering Corporation Ltd. as referred to by Shri R. H. Kamani, Chairman of the Corporation in his speech at the 14th Annual General Meeting held in Bombay on 24th June, 1960. The rising trend in earnings was maintained this year also. Shri R. H. Kamani referred to the encouraging record both in production and import business as follows:

HIGHER PROFITS

It is encouraging to note that the Gross profit made by your Company during the year under review has reached a record figure of Rs. 19.49 lakhs. This has successively gone up from a figure of Rs. 4.59 lakhs for the year 1955-56, which means that there has been more than a fourfold improvement in three years.

RECORD PRODUCTION

In keeping with the trend of progress your factory achieved another record monthly production of 1,601 tons during the month of December 1958, in the year under review, against the earlier record of 1,000 tons achieved in May, 1958 in the previous year. The high production achieved during the year under review is maintained and still being improved upon as evident from the working of the past eight months of the year 1959-60, and this is actually about 20 per cent higher than the corresponding period of the year under review. Efforts are being made to increase the production still further as due to continued improvements in process and methods we have ample capacity for producing more with the existing plant and facilities.

Having presented to you a brief picture of the financial and production achievements of the year under review and the production trends of the current year, I would like to take this opportunity of conveying to you the highlights of important events of the current year. In doing so I am limiting myself only to the achievement during the current year, as the important achievements for the year under review have already been included in the Directors' Report.

FOREIGN TECHNICAL COLLABORATION

You will be glad to know that your Company has been successful in securing foreign technical collaboration with a Belgian firm and with their technical assistance your Company has been the first Indian Company to secure a contract for supply and erection of Traction Overhead Equipment for Electrification of Railway Lines. The first contract received by your Company is for supply and installation of 25 kV A.C. Traction Overhead Equipment over Kharagpur-Tatanagar Section of the South Eastern Railway at an approximate value of Rs. 56 lakhs. I am hopeful that this will open a completely new field of activity to be pursued by your Company in future to participate in the larger railway electrification projects of the Indian Railways, especially in Third Plan.

EXPORT DRIVE

The Export Sales Department which was established only last year for exporting the products of your Company has achieved encouraging results. Considerable Sales Promotion work has been done and some of the most difficult obstacles, in the way of export of Indian Heavy Engineering Goods abroad, in the face of very acute international competition have been studied and partly overcome. The Export Promotion Directorate and the Engineering Export Promotion Council, set up by the Government of India have both

given us considerable help and I have every hope that the remaining obstacles and difficulties will be solved soon. These efforts have resulted in securing the first order for the export of our galvanised structures, which has been successfully executed to Thailand.

NEW MODEL "TRACTAMOUNT" ROAD ROLLERS

Figures for the tentative allocations for the expenditure during the Third Five-Year Plan for 'Road Development', reveal that an amount of Rs. 250 crores has been set aside under this head which coupled with the estimated requirements for the 20 years Development Plan for Roads, is very encouraging. In light of this, our new Mark II Kamani-Twose Tractamount Road Roller which has been successfully developed and will be taken for production soon, is expected to be very popular and useful in supplying the necessary machinery not only at a fraction of the cost of imported Road Rollers but also in saving considerable foreign exchange.

IMPROVEMENT IN PRODUCTION TECHNIQUE

The research and development department of your Company has been actively working on the improvements in the process and methods of production, product improvement and new product development. As a result of their studies it has become possible to improve quality, increase production and at the same time achieve economy by using the existing plant and personnel facilities. It is further hoped that by introducing diversification and increasing the present production level, further economy in our costs would be achieved by utilising our surplus capacity to the full, without increasing any major capital expenditure. In this way, your Company is getting ready for taking care of the increased requirements of development in the Third Five-Year Plan period. It is gratifying to note that the technical excellence and know-how attained by your Company in the field of Transmission Line Engineering has attracted some enquiries from foreign countries for getting our technical know-how and collaboration to start similar manufacturing activities there. These proposals are under active consideration of your Company. Side by side, your Company is actively pursuing and negotiating with some foreign manufacturers of world-wide reputation, for technical collaboration and 'know-how' to develop further industrial activity in line with your Company's present activities.

IMPORTS

In spite of the acute shortage of foreign exchange and import restrictions, as you may have already observed from the Directors' Report, your Company during the year under review has secured import orders of almost double the value as compared to the previous year. However, you will be glad to know that in the present year also this rising trend has been maintained and an import order for one of our Foreign Principals at a value of Rs. 7 crores has been secured from an important National Project.

CONTRIBUTION TO THE PLAN

As the Second Five-Year Plan is nearing completion the achievement made by the Nation proves the soundness and the foresight of our Planners in so far as most of the targets set for the plan have been completed in time. It is specially noteworthy to observe that such huge projects like Bhilai Steel Plant were completed in time and that your Company in its own turn contributed towards the early completion of this Project of great national importance, for which it received due appreciation for its efforts from the Government. The tentative targets set for the Third Five-Year Plan, have now been acclaimed by several world authorities to be achievable by our Nation specially in light of our previous performance.

ENCOURAGING FUTURE

The Third Five-Year Plan target increasing the installed capacity for electric power generation by 6 million kilo watts indicates a very encouraging future for the activities of your Company. In fact the full impact of the industrial revolution in our country will be felt during the Third Five-Year Plan period and all efforts will be made by your Company to actively participate in it.

Concluding Shri R. H. Kamani said that this encouraging record of achievements in the past and hopes for a bright future, are a proof positive of the good efforts and co-operation of the workers and the staff of your Company, and the backing and support that your Company has received from all of you from time to time.

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

SEN-RALEIGH INDUSTRIES OF INDIA LTD.

CHAIRMAN'S REVIEW

The 10th Annual General Meeting of the Sen-Raleigh Industries of India Ltd., was held in Calcutta on the 23rd June, 1960. Mr. Abhijit Sen, Chairman of the Company, said:

It is with pleasure tinged with sorrow that I welcome you to the 10th Annual General Meeting of the Company. It gives me pleasure to report that the Company's operations once again show a satisfactory trend but it is with the deepest regret that I have to record that the hand that guided the destinies of the Company to this stage is no longer at the helm of our affairs. The sudden loss of the Chairman and founder of this Company has removed from the scene an almost legendary figure in the annuls of the Bicycle trade and industry in the Indian Sub-continent. He entered the Bicycle trade at the turn of the century when the Bicycle was considered a luxury and after devoting his whole life to the pursuit of popularising the Bicycle as the only means of personal transport for the people of this country, he left the world satisfied in the knowledge that his efforts had not been in vain and independent India had recognised the need for bringing cycling to the masses. It was not for nothing that he was acclaimed as the father of the Indian Bicycle Trade and Industry by the admiring trade of the country.

The Directors' Report and Accounts of the Company for the period ending 30th September, 1959 have been circulated and with your approval, I shall take these as read. You will find that with an improvement in the level of production—largely of complete Bicycles—there has been a corresponding improvement in the trading results of the Company and this has allowed your Directors to recommend a higher rate of dividends for Ordinary Shares.

A matter, I am sure, that has been engaging the minds of all members is the effect on this Company of the merger in the UK of the Bicycle and Moped interests of our Associates—Raleigh Industries Ltd. and Tube Investments Ltd. The merger does not affect the separate identity of this Company and your Company will continue to manufacture and market Bicycles and Freewheels under the Raleigh concessions granted to them exactly as it has been doing in the past.

Once again the year 1959 was a record year for the Bicycle Industry in India, and it is a happy thought that whilst the overall increase in production of the Industry over the previous year (including the performance of the Small-Scale Sector) was of the order of 30 per cent for Bicycles, your Company was able to achieve an expansion of approximately 50 per cent in its production and sales of Bicycles over its 1958 figures although the import level of materials was not substantially in excess of 1957 levels.

No little part in the improved working was played by a more consistent import licensing policy—a consequence of the assurance held out by the Minister for Industries to the Cycle Manufacturers' Association of India in March 1959 that simpler and more effective import licensing procedures were on the way. We are grateful to the Commerce and Industries Ministry for moving with the times and introducing a rational import licensing policy which has remainded with us now for over a year and has helped considerably in fostering expansion of industries.

The demand for bicycles and particularly for the products of your company shows no sign of slackening. If retail margins are any guide to consumer preferences, the past financial year must have seen an unprecedented demand for our products for in spite of the fact that much larger deliveries were effected during the period, the retail margins maintained a uniformly high average throughout the year. This demand has continued into the present year which also opened on a note of high optimism and not even the imposition of an excise duty on various bicycle components—notably Rs. 2 per Freewheel and Rs. 4 per Rim with an overall impact of Rs. 10 on a complete bicycle has resulted in a slackening of demand for bicycles in spite of the fact that most manufacturers took this opportunity to adjust their prices to counter rising costs as well as excise levies. In line with other manufacturers prices of our products were also adjusted.

Your Company's future activities are necessarily linked partly with the present industrial policy followed by the Government of India, and partly with the development of the 3rd Five-Year Plan which is now gradually taking shape. Very recently the Government have issued various notifications on the revised procedures relating to industrial licensing which for the first time in many years give a fairly clear picture of what industries Government feel would require immediate development and what industries are now considered by the Government to be so developed that issue of industrial licences should be restricted. The Bicycle industry falls within the latter category where applications for expansions or for new capacity may be rejected for the time being without reference to the Licensing Committee.

In view of this, it is time to think along lines of branching out into such allied lines of Light Engineering manufacture as are considered more essential to the development of the country by the Government of India at the moment, and where capacities are granted more easily and fed to the fullest extent by release of raw materials. Our reputation for quality and for technical ability in developing Light Engineering production would stand us in good stead to obtain Industrial licenses and capacities in such lines and would allow a fuller utilisation of our resources.

Diversification into new lines of manufacture is expected to help turnover considerably and reduce overheads as there is better scope of obtaining material requirements in these lines and production could grow. Diversification would not mean a shift from our main line of activity which is and will remain the manufacture of Bicycles and its components and accessories—and first call on the resources of the Company would always be for expansion in the Bicycle industry provided capacities were available and could be fed adequately with material.

Whilst the immediate prospects of Bicycle expansions are clouded, it is only right to mention that the long-term prospects of obtaining further capacities in this industry appear brighter. From information available the targets for the 3rd Five-Year Plan period for bicycles are expected to be double those of the present Plan period. In planning for our future full consideration is being given to doubling our own capacities wherever practicable should industrial sanctions for such capacities be forthcoming.

A new development in the Indian bicycle scene has been the successful operation of a Bicycle export pool organized by the Cycle Manufacturers' Association of India which in its first year of operation came very near to reaching a self-imposed target of export for complete Bicycles. It is a pleasure to be able to report that your Company played a prominent part in helping to achieve the export target and its share of India's Bicycle export business in 1959 was nearly 70 per cent. In general, there was appreciation of the quality of your Company's products in the markets where these were introduced.

On the labour front, a three-year agreement was concluded with the recognized Union in August, 1959 and the effects of this agreement will be evident in the next few years. Whilst the Company's own relations with its workers were generally satisfactory, intra-Union and inter-Union strife for leadership continued and on more than one occasion in the year under review and even as recently as last month smooth operation of the factory was marred by violent clashes and unbridled rowdyism. It is unfortunate that different shades of political opinion or different views on trade unionism can so far affect workers that forgetting the basic tenet of the solidarity of the worker, there are these outbursts of violence which can neither benefit the worker individually or collectively nor the Company where they serve. It is hoped that good sense will prevail amongst the different sections of workers and that the quieter conditions that have followed the immediate disturbances at Asansol have come to stay with us for good. Workers should realise that violence cannot effect a reconciliation between divergent shades of opinion—far less can violence ever completely annihilate a divergent point of view.

I have to report the retirement of Mr. L. C. Clarkson who as Works Director of Raleigh Industries Ltd., had been one of first people concerned with the planning of the Indian factory. His place is filled on our Board by Mr. L. L. Roberts who is the present Works Director of Raleigh Industries Ltd., in-charge of Home and Overseas factories.

With the expansion of activities of the Company, it has been considered necessary by your Board to appoint a whole-time Director, and the Company has been very fortunate in obtaining the consent of Mr. D. Chakraverti to join its Board. He joins this firm after a distinguished career in Civil Aviation both in India and abroad. He brings to the Company an administrative and technical experience which will benefit the Company greatly in its development schemes.

Before I close it is my pleasant duty to thank my colleagues, the staff and the workers of the Company, our foreign associates and our dealers for another year of unfailing support to the Company.

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

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	94.6	90.6	97.1	101.9	97.4	101.1	100 6	97.4
1955-56	86.8	81.0	95.2	99.1	100.1	99 6	99.7	92.5
1956-57 ..	102.3	84 3	104 2	116.0	110.8	105.5	106 3	105.3
1957-58 ..	106.4	94.0	113 5	116.5	107.8	108 2	108.1	108.4
1958-59 ..	115 2	95.4	115.4	115 6	110.3	108 4	108 4	112.9
1959-60 ..	119 0	99.5	116.6	123 7	113.8	111.3	111 6	117.1
March 1959 ..	113.8	100.3	116.0	116.2	109.4	108.5	108.6	112.4
April ,, ..	113.1	97.5	116 2	116 2	108.4	107.9	108.0	111.9
May ,, ..	116.1	98.6	115 8	119.5	108.1	108.5	108 4	114.0
March 1960 ..	117.0	96 4	117.0	131.9	121.3	115 9	116.6	118.8
April ,, ..	118.6	103 1	118 7	134.2	123.2	116.9	117.8	120.5
May ,, .	119.9	107.3	118.6	140.1	125.4	118 9	119 8	122.7
21-5-1960 ..	119.5	106 9	118 5	139.3	125.6	118.8	119.8	122.4
28-5-1960 ..	119.5	106.3	118.5	142.0	125 3	119.0	119.9	122.8
4-6-1960 ..	120.4	109.8	118.4	142.0	126 3	118.2	119 3	123 1
11-6- 960	120.6	109.2	118.5	138.6	126 5	118 4	119.5	122 8

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jabhulpur†	Madras: Madras June 1336= 100	E. P.: Ludhiana†	Bihar: Jamshed Pur†	All India†
1939 (Aug-Dec.)	103	—				105	104		106		—	—
1952	321	337	250	143	351	441	389	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	384	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	381	469	498	163	429	166	173*	168*
1959 July	399	418	315	155	399	465	500	168	434	166	178	171
August	401	420	311	158	406	468	504	165	433	164	178	173
September	403	422	319	156	399	465	510	162	434	162	178	173
October	408	427	324	158	406	470	510	166	441	162	179	173
November	405	424	322	158	399	475	511	163	449	162	179	174
December	401	420	311	157	389	460	511*	163	441	162	177	174
1960 January	403	422	304	159	385	460	509	168	441	164*	175	168
February	399	418	294	161	389	468	511	165	448	167*	173*	168*
March	395	414	287	157	392	464*	510	165	446	166	167*	168*
April	402	421	—	155	392	463*	511	—	446	—	168*	168*
May	—	—	—	153	—	—	—	—	452	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 24-6-1960 High	Low	Average	17-6-1960 High	Low	Average	10-6-1960 High	Low	Average	3-6-1960 High	Low	Average
Gold (per fine tola)	126.75	125 50	125 86	126.31	125.00	125.74	126.34	125 22	125.87	129.37	124 94	126 54
Silver (per 100 fine tolas)	214.37	212.37	213.32	212 87	211.31	212.22	212.62	211.22	211.93	213 44	211.12	212.01

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES: Demand	Time	Total (2+3)	Cash (Notes + Coins	Balances with Reserve Bank	(5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
(1)	2	3.	4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53	546,23	309,28	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54	526,75	328,26	855 00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	559,62	351,86	911,55	32,66	53.91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 .	723 89	619.19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59	735,93	860,33	1,596,26	40,30	83,29	7.74	766,56	133,27†	56.37	565,14
Average of Fridays										
December 1959 .	731,80	1142,04	1,873,84	43,39	70,03	6.05	800,59	150,29†	50.75	798,02
January 1960 ..	754,54	1131,99	1,886,54	46,23	78,23	6.59	841,75	158,76†	53.03	773,37
February ,, ..	748,29	1149.47	1,897,76	45.11	72.06	6.17	889,52	159,19†	55.26	767,23
March ,, ..	768,84	1154.11	1,922,96	56,88	79.67	7.10	930,20	166 32†	57.02	749.40
April ,, ..	800.17	1162,83	1,963 01	51,40	89,55	7.18	950,14	177,77†	57.46	729.23
May ,, ..	785,27	1193,71	1,978,98	48,84	90,72	7.05	964,21	167,88†	57.21	744,91
Week Ending										
20-5-1960 ..	779,09	1198.58	1,977.67	47,71	90,04	6.96	962.50	165,21†	57.02	746,24
27-5-1960 ..	787,79	1198,67	1,986,46	47,66	95,17	7.19	962,44	162,73†	56.64	745,78
3-6-1960 ..	790,29	1198,13	1,988,42	47,50	95 61	7.19	971,37	161,28†	56.96	755 05
10-6-1960	786,79	1198,29	1,985,08	48,48	103,02	7.63	974,85	158,61†	57.10	740,54
17-6-1960 ..	796,81	1199,06	1,995,87	46,97	104,24	7.58	979,99	153,84†	56.81	740,43

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public: Total	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(1)	(2)=(3)+(4)	(3) *	(4)	(5)	(6)	(7)
1953-54	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55	1,920,63	1 311,77	608,86	599,16	9,71	+ 126.65
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57	2,312,89	1 556,50	756.39	744,74	11,65	+ 128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+75.94
1958-59 ..	2,498,75	1 724,53	774,23	754,98	19,25	+109,92
1959-60	2,697,57*	1,858,08*	839,49*	817,70*	21,79	+198,82*
November 1959 ..	2,472 29	1,702.23	770,07	752.63	17,44	+1,83
December ,, ..	2,519,56	1,752,73	766,84	752,06	14,77	+47,27
January 1960 ..	2,589 94	1,793,78	796,16	778,08	18.08	+70,38
February ,, ..	2,618 64	1,825.79	792 85	777,26	15,59	+28,70
March ,, ..	2,697,57*	1,858 08*	839 49*	817,70*	21 79	+78,93*
April ,, ..	2,744,24*	1,912,91*	831,33*	810.74*	20,58	+46,67*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

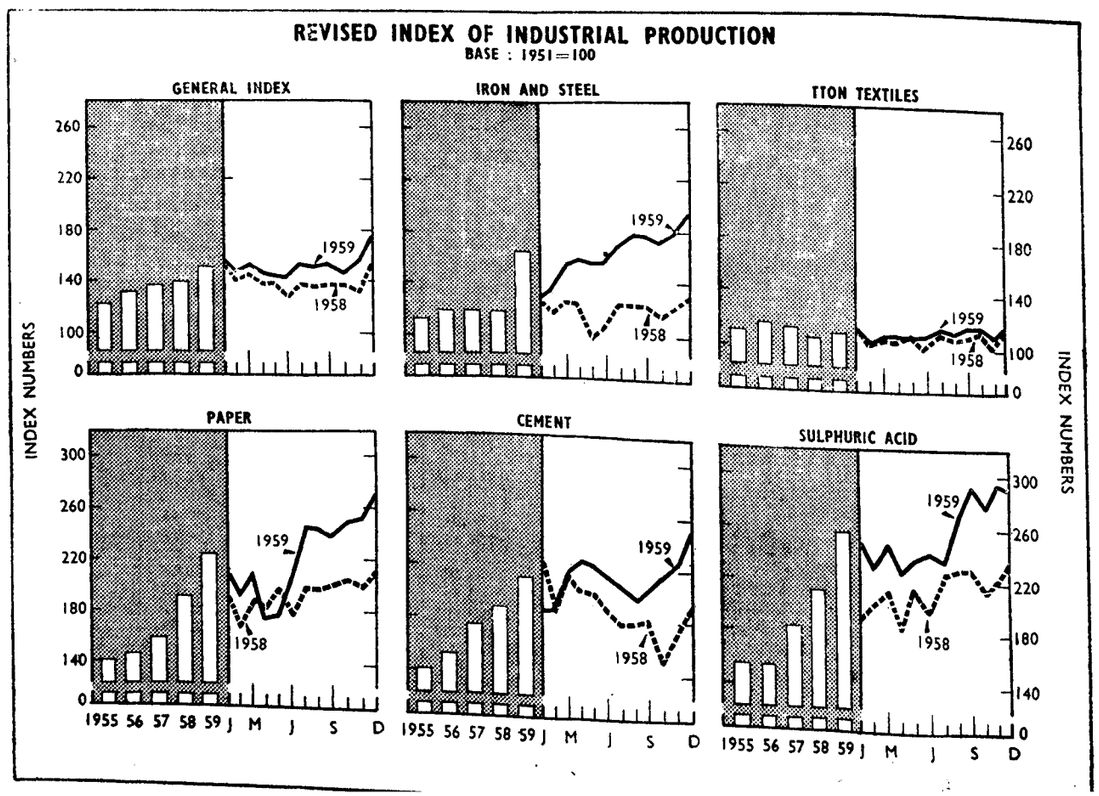
Source: Monthly Bulletin of Reserve Bank.

THE REVISED INDEX OF INDUSTRIAL PRODUCTION

(Base 1951 = 100)

Year and month	Index General	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen.* Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1952 ...	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.5
1953 ...	105.6	104.5	109.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.9	115.8	96.7	113.1
1954 ...	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.0	127.0
1955 ...	122.4	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	106.2	144.5
1956 ...	132.6	114.9	117.5	122.0	115.2	127.3	171.1	154.2	119.4	218.1	146.6	166.5	106.0	164.1
1957 ...	137.3	126.8	115.6	127.5	109.7	120.5	181.3	175.3	119.3	241.3	159.3	185.5	106.9	184.9
1958 ...	139.7	132.2	108.9	123.1	101.8	123.9	206.2	189.9	119.1	254.1	191.8	175.5	113.8	209.0
1959 ..	151.0	137.1	111.5	128.2	103.1	125.4	214.3	213.6	163.1	282.6	222.9	186.8	112.6	248.5
August 1958 ..	135.3	123.8	108.7	124.2	100.9	119.9	206.8	179.3	121.9	248.7	195.1	7.8	199.0	212.7
September ...	137.9	134.6	110.2	126.5	102.1	122.8	211.0	181.4	120.8	252.9	199.9	11.4	191.6	215 3
October ...	137.5	131.1	113.4	129.7	105.3	115.1	218.6	154.4	116.9	240.3	204.4	19.4	225.2	219.2
November ...	132.4	129.0	101.5	117.0	93.8	122.9	207.9	171.5	122.1	249.0	199.0	96.7	133.0	209.5
December ...	155.1	145.1	117.5	135.8	108.4	136.6	222.1	196.1	131.7	291.4	210.6	382.3	42.4	229.5
January 1959	155.7	142.9	114.8	131.9	106.3	129.3	220.4	187.6	130.3	265.3	207.7	478.6	19.7	236.8
February ...	145.8	137.8	104.7	120.7	96.7	119.7	211.3	188.1	135.1	250.7	191.0	442.6	17.0	220.1
March ...	151.2	138.3	109.2	126.3	100.7	120.4	218.8	219.8	154.3	264.6	210.9	394.5	19.5	239.9
April ...	145.2	139.3	109.3	125.0	101.5	122.0	195.7	226.1	158.0	294.6	173.9	187.6	56.1	241.1
May ...	143.3	140.4	108.6	123.5	101.1	126.0	229.0	222.6	154.5	279.5	177.7	34.8	109.4	254.3
June ...	142.2	133.4	108.7	122.7	101.8	120.3	223.9	215.0	155.1	271.9	206.0	0.2	140.1	245.9
July ...	153.9	135.0	115.3	131.6	107.1	129.7	236.9	207.7	168.5	293.7	245.9	4.8	184.0	256.2
August ...	150.8	131.2	111.5	128.2	103.1	124.2	230.0	197.8	179.2	288.1	242.1	10.0	207.6	254.8
September ...	153.1	137.7	114.6	131.7	106.1	130.3	230.4	206.3	176.3	292.2	239.5	11.1	213.4	253.4
October ..	146.5	126.2	114.3	131.1	106.0	123.6	236.3	215.0	172.0	242.4	248.1	21.5	201.9	259.4
November ..	155.1	132.5	107.6	126.4	98.2	123.9	232.3	226.7	178.0	310.6	252.2	193.0	136.8	253.1
December ..	175.0	150.2	119.0	139.3	108.8	132.4	244.9	250.2	196.6	334.5	273 8	463.7	47.1	266.5
January 1960 ..	169.7	144.0	114.2	131.3	105.4	123.7	—	244.0	—	—	253.9	—	—	265.8

* General Engineering including Electrical Engineering. **Source:** Directorate of Industrial Statistics, Calcutta.



INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

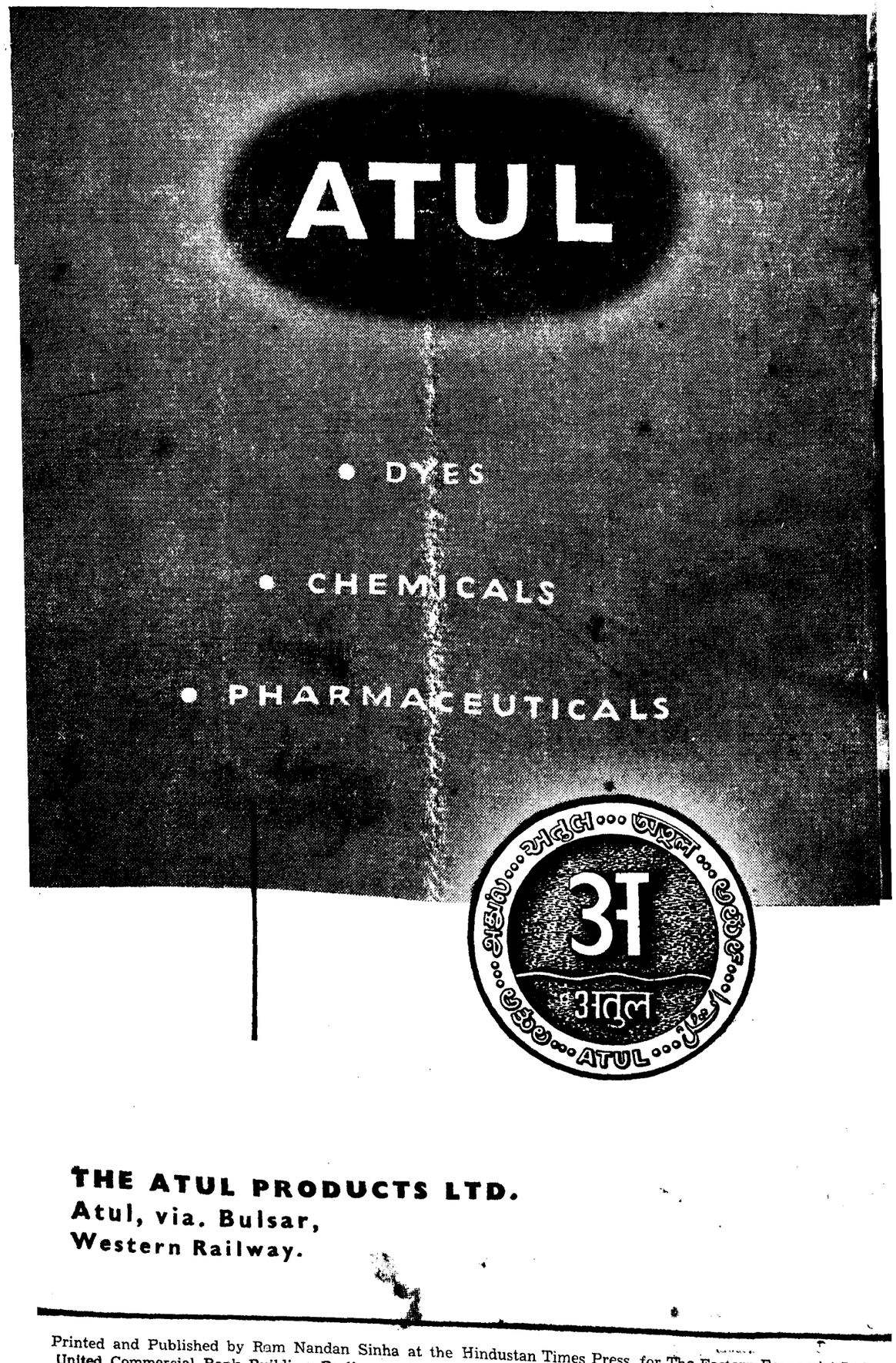
(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Groundnut Oil	Mustard Oil	Sugar	Gur	Tea
1953-54 ..	100	93	100	103	89	120	137	99	141	174
1954-55 ..	82	75	77	78	54	77	127	104	122	255
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	83	123	122	71	104	176	95	100	165
1957-58 ..	105	88	114	126	68	105	164	110	107	164
1958-59 ..	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	116	150	124	161	186
April 1959 ..	95	160	108	125	85	113	144	121	132	151
May „ ..	98	92	112	126	78	121	150	121	158	168
June „ ..	102	93	116	130	76	121	149	121	165	179
July „ ..	109	95	120	134	76	120	149	121	162	177
August „ ..	113	96	120	130	72	113	146	121	164	185
September „ ..	111	98	120	117	70	116	147	121	164	188
October „ ..	112	100	128	125	75	117	147	121	181	192
November „ ..	108	98	121	126	73	112	148	127	180	194
December „ ..	101	96	120	121	70	113	149	127	164	210
January 1960 ..	102	97	119	125	72	118	150	127	154	207
February „ ..	105	98	121	128	80	125	158	127	156	196
March „ ..	106	94	117	123	74	126	156	127	149	180
April „ ..	108	91	121	122	76	130	155	127	147	184
May „ ..	113	87	123	126	78	128	155	127	145	195
7-5-1960 ..	112	88	122	125	77	129	155	127	145	198
14-5-1960 ..	112	87	123	127	77	128	154	127	145	202
21-5-1960 ..	113	87	123	125	78	129	155	127	145	194
28-5-1960 ..	114	87	124	128	80	124	155	127	146	184

Average of months/ Average of weeks	Spices & Condiments	Tobacco Raw	Coal	Cotton Raw ..	Jute Raw	Groundnut	Cotton Manufactures	Jute Manufactures	Silk & Rayon Manufactures	Machinery
1953-54 ..	118	100	100	104	98	127	104	91	92	99
1954-55 ..	114	90	100	102	112	82	107	102	92	99
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
April 1959 ..	142	96	133	102	113	122	111*	84	96*	111
May „ ..	144	97	133	105	113	132	113*	85	96	111
June „ ..	145	96	133	105	115	135	113*	87	94	111
July „ ..	148	98*	133	101*	118*	135	113	88	93*	111*
August „ ..	150	97	134	102	118	129	113	90	92	111
September „ ..	153	99	136	102	119	135	114	89	92	111
October „ ..	161	101	136	100*	119*	130	115	90	92	111
November „ ..	167	105	136	102	123	120	116	90	93	111*
December „ ..	172	104	136	111	140	122	118	94	98	111
January 1960 ..	168	100	135	115	144	131	123	96	105	111
February „ ..	140	94	135	114	134	139	125	96	103	111
March „ ..	132	94	135	113	141	141	125	98	103	112
April „ ..	130	102	140	113	154	144	125	103	103	112
May „ ..	130	108	140	113	198	139	125	117	105	115
7-5-1960 ..	130	110	140	113	179	140	124	113	106	115
14-5-1960 ..	129	107	140	113	211	138	124	121	106	115
21-5-1960 ..	131	107	140	114	191	139	125	116	103	115
28-5-1960 ..	128	107	140	113	211	140	125	118	103	115

* Estimated

Source: Office of the Economic Adviser to the Govt. of India.



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The Eastern Economist

SECRETARIAT LIBRARY 13 JUL 1960 GOVERNMENT OF MADRAS

VOL. XXXV. NO. 2 NEW DELHI: JULY 8, 1960. ONE RUPEE

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Flint Upon Flint?

WHEN flint strikes flint, sparks must fly. In much the same way, when massive organisations of employers and employees maintain hard and flint-like determination, a clash is inevitable. At the time of writing, negotiations between the Government of India and the Central Government employees, who have given a strike notice effective from midnight of July 11, have failed. Thus the country is being asked, at a time of emergency, to face the futile, dangerous, and possibly violent method of a strike to settle a dispute which, surely, is capable of some adjustment. There can be no doubt — and this was maintained by *The Eastern Economist* last week — that the strike should be forbidden and, therefore, the Government Ordinance issued today is fully justified. On the other hand, it cannot be right in a democracy to maintain that an overpowering legal solution, even if respected — the Ordinance is likely, in fact, to be defied — which keeps all grievances in animated suspense, is any solution at all. While the authority of the Government must be maintained, it is time to argue that, after maintaining its prestige, the Government must stoop to conquer.

There is good ground for a further concession. The theoretical stand that the Government of India has taken—that it is impossible to concede to the principle of any linking between the cost of living and remuneration of Central Government employees — cannot in reason be sustained. This is because the Government of India has already acquiesced in this linking up in some cases in the private sector and Mr. Gulzari Lal Nanda, who has been Government's main negotiator in this case, has himself been instrumental in prescribing this counsel liberally elsewhere. In Ahmedabad, in the textile industry, a linking formula exists which provides for 100 per cent compensation for rises in the cost of living. It is too late in the day — quite apart from Mr. Nanda's egregious performance at the Fifteenth Tripartite Labour Conference—for the Government of India to assert that what is good for the private sector and in the national interest elsewhere, suddenly ceases to be good or in the national interest when applied to itself. Some spirit of accommodation needs, therefore, to be shown, subject always to the condition that the national interest is not imperilled to a point at which everyone (and the Plan) is endangered. Obviously, there must be some point at which a concession is preferable to a general strike, meaning, in fact, that the country will lose less by the

concession than it would lose, both in spiritual and in material terms, by a widespread conflict attended by violence, which seems the only alternative.

It is not weakness in these circumstances to review the field in a somewhat different manner from that presented by the Prime Minister's broadcast on Thursday evening. It is only a limited answer to grievances to argue that there is a national emergency. It is open to Central Government employees to point out a significant measure of wasteful or non-productive expenditure which is sustained in spite of the emergency. If the Government is to argue that the emergency prevents any concession, it must lay the axe to all Government expenditure which can reasonably be deferred; who will doubt that perhaps Rs. 25 crores of expenditure per year could in fact be deferred if the will to defer it were as large as the emergency is made out to be? Is it also true the Government of India has done everything possible on the price line? More than one Finance Minister must bear a high responsibility for the failure to maintain the price line over the last two years.

It is still true that those who threaten to go on strike at the present time are not actuated by a simple motive of maintaining a just right. Unhappily, the struggle for power between the Communist Party and the Praja Socialist Party, each of which is trying to show the effectiveness of its leadership more than the other, has been a dominating factor in producing the rigid posture in which the workers' case has now come to be set. It is impossible for a Government to allow a political sectional interest — whether the Communist Party or the Praja Socialist Party — to dictate to it in the central and basic activities commanded by the Railways and the Defence Industries. If, therefore, there should be an attempt to pursue the strike, public opinion will support any measures the Government might take to crush it. The workers have been greatly misled in using the strike weapon in this case to enforce even just demands.

The questions that can now be asked are few; their answer should be clear. Firstly, neither the Government of India nor workers' associations can be free from blame for allowing the situation to deteriorate so fast. Secondly, knowing that it has deteriorated, the authority of the Government must remain unchallenged; if a strike should take place, it should be dealt with with determined, and even relentless, force. Thirdly, even while it is being so dealt with, the point that the price line has either to be held or compensation in manageable form granted, must be admitted. There is still time in recognising these basic guiding lines to avert participation by the moderate section of the Trade Union leaders. To them this challenge is addressed; not to the Communists to whom liberty means nothing. Responsibility, no less than vigilance, is the price of liberty.

The Third Plan

THE outlay in the Third Plan was virtually a pre-determined quantum inasmuch as investment, which accounts for the bulk of the outlay, had to conform to the "perspective" plan for investment much of which was reflected in the Second Plan itself. This fact, however, does not make the outlay now fixed in the Draft Outline of the Third Plan a matter devoid of interest. The projections made in the Second Plan for investment over a period of 25 years ending 1976 envisage a combined investment target of Rs. 9,900 crores in the public and private sectors in the Third Plan. It is interesting, however, that the tentative draft of the Third Plan approved by the National Development Council in March last raised this target of investment to Rs. 9,950 crores and now the Draft Outline has stepped it further to Rs. 10,200 crores. This step-up of Rs. 250 crores in a matter of about four months need not come altogether as a surprise. The Planning Commission's estimate in the tentative draft was based on the Budget Estimates for the year 1959-60 — the latest data then available. But the Revised Estimates for the year have revealed a buoyancy in the budgetary revenues.

It is possible to argue that in spite of this "buoyancy" adherence to the first target of Rs. 9,950 crores of investment in the two sectors would have proved a course of practical convenience. The scheme of financial resources for the Third Plan discloses that out of a total outlay of Rs. 7,250 crores in the public sector (composed of Rs. 6,200 crores worth of investment and Rs. 1,050 crores on account of current outlay) contains a substantial component of Rs. 2,200 crores by way of external assistance. The climate for external assistance is no doubt improving and perhaps it is fair to assume that aid of this magnitude will be underwritten in the absence of any extraordinary developments. But both external aid and internal resources represent acts of faith.

The programme of internal resources drawn up in the Draft Outline is unlikely to raise any substantial divergence of opinion except in a few items. The largest single component of internal resources is additional taxation which is placed at Rs. 1,650 crores. This is not plain taxation as such, but in it is incorporated an extra element described as "measures to increase surpluses of public enterprises". This is rather confusing and the better course to adopt would have been to include the latter in the relevant source, namely surpluses of public enterprises which have been computed on the existing basis only. It is, therefore, obvious that Rs. 1,650 crores does not represent the full magnitude of additional taxation as such. But making allowance for a marginal amount of revenue by way of extra surpluses from public enterprises, new taxation in the Third Plan will not be less than Rs. 1,500 crores. This is 50 per cent higher than the revised estimate of additional taxation in the Second Plan. The Outline says that one-third of the additional taxation will be allotted to the State Governments.

This may be its Achilles heel. Rs. 500 crores of additional taxation in the States imposes an obligation on them of which the implications must be understood and faced squarely. The State Governments must be prepared to take unpopular decisions with severe political repercussions. Additional taxation at the State level now would undoubtedly mean that the agricultural class, which has enjoyed relative privilege for ten years, will need to share an equitable part of the burden. Land revenue has remained static in spite of the phenomenal increase in prices over the last three decades. It offers genuine scope for enhancement and it is difficult to see how this resource can be deferred again. Apart from this fact, the obligation placed on the Centre for additional taxation of Rs. 1,000 crores, if not more, is by no means an easy liability. The buoyancy in revenues could have been utilised, at least in part, if not fully, to give relief here.

The targets of surpluses of public enterprises other than railways (Rs. 440 crores) and provident funds, betterment levy, steel equalisation fund and miscellaneous capital receipts (Rs. 510 crores) would appear to be ambitious. As regards the former, the basis on which this target of Rs. 440 crores is pitched has not been explained in the Draft Outline and *prima facie* it appears excessive. As regards the latter, it is significant that it has been stepped up from Rs. 380 crores as envisaged in the tentative draft of March last to Rs. 510 crores. It is not clear whether due account has been taken of the diminishing size of the steel equalisation fund with increasing domestic production. Market loans have been conservatively estimated at Rs. 850 crores.

Marginal adjustments in the targets for internal resources could be made on lines such as these in the final shape of the Plan. They are urged by an important factor which is highlighted in the review of the progress of the Second Plan incorporated in the Draft Outline. During the Second Plan the general index of wholesale prices will have risen by more than 20 per cent. The pressure on prices which development outlay of a high order in the Third Plan and bias for heavy industry will place must be read in the context of the inflation already generated on a substantial scale in the Second Plan. The National Development Council cannot afford to continue to grope for a price policy; prices form the sheet-anchor of the Plan.

Rubber: An Act in Haste

THE proposal of the Kerala Finance Minister for a new plantation levy to cover part of the revenue deficit in the budget for the current year has understandably enough caused a controversy. The proposed levy is to be Rs. 10 per acre on all plantation holdings having an extent of five acres and above in the place of the existing basic tax of Rs. 2 per acre. That this arbitrary five-fold increase will have serious repercussions on the growth of the plantation industry is patent enough even though from the immediate and narrow fiscal point of view, it may bring Rs. 80 lakhs to the State exchequer. The fact that shortly after the proposal for the levy has been made, the Finance Minister himself has offered concessions to the extent of exempting the first two acres from the operation of the new levy is evidence enough of bad conscience; but the disease has not been remedied.

The main justification in support of this new levy stems, according to the Finance Minister, from the fact that the yield from plantations was several times that from ordinary land and hence no one would dispute the ability of plantation owners to contribute a greater share to the pool of the Government's resources. But this is not quite true. The fact is, as a statement by the United Planters' Association of South India shows, "the new tax is not the only solitary new levy imposed on an otherwise prosperous industry and it is only the latest of a series of punitive levies on plantations in Kerala." When the Communists were in power, they saw to it that this industry was oppressed with fiscal burdens in the shape of steep increase in the rate of taxation on larger properties. But here the Congress Party provided no act of liberation: quite the reverse. It is also a fact that today Kerala has the highest rate of agricultural income-tax and this falls with undue weight on planting companies.

The main objection to the tax is not so much that it will hit the plantation owners and their profits; it is that it impinges on the national interest at a time when rubber has profound effects both on our foreign exchange and domestic elements. The primary need today whether in Kerala State or elsewhere even for ushering in a socialist pattern of society is industrial expansion. But its wheels are continuously being impeded by acts of indecent haste which could never have been embarked upon if some thought had been expended on the matter. How seriously the new levy will operate in practice can be seen from the fact that irrespective of whether a rubber or coffee estate makes a profit or loss, it would put up the cost by about Rs. 5 per 100 lbs. In view of the fact that 97 per cent of the total rubber holdings in the country are situated in Kerala, rubber production is of vital importance not only to her economy, but to the whole country. The element for rehabilitation and the margin of profits of the rubber producers have already been reduced by previous taxation measures. The new levy would hit them further unless the Government of India quickly offsets the levy by a liberal revision of sale prices. Again, the new tax would push the tea growers into an unenviable position in a highly competitive market as tea is already subject to an agricultural income-tax that is higher than in the adjoining Madras State or in the Northern India tea districts. What is more significant, companies which have large development programmes and hold land for the purpose would now be liable for payment on land which does not earn anything. The result will be a drastic curtailment of the entire developmental programme by rubber planting companies.

This is a situation that can hardly be looked at with equanimity. There is no use Government merely exhorting plantation companies that they have the greatest scope for expansion when its actions belie its profession. The basic fact to be conceded is that unless taxation policy is adjusted to leave much larger resources in the hands of plantation managements, development will inevitably be impeded, if not halted altogether. The Kerala Government cannot be unaware that the Draft Outline of the Third Plan lays considerable emphasis on exports and an increase in commercial crops. The latter, it holds, is as important as increased food production. It is hence, for instance, an increase of 71 per cent in rubber production, 78 per cent in coffee and 17 per cent in tea is envisaged in the Draft Outline. This is the time when one would have expected the Kerala Government to adopt an imaginative policy of incentives for expanding the base of the plantation industry. On the other hand, by its latest move, what it has done is only the reverse. If even after the considerable opposition that has been voiced both within and outside the State to the new measure, the Kerala Government does not see its way to retrace its step, it may perhaps become necessary for the Central Government to exercise some pressure. For, whatever may be the constitutional position, the Centre cannot afford to adopt a *non-possumus* attitude when the action of a State Government is likely to put in jeopardy important foreign exchange earners of this country. And industrial policy will hang on a slender thread if it is left to the tender mercies of State Finance Ministers seeking revenue at any price.

A DELHI DIARY

TO LINK OR NOT TO LINK?

LOOKING at the wide world from Delhi, there seems to be only one question, that relating to the strike which is due from Monday night. To strike or not to strike is the question. Whether it is nobler in the mind of many to suffer the slings and arrows of inflation or to take arms against a sea of (domestic) troubles and by opposing try to end them, I know this is no laughing matter for anybody, and, least of all for the Members of the Government of India. I cannot think of one Member of the Cabinet who can be happy about his particular role in this long drawn out affair. For the Government of India as a whole, which has been never tired of telling private employers how they should treat their employees and how important it is to maintain their standard of living, and how necessary morale is for productivity etc., etc., the present experience must come as a rude shock. It would appear that the Government of India is by no means as model an employer as its frequent prescriptions would allow one happily to believe. The fact that Mr. Gulzari Lal Nanda, at the Fifteenth Labour Conference, accepted a "needs" norm and today argues that the Government of India was not committed to it, does not raise either his prestige or that of the Government of India extremely high. Not, indeed, that one can support the strike in any way, but one need not at the same time fall listlessly into the Government's lap. I, therefore, propose to allow myself on this occasion to play the part of an indecent heretic. Will I be burnt at the stake?

THE PERILS OF PERSONALITY

I look upon the present crisis as the resultant of a large number of personal equations written into Government policy. In the first place, there is the Prime Minister's large personal equation for a bigger, and yet bigger, Plan. The Third Plan, which has emerged in draft this week, is also true to form—bigger than the last, even than the first draft of the Third Plan which appeared only three months ago. Documentary growth inside the Planning Commission is a law of nature, just as Parkinson's Law applies inevitably to growth in the number of employees in a Government office. But, as I was saying, the Prime Minister's devotion to a big Plan implies, inevitably, that there must be a strain on financial resources. Secondly, there is Mr. Gulzari Lal Nanda's view, not merely that there should be bigger and bigger plans, but there should be a bigger and bigger slice each time for industrial labour. This is, like Parkinson's First Law, an immutable law of Trade Unionism all over the world, and Mr. Nanda, being a devout trade unionist, cannot be expected to deviate. As a result of the laws of the bigger plans and the bigger slices, there is generated what might be called a wavy price line. The precise wave to be put into the price line is supposed to be a matter for fiscal and monetary policy and, therefore, the special domain of the Finance Minister. Anyone, who looks at the wavy price line over the last two years may hold his peace or his opinion on the Finance Ministers before and after this period. I think that "The Eastern Economist" Budget Number—which incurred much displeasure in official circles and not a little in at least one of our contemporaries—struck the true note some months ago. A wavy price line was made even wavier as a result of the volume of deficit financing to which the Finance Minister subjected the country this year. The Reserve Bank curbs came too late to restore the balance.

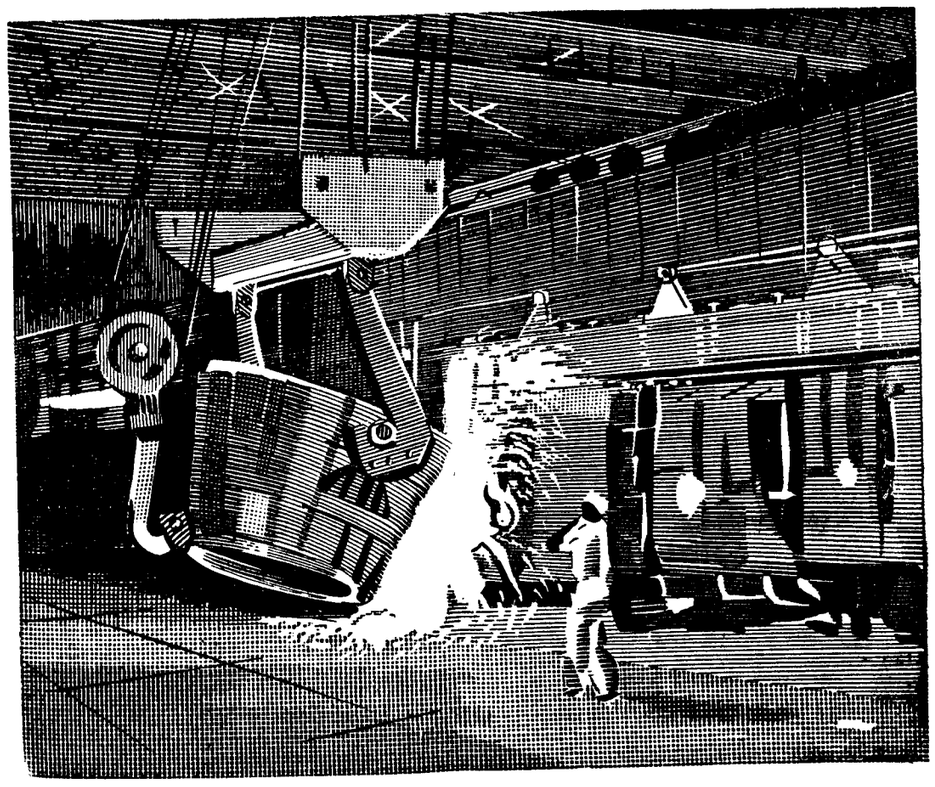
Can this business of linking up dearness allowance with the cost of living be evaded? It has been practised in the private sector, but dire consequences are expected to flow from it when the demand has been raised that it should be practised in the public sector too. I seek enlightenment as to why when private sector employment is larger than public sector employment, the dire consequences of this linking were not recognised earlier. I admit I am now on a very shaky ground, but I have found difficult at least one argument which I have heard in the last week. Pandit Pant—he is the fourth of the personalities that dominate the situation—stated last week that the price line must be held. But if the Government of India has the capacity to hold the price line—with a big Plan, with a big slice and a (now) determined Finance Minister—why is it afraid of the general idea that there should be some linking of dearness allowance with the cost of living? Obviously because the Government is not going to hold the price line, although it says it will and must. It does seem to me that inconsistency, while it pays great dividends in some political fields, is unlikely to be effective in this one. Is it not possible for the Government of India to form itself into a committee which will integrate the big Plan, the big slice, and the wavy price line with a policy and treat both the private and the public sectors alike?

THE PEOPLE AND THE PLAN

Few persons who heard the Prime Minister's broadcast on Thursday evening could have failed to be moved by his deep sense of distress. Indeed, I felt the emotion in his voice as he spoke of the new hindrances to the great adventure on which we had embarked. He referred to the irony of our prescribing paths to peace abroad and our not being able to maintain peace at home. Can it be that the planning of the Indian Union, directed as it is so much by the Prime Minister's leadership, has grown somewhat out of touch with the capacity of the Indian people, first, to venture in the grand manner, and, secondly, to accept the necessary price? I am inclined to think the disappointment the Prime Minister feels is largely the result of his feeling that his leadership on major issues is no longer being readily accepted by large sections in the country, notwithstanding the sense of crisis which the border situation is supposed to entail?

Can it be that the strike is, in fact, a blessing in disguise, forcing us to recognise that the pattern of thinking in New Delhi with much that has gone before, including two complacent Budgets, is inadequate, first, to obtain the broad co-operation of the people and, secondly, to obtain the narrower co-operation of those most intimately concerned with Government enterprises? I am inclined to believe that much good can result from a searching of our souls to discover if New Delhi has not been significantly out of step with the feeling in India's middle and industrial classes. It may be that the Third Plan will need, notwithstanding the agreement expressed almost everywhere, to give, under the hammer of the spiritual and emotional strains raised in the last two years, some ground in order to obtain more popular enthusiasm than now exists. And I am coming more and more to feel that the essence of the gap between Indian intellectuals and lowest income working class groups is the fact that the workers of India are increasingly demanding a pause, and at least a temporary cessation of strain. Their gaze needs to be shifted a little from the distant horizon to present satisfactions; perhaps after a year or two, they might be more ready for a trial of endurance. Will our psychologists tell us if there is something in this view?

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THE WEEK'S NOTES

Aneurin Bevan

A VALIANT FIGHTER

THE NEWS of the passing this week of Nye Bevan (as he was affectionately called) has come as a shock in spite of the last few medical bulletins which seemed to have anticipated this inevitability. It was hoped that after his last serious illness, Providence was kind enough to spare his services for some more time, but it was not to be. His death is a grievous loss not only to the British Labour Party but the entire left-wing movement. His ebullience and fiery oratory, his sturdy independence and idealism and his great gifts of leadership made for enlivening British politics for more than three decades. In spite of his non-conformity, he was throughout loyal to the Labour Party and always subordinated his personal interests to those of the party. When he found that what was termed as "Bevanism" was tending to sow discord, he was quick to give it up. Though he was the inevitable leader of the left-wing radicals, by a strange irony, it was the presence of this "stormy petrel" that acted as a cementing force in recent years to ensure party unity. His death has come at a time when the Labour Party is passing through perhaps its most critical phase with an uncertain future.

His greatness, however, does not lie merely in his services to his party and the Labour movement. He was, in fact, the champion of the downtrodden and oppressed humanity all over the world and he espoused their cause with singular courage. He was a great friend of India (which he had visited twice) and as an influential member of the Labour Government, which was responsible for the transference of power, this country owes him a debt of gratitude. Of few people can it be said with greater truth that the world is poorer for their loss than in the case of Mr Bevan without the customary hyperbole involved.

Cuba

RIFT WITH U.S. WIDENS

CUBA HAS again come into the news this week. For refusing to process Soviet oil, Premier Castro ordered the seizure of the American-owned Texaco and Esso oil refineries and the British-controlled Shell refinery. This has given the signal for a series of developments that are bound to grow in intensity in the coming weeks. Immediately, the State-owned Cuban airline suspended all trans-Atlantic flights because of an international boycott against Cuba. There is also speculation that Western oil producers, who have so far been supplying Cuba with her oil needs, may decide to stop supplies as a measure of retaliation. In that case, she has to rely on Russia for her requirements and the big question is whether the shortage of crude oil caused by the departure of the Western oil companies can be entirely made up this way. The fact is that even the promised Soviet imports of 1,150,000 tons of crude oil are stated to be sufficient to supply the Cuban electrical power and the transportation only for four months. It is possible that in the long run, the Cubans may be able to run the refineries themselves with the help of Soviet technicians, but immediately Dr. Castro's worry is one of finding the necessary dollars to buy the needed supplies of crude oil on the world market.

Since Cuba is to rely mainly on her sugar exports for getting her foreign exchange, U.S. proposals to cut the preferential sugar quota have come as a great blow to her. Cuba has now the highest quota, which is almost one-third of U.S. consumption. Also like other foreign suppliers, Cuban producers get a premium of about 2 cents a pound over the world price of about 3 cents. The U.S. Congress has now passed a resolution giving the President authority to cut Cuban sugar for the rest of the year. It has been estimated that a reduction in American imports of Cuban sugar would mean cutting the subsidy that the United States is now giving of about $125 million a year because of the differential price. There is no wonder therefore that Dr. Castro denounced this action of the U.S. Congress as "stupid and criminal." He has now threatened to seize United States investments "penny by penny until nothing is left" if the quota were cut. American investments in Cuba amount to $850 million and there is a fear among the Americans that Dr. Castro is planning to forfeit all of them. This process of retaliation and counter-retaliation bode ill for the future of Cuban-American relations. It is true that the United States had all along shown commendable restraint in her dealings with Cuba in spite of extreme provocation. But the adoption of a tough policy now will only help Russia which is now playing oil politics to get a foothold in the Caribbean.

Planning

PUBLIC ENTERPRISES AND PROFITS

IN THE scheme for financing the Third Plan outlay in the public sector, credit is taken for a sum of Rs. 150 crores by way of contribution from the Railways and Rs. 440 crores by way of surpluses of "other public enterprises on the existing basis." Since the Railways have contributed Rs. 150 crores during Second Plan, the estimate in this respect for the Third Plan may be taken as valid. But as regards the contribution of "other public enterprises" there is room to doubt the validity. Under this heading, the figure for the Second Plan is not given separately, but it is stated that the "balance from revenues on the basis of existing taxation" covers this item. In any case, among the State undertakings, the principal contribution should have come from Posts and Telegraphs. The Draft Outline points out that the surpluses from Central Government enterprises are estimated at Rs. 300 crores and from the enterprises of State Governments Rs. 140 crores. Under the former comes enterprises like iron and steel, fertilisers, oil extraction and refining, and Posts and Telegraphs and under the latter electricity boards, transport undertakings etc. It is also mentioned that these estimates represent the balance of resources available with public enterprises after providing for their working expenses as well as depreciation outlays and these estimates have been made on certain "broad assumptions" and are therefore "very rough."

What these "assumptions" are have not been, however, told. But judging by past performance, the Planning Commission's claim is of a tall order. A recent study of public sector enterprises made by the Central Statistical Organisation shows that 19 industrial undertakings of the Central Government, which have been completed and are in full operation, have a total capital of about Rs. 171 crores, but their profits before taxation come to about Rs. 6 crores. The profits before tax as percentage of net assets present a disconcerting picture as the percentage is as low as 2.67 in Engineering and 0.70 in Coal Mining. So on the existing basis, there seems to be no possibility of reaching the target fixed, but the Planning Commission is undaunted because it points out that measures must be taken to raise the surpluses of public enterprises. An inkling of these "measures" is given when the Commission goes on to argue that though increases in the prices of products of public enterprises will tend to raise prices and costs, this is part of the calculated sacrifices that have to be made. Evidently much water has flowed since it was fashionable to proclaim that public enterprises should operate not so much for profit as for the benefit of the public.

TARGET FOR SERVICE CO-OPERATIVES

THE PLANNING COMMISSION has tentatively fixed the target of increasing the number of service co-operatives by the end of the Third Five-Year Plan to 2.5 lakhs, which will serve 40 million families, constituting 55 per cent of the total rural population or 74 per cent of the agricultural population. In view of the expectations that nearly 2 lakhs such societies would have been established by the end of the current Plan, the Third Plan target of the number of the societies to be set up is by no means an ambitious one. But taking into consideration that

only 17 million families would be members of service co-operatives by 1961, forming nearly 25 per cent of the total rural population and 33 per cent of the agricultural population, the task of raising the membership to 40 million during the five years to 1966 is indeed stupendous. More so if the membership is to be on purely voluntary basis.

It is heartening to note that realization has dawned on the Planning Commission and the Government that time has come when instead of just multiplying the number of primary agricultural societies, efforts should be directed towards increasing their size so as to make them viable units. Under the Third Plan the average membership of these societies is sought to be raised from the current level of 85 to 160. This, along with the proposal to link marketing of surplus farm produce with the provision of credit by these societies, should go some way in improving their working.

One of the main factors that has hampered the progress of co-operative movement in India is the lack of adequate managerial and organizational skill. This is evident from the fact that a large number of co-operative societies, particularly in the Eastern Zone, are at present in none-too-healthy a state of affairs. Any programme of expansion of the co-operative movement, obviously, has to be preceded by energetic action in the direction of imparting training to the personnel of co-operative societies. Not much attention, unfortunately, has been so far paid to this and it may prove to be real bottleneck in the implementation of the Third Plan programme which envisages enlarging of the functions of the primary agricultural society.

Sugar

PLEA FOR DECONTROL

IN VIEW of the present comfortable supply position leaving a probable surplus of 5.33 lakh tons at the end of this season, and prospects of a still higher output in the next season, spokesmen of the sugar trade have reiterated their plea for doing away with the present controls on sugar. It is contended by them that the imposition of controls has paralysed the entire normal channel of distribution, leading to maldistribution and unemployment. "Because of the defective distribution system under controls," they aver, "sugar does not reach the rural areas in required quantities, with the result that a large majority of the consumers in the interior areas had to pay higher prices in the black market, of Rs. 150 to Rs. 200 per bag. The maldistribution inherent in controls on a commodity like sugar, has given scope for anti-social elements to exploit the consumers. What has happened is that, apart from a few big cities, the general consumer has not benefited at all by the controls."

While the two main arguments of the trade, namely, the disruption of normal trade caused by the imposition of controls and satisfactory supply position — and the output during the current season is placed around 24 lakhs tons, which is perhaps an all-time record—are very forceful and are accepted as such by all concerned, there seems to be a feeling that it would be better to take an important policy decision like decontrol of sugar only after the authorities have a complete and full picture in respect of the domestic supply. This can be had towards the end of the year when the prospects of the current year's crop become known. In other words, this section wants a postponement of a final decision by a few more months. Secondly, during the last decade, the consumer has suffered rather heavily due to the too frequent policy changes affecting this commodity and he is in no mood to have a repetition of this experience. The consumer's apprehensions that decontrol may lead to his having to pay more in the open market should be allayed, though they are born of a certain complex.

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A Window on the World

WHEN THE U.S.S.R. BECOMES AN AFFLUENT SOCIETY

By

ODYSSEUS

JUSTIFICATION, if any was required, for the attempt that I made here on June 17 constructively to criticise J. K. Galbraith's readable, witty, but in some respects misleading best seller, "The Affluent Society" (H. Hamilton. London. 1958. 21 sh.), has quickly come in the shape of Mr. R. H. S. Crossman's adoption (in his admirably written new pamphlet "Labour in the Affluent Society." Fabian Society. London S.W. 1. 2sh. 6d.) of Galbraith's theories to replace Marxism as basic doctrine for the British Labour Party.

"What," asked the Manchester "Guardian" reviewing Mr. Crossman's pamphlet, "does a party of catastrophe do when no catastrophe is in sight?" Answer: It invents one. Before World War II, Socialists assumed that Capitalism was morally wrong and economically disastrous. Without Socialism, the cycle of alternating boom and slump, with its immense waste of resources, human and physical, would go on for ever. Keynes destroyed that Socialist assumption by showing that it was possible to iron out the steep ups and downs of the cycle into manageable proportions. Mass unemployment could be reduced to relatively small variations in full employment. This could be done without nationalisation and without clamping all workers into the strait-jacket of complete economic equality. But if the contradictions of capitalism can be resolved without Socialism, why should anyone vote Socialist? This explains why the Labour party has lost three elections in the UK, and why the German Socialists have never had a look-in since Germany secured control of her post-war affairs. The German Socialists, as a whole, and the Right wing of Britain's Labour party, have now recognised this. Mr. Crossman has, however, found in Galbraith the substitute for Marx that provides the catastrophe necessary to enable Socialists to continue as prophets of doom.

For Mr. Galbraith, the affluent society (for details see this column, June 17) contains the contradiction that while the individual grows ever richer, the state and its public services are plunged into increasing squalor, because of an alleged inherent inability to allocate sufficient resources to defence, education, scientific research, health, and welfare. Public policy is subordinated to private profit. The wants of the community are subordinated to the wishes of the individual consumer, and to the interests of the rings of big manufacturers who live by encouraging the consumer to buy what they are producing in ever greater quantities. It is these industrial "oligopolies", not the state, which set the economic priorities of the affluent society.

Basing himself on Galbraith, Mr. Crossman argues that so long as the public sector remains the minority sector throughout the free world, we are bound to be "defeated" by the Soviet bloc in every kind of competition. In military power, industrial development, technological advance, mass literacy, and eventually in mass consumption itself, "the planned Socialist economy, as exemplified in the Communist states, is proving its capacity to outpace and overtake the wealthy and comfortable Western economies."

THE DOOM OF THE WEST

Mr. Crossman rises to Marxian heights in his apocalyptic vision of the coming doom. Gradually the eyes of the people will be opened to the threat to democratic values for years concealed from them by governments systematically appeasing the private profit makers at the cost of public service and public enterprise. "And one day anger will replace complacency." For "a left wing Government is required only where the change must be radical and involve a repudiation of orthodoxy; and the occasion for it will be a crisis in which the people, shaken out of their complacency, lose confidence in their traditional rulers, berate them on the ground that they have betrayed the nation and deliberately insist that what the country needs are new 'men' and a big step forward."

I do not seek to deny that the USSR's economy is making substantial strides, and in some respects may be catching up with the West. But neither Mr. Crossman, nor anyone else, has adduced evidence that it is as efficient as Soviet propaganda makes it out to be. Secondly, if the Soviet economy is catching up, Mr. Crossman does not discuss the human cost at which this is being achieved. Soviet priorities have concentrated on building the USSR into a mighty world power, geared for war, whereas the West has concentrated on consumers' choice as well as defence. If consumers' choice had been clamped down in the West, as it has behind the iron curtain for the past twenty years, the West could have built up as mighty a war machine as the USSR.

In that case, although the states of the West would have been more powerful, their individual citizens would, materially, have been infinitely poorer. Would they have been spiritually richer?

Mr. Crossman, however, is convinced that there is no need to fear military aggression from the USSR. He asserts that the Kremlin now assumes that a nuclear war would actually prevent the victory of Communism. The USSR's determination to practise peaceful co-existence is a sign of strength. Mr. Crossman foresees that we shall one day wake up to find that the USSR has achieved a higher standard of affluence than the West, at which point we shall burst out in anger against our complacent Conservative rulers and vote Galbraithian Socialists into office.

It is reasonable to ask whether Mr. Crossman is right to be so certain that the USSR will not use its growing power for aggressive expansion, but I submit that this is not an economic but a political question. I do not know what answer there is to the world race in armaments, but I am sure that to confuse it with the world race to multiply wealth is no answer. On this point hear Mr. George Schwartz, the shrewd and witty economic commentator of the London "Sunday Times", who replied thus to Mr. Crossman on June 19: "Now, for my part, if I woke up tomorrow morning to find that by a miracle the standard of living all over Asia

was as high as ours, or even higher. I should let out a great Alleluia. Dash it, what am I to think about this matter? I am asked today, particularly by the Crossmans, to concern myself that the standard of living in those continents is low, distressingly low. They are not above accusing people of my kidney of complacency in this matter, even of callousness. But if the time comes when these luckless people achieve a high standard of living, I am supposed to explode with wrath."

Mr. Crossman, Mr. Schwartz points out, seems to think that no people, or section of a people, can become better off except at the expense of, and to the prejudice of, other people. This is an occupational disease on the Left, I wish that the USSR were prosperous enough to lend all the money that India requires for her Five-Year Plans, and that the Soviets could afford to buy on a huge scale from the people of India, Pakistan, Burma, Ceylon, Cuba, Africa, and South America. That would give a boost to production and prosperity in all those countries. At the expense of Europe and the USA? Why should the West be poorer if the USSR and the underdeveloped countries enjoy large spending power? Because they will not spend any of it in the West? Has Mr. Crossman never heard of triangular and multilateral trade?

If the Galbraithians would study economic history, they would find that the UK did exactly what Mr. Crossman warns us that the USSR may do. The UK opened up markets in vast areas all over the world which had hitherto been economically stagnant for centuries.

I am well aware that some people argue that, in opening up new world markets, the UK did so at the expense of the under developed countries—exploited them. No human activity has ever been entirely free from error or injustice, and there are, of course, also such factors as the terms of trade to take into account. But whatever the short term repercussions on some markets of the UK's 19th century splurge of expansion, the long-term result was to multiply wealth and to raise standards of living in varying degree everywhere. Naturally, if you live in a country, such as Greenland to take an extreme example, which does not happen to be rich in raw materials, you will not prosper at the same rate as a country which chances to have oil wells or tea plantations within its border. Nevertheless, if the British had said to themselves: "We must not try to sell more, nor to buy more, overseas because some of the terms of trade are in our favour, and we may grow rich more quickly than other peoples," the whole world would have been poorer today, and would be positively panting for some enterprising country, without such scruples, to set the ball rolling.

Mr. Schwartz cites Spain which has declined as a leading political power, and asks whether she has become economically absolutely poorer since the UK became prosperous and powerful. Did the UK push Spain down in the world by becoming rich enough to buy Spanish oranges, drink Sherry, import Spanish copper, iron ore, and pyrites? Is the UK worse off today because the USA has streaked ahead of her in the twentieth century? Would the UK be better off if the Americans were too poor to buy British motor cars and Scotch whiskey?

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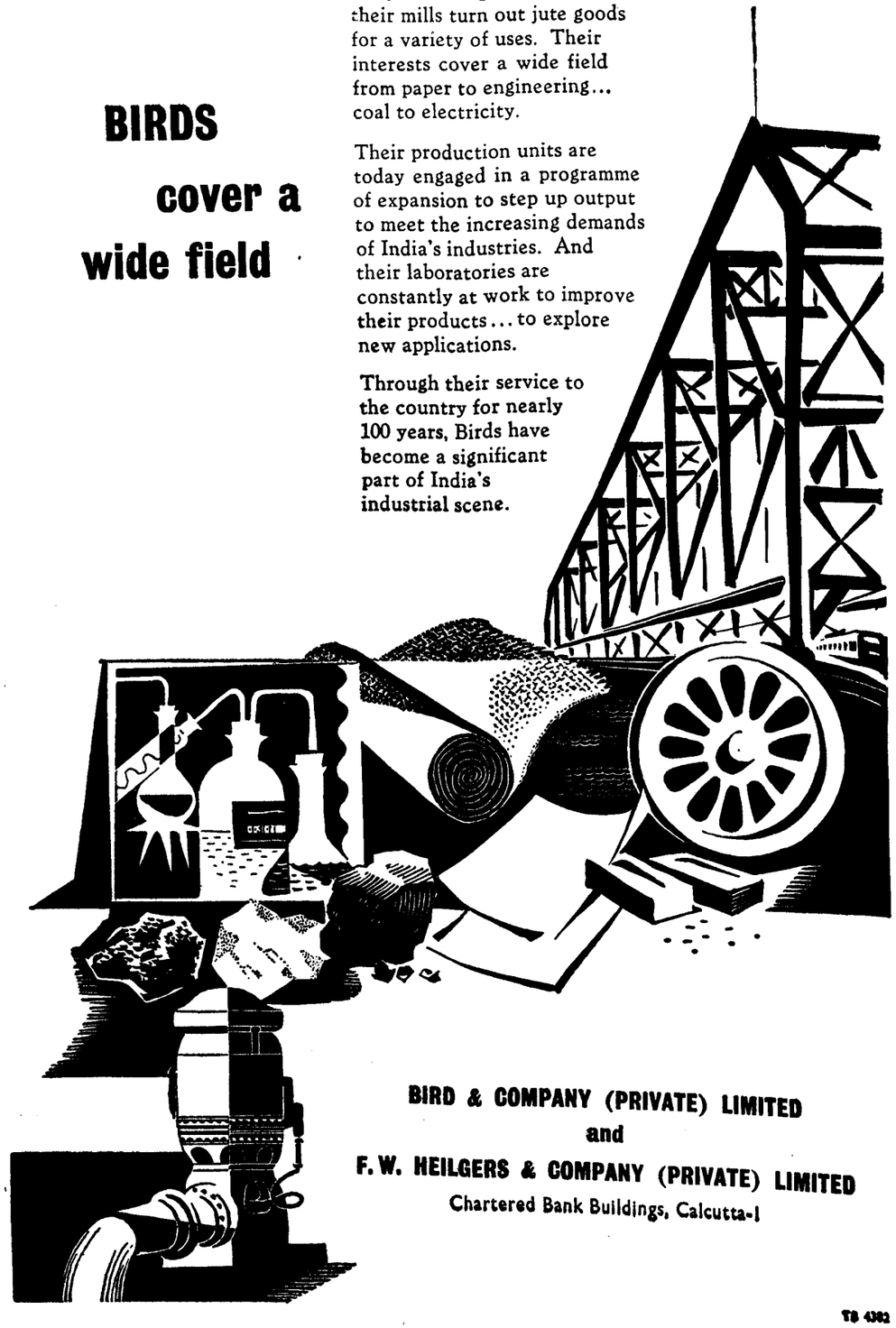
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The European Scene

JOINT ECONOMIC POLICY FOR W. EUROPE

From Our Special West European Correspondent

PARIS, July 4.

THE idea that the level of economic activity in the United States has a predominating influence over business conditions in all other Western and Afro-Asian countries is already out of date. The US economy no doubt remains a major factor in the life of the non-Communist world but its importance is no longer overwhelming, and is constantly diminishing. The days are gone when it seemed that John Doe's decision to buy or not to buy himself a new car determined whether the rest of the world experienced a boom or a slump. It was never as simple as that, of course, but for several decades the USA had an export-monopoly in recessions and inflations. Sudden variations in American business activity caused disproportionately violent fluctuations in US imports of raw materials, and because the supply of these latter is inelastic the revenues of raw-material exporting countries rose or fell dramatically and this in turn governed their imports of industrial goods from West Europe. Not only was the American economy much bigger and more competitive than its nearest rivals, but its relations with other countries were bilateral: each of them depended on the USA more than the USA depended on it.

The return to multilateral trading conditions and, above all, the vast expansion of the West European economies (to which, it must never be forgotten, the USA powerfully contributed) have changed all that. The weight of West Europe in the world's economic affairs has much increased and is still growing. This weight makes itself more readily felt because West Europe plays a larger role in international commerce than do the USA or the Communist economies. Moreover, West Europe is still divided into nation-states that trade intensely between themselves but must each safeguard a payments position, so that inflationary or deflationary tendences in any one of them can be considerably multiplied in their effects on non-European countries. The USA's share in the exports of raw-material producers has diminished and West Europe's grown, while US imports are gradually tending to include more finished goods (mainly from West Europe) which are less affected by cyclical variations than are raw materials. Meantime, too, the American administration has made much progress since the war in controlling the amplitude of internal economic cycles. The upshot is that inflationary and deflationary tendencies originating in the USA are now feebler than before the war, and are less and less extensively transmitted to the rest of the world. The two latest downturns, in 1953-54 and in 1957-58, of which at least the first was expected to have disastrous consequences abroad, had in fact only moderate effects on most developing countries (with several painful exceptions) and very little effect in West Europe. It now appears that the mild recession of 1958 in West Europe had almost nothing to do with the prior American recession but was the result of stabilisation programmes enforced in France, Holland, Belgium and Italy for quite separate reasons.

The foregoing points to a trend (West Europe's relative weight in the world economy is growing and the USA's, relatively, diminishing) and is not intended to be a static comparison, e.g. that one is more important than the other. It will never be true in our time that developing countries can be indifferent to the state of the US economy, but it is already true that the level of activity in West Europe is of comparable importance and deserves the same attention as business men everywhere have given since the war to the monthly business indicators in the USA. For the same reason, everybody is concerned in the lesson that the West European countries draw from this new situation: the need for co-ordinated short-term economic policy to be applied simultaneously in as many West European countries as possible. The ideal would be a harmonisation of all public actions liable to affect the level of business activity, in all Western nations. Since that is impossible, the experiment in co-operation is at present limited to the six nations of the Common Market.

This co-operation so far has no institutional expression; there is no sign of a supra-national finance ministry co-ordinating budgets, taxes and interest rates in the six countries. But there are regular meetings of Finance Ministers and governors of central banks where the overall European situation is reviewed No decisions binding on all participants are taken at these meetings but, what is no less important, a code of good conduct and co-operation is gradually being evolved which would make it morally difficult for any one member to take drastic action to safegoard his own position at the expense of the others. This is not enough; closer and more formal co-ordination of economic policies is needed, and so lately the leading economists of West Germany and France met in Paris to discuss what forms it could take. In the neo-capitalist, free-market economies of West Europe governmental action on business activity can take three directions: budgetary, fiscal (i.e. taxes) and monetary (i.e. credit), The problem of co-ordination thus has these three faces.

If co-ordination means uniformity of techniques, the difficulties are immense. Comparison of national budgets soon shows that (to be Irish) they are simply not comparable. Only in France is the state budget presented as the nation's accounts, so that there is some hope of seeing what the effect of a budget entry will be on the economy as a whole; elsewhere the budget is just the accounts of the central or local government, and its nomenclature and subdivisions make no economic sense. They differ widely between federal and centralised nations, and in the Federal Republic they differ from one Land to the other. Budget years differ; accounting systems contrast; no two countries agree on where the public sector ends and the private sector begins; all budgets include "invisible expenses" in the form of a maze of special exemptions, reductions and subsidies. The economists concluded that "the present state of budgetary documents in the different countries does not permit of useful comparisons and this excludes the possibility of an adjustment of financial policies in the framework of a common economic programme".

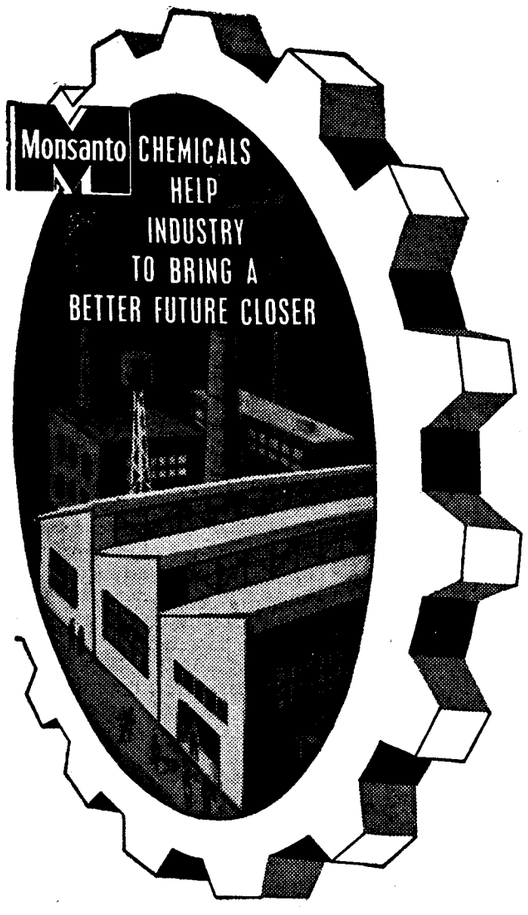
However, they went on to say that what really mattered was not uniformity of techniques but agreement about ends. If the six governments could agree to make a common effort toward the same goal, namely to avoid the transmission across their frontiers of inflationary or deflationary movements detrimental to their neighbours, then the diversity of the means they used to that end would matter less. Naturally, they would have to be sure that their various means really were means to the same end, and that entails beginning now on the long and tedious task of writing their budgets in a common language. This question has never before attracted the attention of economists, and the recent Paris meeting was therefore epoch-making (as was meeting of European company lawyers who decided to draw up the model of a joint-stock company that could be constituted in any of the six countries). The vision of a joint Common Market budget will only be realised, if at all, very far in the future but the intention to bring a common spirit into budgetary practice is already a reality.

Similarly in fiscal practice, it soon emerged that the tax systems of the six countries are incomparable and fantastically complicated. Every nation's tax system be-

gins from different assumptions and is riddled with discriminations in favour of various pressure-groups who would strongly resist the withdrawal of their privileges in the name of uniformity. Here again, the economists agreed that uniformity (e.g. equivalent rates of taxation) was less important that the assurance that various taxes were equally effective and flexible in the different countries. The common goal in this matter should be agreement about what constitutes taxable revenue, a greater reliance on direct taxes than on indirect taxes and a general limitation of the French system of a "tax on added value". A single West European tax system is probably a chimera, but the equalisation of company taxation and the appearance of a "European Tax" imposed universally on something or other to finance common institutions are perfectly possible.

On monetary policy there was instant agreement about the importance of co-ordination. The spectacle of competitive bank-rate increases (treated in an article here in February) was too absurd for there to be any doubt about this. No one dreams of a single West European bank rate but it is obvious, and feasible, that no country should change its interest rates without first carefully examining the effects on the liquidity and payments problems of its neighbours. The Common Market countries have already accepted this point of view and this is the first way in which their co-ordination of economic policies will affect countries overseas, and particularly the developing countries. A West Europe in which credit policies vary simultaneously and in response to the same view of the world economic situation will be an influential novelty in international trade. The economists who met in Paris disagreed about the long-term objectives of monetary policy, the West Germans tending to place more emphasis on the defence of currency stability and the French on a maximum rate of economic growth. This conceals a deep-seated discord about the very aims of governmental intervention in economic life, which would have to be resolved before West Europe could have a joint economic programme.

A common economic policy, in the literal sense, will emerge only slowly and with difficulty in West Europe. But for overseas countries the major point is that this region now has a greater relative influence over world economic conditions than in the recent past, and it is seeking the means to make that influence felt jointly and coherently, in the framework of a discipline.



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L 79.

Economic Report from the U.S.

BUDGET SURPLUS ANTICIPATED

By

GUY SIMS FITCH

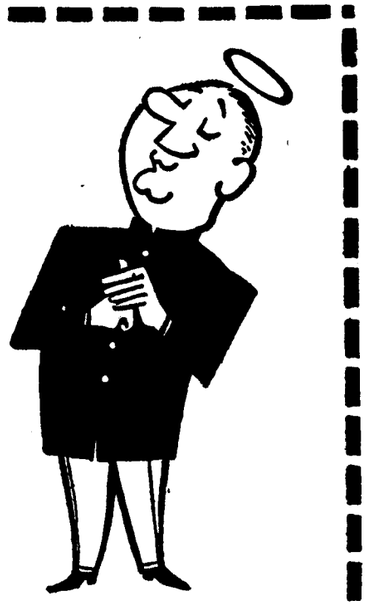
WASHINGTON, July 5.

THE fiscal year 1960 came to a close last Thursday, June 30, and the US government's budget has emerged in far better shape than anticipated. The final data are not yet available, but on the basis of fairly firm estimates by the US fiscal authorities, the outlook is for a 1960 budget surplus in excess of $500 million. While this figure may not seem large in relation to the size of the of the US budget, it represents the first surplus of the past three fiscal years, and it certainly is a far cry from the $12,400 million deficit of the 1959 fiscal year, when the US was recovering from the brief 1957-58 business depression. It is, moreover, some two and half times larger than the $217 million surplus projected by President Eisenhower last January in his regular mid-year budget review. As recently as last April, some Administration officials were concerned that there might not be surplus at all. This was because corporation tax receipts were running behind the forecasts, as the lingering effects of last year's lengthy steel shut-down were cutting into corporate profits. It follows, then, that a budgetary surplus of $500 million outdoes the expectation not only of the sceptics but also of the more optimistic among the fiscal experts.

Behind fiscal year 1960's improved budgetary position undoubtedly lies the solid growth of the American economy. As compared with the 1959 fiscal year, Federal Tax Revenues, reflecting the incomes of American individuals and businesses, have jumped more than $10,000 million, while federal outlays, no longer geared to combating the effects of the 1957-58 dip, have declined by about $2,500 million. As a matter of fact, the situation with regard to both receipts and expenditures in fiscal year 1960 appears to have improved in just the past six months, with the former higher and the latter lower than projected in the President's January review.

Despite the recent improvement, the estimated federal tax receipts from corporate profits still appears to have fallen below the $22,200 million projected in January, but this apparent loss has been more than made up by unexpectedly high personal tax receipts from individuals. These were estimated at $40,300 million in January. The steadily rising personal incomes of the American people, however, seem to have brought the actual total to well above the forecast. As a result, the final accounting for fiscal year 1960 promises to show that total budget revenues from all sources were somewhat higher than the $78,600 million projected by the President in January. Federal spending, meanwhile, appears to have fallen below the January forecast of $78,400 million. A principal reason for this was the heavy export sales of cotton, which helped reduce net outlays under the Government's farm price support programme. Also a factor may have been the early repayments by several foreign governments of loans from the US Export-Import Bank. This could have had the effect of reducing the net expenditure of that international agency of the US Government.

One of the happy consequences of the improved budget position is that it seems to be enabling the US treasury department to borrow less than it otherwise might in the US capital markets. Because the bulk of the treasury receipts normally comes in the first half of calendar year, the Government still must do some borrowing in the months ahead, despite the 1960 budget surplus and the anticipation of an even larger surplus in the 1961 fiscal year, just getting underway. But reduced borrowing by the Government could help ease the competition for capital, making more available for the private sectors of the economy and indirectly providing a further stimulus to economic activity. The newspaper, "Journal of Commerce", summing it up says: "The fight for fiscal discipline has thus given the economy a budgetary surplus. The lessened need for treasury borrowing and the economic effects that this will have are the rewards that the economy has now for these efforts to achieve fiscal disclipline".



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BOOK REVIEWS

PARLIAMENTARY PROCEDURE

Practice and Procedure of Indian Parliament: By S. S. More, with an introduction by Dr. S. Radhakrishnan: Published by Thacker & Co. Ltd., Rampart Row, Bombay: Pages 569: Price Rs. 27.50.

A CONTINUOUSLY growing body of rules governing the procedure in the Indian Parliament makes Sir Erskine May's classical treatise necessarily not always a useful guide. It is primarily to fill this deficiency that Mr. More has made this venture and the result is a valuable contribution to the scanty literature on Indian parliamentary procedure and convention.

The introductory, historical part of the book traces the organic growth of parliamentary institutions in India. Between the introduction of the Legislative Councils in 1854 and of dyarchy in 1920, the legislatures functioned as mere advisory bodies to "irresponsible and irremovable" executive governments. When the Law Member paid a flattering compliment to Gokhale as "the leader of the Opposition", the latter replied: "We are far away yet from the time when Government Members will exchange places with private members in this Council and until that time comes there can be no regular Opposition here, as the term is understood in Western countries." It shows the extent to which the intelligentsia in this country had imbibed the spirit of parliamentary democracy even then. This book gives some glimpses of the struggle inside the legislature for the achievement of responsible government.

Undoubtedly a good deal of success of parliamentary democracy depends upon upholding the dignity and authority of the House as well as of the rights and privileges of its Members. Responsibility for this task devolves primarily on the Speaker. In India the Speaker is invariably elected from the party in office. This phenomenon distinguishes the Speaker in India from his prototype in Great Britain and it may be that this high office will develop on lines somewhat different from that in Great Britain. Speaker Patel and Speaker Mavlankar frankly stated that it was impossible for them to divest themselves of a whole life-time's political associations. But this tie was never allowed to come in the way of steering clear of party alignments and acting on a non-party basis. A tradition of impartiality has been scrupulously built up and jealously safeguarded by the Speaker of the popular House. The Simon Commission has testified to this fact in the context of the Presidents of provincial legislatures.

The book contains a fund of instructive details on procedure. In the over-crowded Budget Session, the guillotine is by no means used as an instrument to exclude discussion on controversial demands or grants. A convention has grown whereby the party whips come to an agreement to concentrate on important demands and to leave the unimportant ones for the contingency of the application of the guillotine. Adjournment motions generally ought to be taken as censure motions, but not invariably so. The frequency with which recourse is had to adjournment motions reveals a vulnerable spot in parliamentary practice in India. Mr. More records the fact that during the 15 sessions of the House of the People (1952-1957) elected after the first general elections as many as 157 adjournment motions were tabled out of which only one secured the consent of the Speaker. Perhaps it would not be wrong to say that some of them were moved with a sense bordering on frivolity. The present Lok Sabha may probably exceed this record.

Question-time is easily the most important in parliamentary sessions, barring, of course, the Budget debates and the debates on important Bills. The author states that "the terror with which Government Departments regard question-time has to be felt to be believed." Of course, more important than the initial questions are the interpellations. It would hardly be uncharitable to assume that the effect produced on Government Departments by questions is produced in some measure on the Ministers by the suspense created by likely interpellations. This weapon is effectively used in the Indian Parliament for a variety of objects including eliciting information, exposing abuse of authority, ventilating grievances, extracting promises or embarrassing the Government. Question-time, in fact, has always been the ideal time to judge the quality of the working of the Indian Parliament. This is a book that should find a place not only in every public library but in the private libraries of those who can afford the price.

EVOLUTION WITHOUT TEARS

What We Did To Father: By Roy Lewis: Hutchinson, 16s.

[Indian readers will remember Roy Lewis in a number of serious studies, the earliest of which was that on the British Middle Classes. Here and there, his riotious sense of fun penetrated through the most closely-woven argument; somehow it managed, on the whole, however, to be contained. At last it has made good its escape.]

It takes courage to jest about the origins and destinies of man, or to trace the dilemmas of the modern citizen back to his ancestors of the pleistocene age, and relate them to pre-history. Such an attempt suggests a vast work in several volumes, yet here, in a new novel, we have a souffle dealing gaily and with a fair amount of accuracy with just this.

Father is a horde-father, out to 'outfight, out-think, out-manoeuvre, out-propagate and out-evolve' both his neighbours and the larger forces of nature. His sons inherit his passion for experiment, though theirs are more limited natures. Oswald the hunter, Willbur the scientist, Alexander the artist, William the farmer are all in their turn outmanoeuvred by the Old Man of the Tribe. Only Ernest, the intellectual (and narrator of this book), is able to arrive at last at a satisfactory plan for parental control and to persuade his brothers to collaborate.

The steps by which this is achieved are riotously amusing, indeed Father's introduction of exogamy, and the efforts of his unfortunate sons to catch up with suitable mates across the vast land-scapes of primaeval Africa verges on slapstick. Every family has its aunts and uncles too, and these are a particularly engaging collection; in particular Uncle Vanya, the reactionary, contrives to be remarkably contemporary in his own pleistocene way.

This book can be read at an entirely light-hearted level, and William Hawison (of 'Punch') provides some good illustrations to add to the gaiety. Nevertheless, there runs through this tale of our origins a strong consciousness of the contemporary dilemma. One is reminded of a New Yorker drawing of two battered monkeys on an atom-blasted Pacific atoll.

"Well" says one to the other, "Here we go again".

Special Article

FINANCIAL RESOURCES IN THE THIRD PLAN

THE Draft outline of the Third Five-Year Plan released by the Planning Commission this week contains no surprises. Great interest, however, centres round the manner in which additional financial resources are to be raised. The financial outlay of the Plan allocates a sum of Rs. 7,250 crores for the public sector as against Rs. 4,000 crores in the private sector. A larger share for the public sector is written into Indian planning since December 1954, when the Lok Sabha declared that the broad objective of economic policy would be to achieve the "socialist pattern of society." But not too much should be read into this arithmetical division. Orders on the private sector by the public sector will make income generation even at the end of the Plan no less than 80 per cent of total income generation.

Table I below sets out the pattern of financial resources raised in the first two plans as compared with the proposed Third Plan. It will be seen that the public sector outlay at Rs. 7,250 crores is more than three times the First Plan and more than 50 per cent of the Second Plan. What is interesting is that the budgetary receipts corresponding to external assistance assumed in the Third Plan in the public sector are greater by about Rs. 200 crores than the total public sector investment in the First Plan. In other words, the Third Plan leans very heavily on external assistance. This ambitious figure for external assistance has been incorporated on the basis of the heartening experience in the Second Plan wherein a provision of Rs. 800 crores (out of a total of Rs. 4,800 crores) was made for external assistance, but the actual receipts are likely to be about 25 per cent higher at Rs. 982 crores.

Another interesting feature of the scheme of financing the Third Plan is the marked reduction of deficit financing which has been the basic cause for raising the price level significantly during the first four years of the Second Plan. It means that the Planning Commission has recognised that with lower level of foreign reserves to cushion increased money supply consequent upon deficit financing, it would be unwise to embark upon deficit financing of the same order in the Third Plan as in the Second. This indeed is a welcome decision and seems to have been dictated by the recent unrest in the fixed income groups; the decision has proved inescapable.

The level of additional taxation at Rs. 1,650 crores proposed in the Third Plan is higher by 65 per cent over the Second Plan. Performance during the Second Plan has been encouraging in this particular sector, but a fact which is ignored while discussing the inflationary pressure on the Indian economy is that a part of the price rise is due to additional taxation. The upward trend in the cost of living indices in the past four years has also been partly due to additional excise duties imposed upon a number of consumer goods. It is necessary, therefore, that the figure under additional taxation be reduced by Rs. 200 to 300 crores and the same

TABLE I.

FINANCIAL RESOURCES FOR THE PUBLIC SECTOR

(Rs. crores)

	First Plan		Second Plan		Third Plan
	Allocation	Actual	Allocation	Actual likely to be achieved	Allocation
1. Balances from revenues on basis of existing taxation	570	575	350	(—)100	350
2. Additional taxation			450	1000†	1650†
3. Contribution of the Railways	170	115	150*	150	150
4. Surpluses of other public enterprises on the existing basis	—	—	**	**	440
5. Loans from the public	385	508	700	800	850
6. Small Savings			500	380	550
7. Provident funds, betterment levies, steel equalisation fund and miscellaneous capital receipts	133	80	250	213	510
8. Budgetary receipts corresponding to Central assistance	811	203	800	982	2200
9. Deficit financing		532	1200	1175	550
10. Gap	Nil	Nil	400	Nil	Nil
11. TOTAL	2069	2013	4800	4600	7250

†Includes surplus from measures to increase the contribution of public sector.
*Includes (4).
**Included in (3).

gap filled, as indicated above, by raising loans from the public, through small savings or through prize bonds.

The pattern of foreign exchange resources in the Third Plan as projected on the basis of the experience in the three years 1956-57 to 1958-59 is set out in Table II below. This analysis proposes raising of exports from the average level of Rs. 600 crores to Rs. 690 crores per annum, only a modest rise, too modest in fact. Invisibles are likely to drop significantly in view of negligible interest receipts because of the sharp depletion in sterling balances. A sum of Rs. 100 crores per annum is also likely to be paid out on capital transactions. In the net result, the foreign exchange resources available from exports would be around Rs. 614 crores per annum, on the average. The Planning Commission has made some estimates in regard to imports necessary to maintain the internal level of business activity at Rs. 714 crores, leaving thus a gap of Rs. 100 crores per annum. The strain on foreign exchange resources for development purposes would be in addition to this gap. In other words, but for the substantial assistance of friendly nations a foreign exchange crisis would be perpetual. The total volume of the foreign exchange gap is estimated at Rs. 2600 crores out of which Rs. 1,900 crores represent the import of machinery and equipment for projects in the Plan. A sum of Rs. 500 crores would be needed to cover the excess of payments over receipts, while another sum of Rs. 200 crores would be required to provide components and intermediate products for increasing the production of capital goods in the country.

All in all, the important thing to realise is that differences on this Plan are now only marginal and academic. The great question mark is Implementation or Management. The latter is India's scarcest resource; therein lies our peril.

TABLE II.

BALANCE OF PAYMENTS ESTIMATES FOR THE THIRD PLAN PERIOD

(Rs. crores)

	Annual average 1956-57 to 1958-59	1961-62	Total for 5 years (1961-62 to 1965-66)	Annual average (1961-62 to 1965-66)
1. Exports	602	650	3450	690
2. Invisibles (net) (excluding official donations)	101	45	120	24
3. Capital transactions (net) (excluding fresh receipts of official loans and private foreign investment	—22*	—150	—500	—100
4. Foreign exchange resources available for imports (1+2+3)	681	545	3070	614
5. Maintenance imports	728	730	3570	714
6. Foreign exchange resources available for development imports (item 4—item 5)	—47	—185	—500	—100

* This figure excludes IMF drawings and PL 480 assistance, but includes capital movements on private account.

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4 PER CENT LOAN 1980 ISSUE PRICE RS. 99.90 PER RS. 100 (NOMINAL). REPAYABLE ON 18TH JULY, 1980.

Subscriptions to the above bonds and loan will be received simultaneously and will be limited to a total of Rs. 175 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of the 2¾ per cent. Loan 1960 or 4 per cent Loan 1960-70 or 2½ per cent. Hyderabad Loan 1955-60, which will be accepted for conversion at the following rates:-

2¾ per cent. Loan 1960 . .. Rs. 100 for Rs. 100 (Nominal)

4 per cent. Loan 1960-70 .. Rs. 100.30 for Rs. 100 (Nominal)

2½ per cent. Hyderabad Loan 1955-60 .. Rs. 84.75 for Rs. 85.71 or O.S. Rs. 100 (Nominal)

Interest will be paid on the 2¾ per cent. Loan 1960, 4 per cent. Loan 1960-70 and 2½ per cent. Hyderabad Loan 1955-60 tendered for conversion up to 17th July, 1960 inclusive.

The new bonds and loan will bear interest from 18th July, 1960. Interest will be payable half-yearly on 18th January and 18th July.

Subscription lists will open on 18th July, 1960 and close on 20th July, 1960 or earlier without notice.

Applications for the bonds and loan will be received at:-

(a) Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;

(b) Branches of the State Bank of Hyderabad conducting Government business and those at Mancherial, Nagarjunasagar, Purli Vaijnath and Sailu;

(c) Branches of the State Bank of Mysore in the State of Mysore except at Bangalore, Mangalore and Gulbarga; and

(d) Branches of the State Bank of India at Mangalore and at other places in India, except at the places mentioned in (a), (b) and (c) above.

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

THE BUSINESS WORLD

Policy for Scrap Exports

THE importance of export expansion has been sufficiently stressed in the Draft Outline of the Third Plan. Even though export figures for the first quarter of this year make gratifying reading, one cannot say that the nation has turned the corner and that this rate of expansion would be maintained. The position of underdeveloped countries in respect of export trade has been notoriously disconcerting since the beginning of the fifties. Thus, the share of India in world exports, which stood at 2.5 per cent in 1948, slumped to 1.8 per cent in 1951. Since the cessation of the Korean War, especially, the trend has been one of steady decline, the share of this country in total world exports standing in 1959 at no more than 1.3 per cent. The sombre picture becomes complete if to this none too happy situation is added the emergence of regional economic groupings in Europe, which, by adding a new dimension to the problems of international trade, has greatly complicated the task of export promotion by underdeveloped and semi-industrialised countries. All this is not to suggest that an average annual level of exports around Rs. 700 crores is beyond the capacity of this country to attain, or to take an unduly pessimistic view of the situation. It is only intended to underline the fact that in the prevailing international circumstances, the attainment of this target demands a far greater effort by the industry, on the one hand, and a more imaginative handling of the situation by the powers-that-be on the other.

The present position as regards export promotion is not as satisfactory as one would desire and certainly not adequate to meet the growing challenge. Many of the present schemes of export promotion indicate, as Mr. Naranji L. Kara, Chief of the All India Exporters' Chamber, said the other day, a "lack of adequate knowledge of the mechanism of export trade." Apart from this inadequate appreciation of the mechanism of export trade, the policy-makers seem to pay scant attention, if at all, to even larger issues, such as the conditions of production, in particular the industrial cost structure. Again, in certain other cases, they betray a lack of precise understanding of even the most elementary details, such as domestic supply, domestic demand, centres of availability and channels of exports, of certain items of export, such as iron and steel scrap, which have made their appearance on the country's export front only recently. The export promotion policy should aim not only at consolidating our present gains in respect of traditional items of exports but also at establishing markets for the newer items.

The memorandum submitted recently by the Scrap Traders' and Exporters' Association, Bombay, to the Minister of Steel, Mines and Fuel, Government of India, is an eloquant testimony both to the defective nature of our present ferrous scrap export policy and to the ignorance of the policy-framers about the correct statistical position of this commodity. The Scrap Investigation Committee, which went into the question of assigning the domestic arisings and utilisation of scrap some time back, made a gross underestimation of this country's scrap potential, giving rise to certain misconceptions in the minds of the policy-makers who thought that (1) scrap export was at best a temporary phase in the utilisation of our scrap arisings; (2) that, though scrap arisings are shooting up, the capacity for domestic utilisation of scrap also has been increasing proportionately and (3) that whatever scrap export is being permitted has been at the cost of domestic consumers of melting scrap. Nothing could be further from truth than these assumptions.

The following table, culled out from the Association's memorandum, compares the estimate of scrap arising, made by the S.I.C. and the actual utilisation achieved during the years 1957 to 1959. This clearly establishes the Association's contention that "it is on account of the over-cautious and severely restricted scrap export policy that the total scrap utilisation achieved during these years was well below 50 per cent of the very very conservative estimate of arisings of the S.I.C."

S.I. Committee's Estimates	Tons	Year	Tons	Actual Utilisation achieved
Domestic consumption	188,500	1957	86,929	Domestic consumption
Estimated surplus	238,500		80,000	Exports (*92,944 — 12,944
Total arisings	427,000			80,000)
			166,929	Net Utilization
		Surplus Unutilized	261,071	
Domestic Consumption	208,923	1958	85,616	Domestic consumption
Estimated surplus	255,077		90,000	Exports (*116,615 — 26,615
Total Arisings	464,000			90,000)
			175,616	Net Utilisation
		Surplus Unutilized	288,384	
Domestic Consumption	215,575	1959	87,559	Domestic consumption
Estimated surplus	279,425		196,907	Exports (*266,907 — 70,000
Total Arisings	495,000		284,466	196,907) Net utilization
		Surplus Unutilized	210,534	

Scrap Investigation Committee's estimates of arisings do not include primary producers' skulls, etc., cast iron borings, hence the exports of these have been excluded from the total export figures.

The net result of this has been that, during the three years 1957 to 1959 about 758,989 tons of surplus scrap were wasted in the country resulting in a loss of about Rs. 10 crores in terms of precious foreign exchange. This, let it be emphasized, is on the basis of the estimates of scrap arisings made by the S.I.C. itself. The trade, however, feels that our uncollected and unutilised scrap during the three years was not 7½ lakh tons but 1.5 million tons and the total loss involved in terms of foreign exchange around Rs. 25 crores! Surely, this is not the way of promoting exports.

The Association also enumerates in its memorandum a number of other factors that affected adversely both the collection and the utilisation of the country's unwanted scrap. It maintains, inter alia, that the export levy payable to the domestic furnaces for the export of inferior bundles is burdensome and has been directly responsible for stifling the export of inferior bundles. (Export of No. 3 bundles has been reduced to nothing on account of the levy. Due to the same cause, export of No. 2 bundles has been below the mark.) Further, there is hardly any justification, says the Association, for compelling the scrap exporters to feed the domestic furnaces at the controlled price. The Association has also pleaded for concessions in railway freight on scrap with a view to facilitating "upcountry" collection of scrap which is continuously growing. At present, says the memorandum, collection of scrap is confined to the economic zones around the port towns, as the incidence of railway freight is very heavy for transporting scrap from the outlying areas to port towns. The incidence is heavy, because unprocessed scrap, particularly light scrap, cannot be loaded to full wagon capacity. On an average, the load carried by the wagons of unprocessed scrap, particularly of bundles amounts to only 60 per cent. of the full wagon capacity. The Saxena Committee, it may be recalled, has recommended that, to encourage collection of scrap from outlying areas the railway freight on scrap should be reduced. Notwithstanding this, for purposes of freight, it is ironical that scrap should be treated almost on a par with finished steel, ignoring altogether the price disparity between the two. The industry has therefore urged that railway freight rates should be reduced by at least 40 per cent. of the prevailing rates. To sum-up, the whole scrap policy has become outdated and meaningless. A reorientation seems to be called for urgently and an altogether new and long-term policy needs to be evolved. For this purpose, as Mr. S. A. Nathani, President of the Association suggested, at a Press conference recently, a high powered committee should be appointed to examine the entire ferrous scrap policy. Such an inquiry, there can hardly be any doubt, will not only reveal the existence of a huge surplus scrap but also help stimulate scrap export to the benefit of both the scrap interests and the country at large.

The position of scrap has been elaborated above only as a typical case. The economics of nearly every export item requires to be scientifically studied, before formulating export programmes. Indeed, this should actually be the strategy now and in drawing its short period programmes for export promotion, the co-operation of all interested organizations should be enlisted by the Union Ministry of Commerce and Industry.

Business Notes

Financial Corporation

BOMBAY

THE BOMBAY STATE FINANCIAL CORPORATION'S report for the financial year ended March 31, 1960, is important for the reason that it discloses the emergence of the Corporation from a state of stagnation in which it was bogged down owing to the low level of economic activity for the previous two years. Once again it has raised its financial operations. The amount of total loans sanctioned increased steeply from Rs. 65.4 lakhs in 1958-59 to Rs. 90.4 lakhs in 1959-60. This indicates that industrial expansion activity has begun to look up and the resources of the Corporation will find more fruitful employment than in the preceding couple of years. However, the amount of actual disbursements out of the total sanctioned loans did not make any marked advance above the previous year and stood at Rs. 20.52 lakhs. This, of course, is a matter entirely dependent upon the actual needs of the borrowing concerns for funds and it would appear that the slow flow of imported materials as well as building materials put a brake on demands for actual advances.

The Corporation's profit was higher in 1959-60 at the figure of Rs. 8.47 lakhs than the figure of Rs. 7.78 lakhs the year before. Even so, the Corporation could not make provision for distribution of the guaranteed dividend to the extent it would have desired. The reasons have been explained convincingly by Mr. Purshottam Kanji in his annual speech from the Chair. Referring to the different appropriations out of the profit, Mr. Kanji has pin-pointed attention on the comparatively high figure of Rs. 1.43 lakhs earmarked for credit to the Reserve for Bad and Doubtful Debts. It must be emphasized that this appropriation does not in any way indicate a worsening bad debt position. On the contrary, the detailed overall information given by Mr. Kanji shows that the factor of default is of a small magnitude. It so happened that one concern from which payment is due has disposed of its assets, but the Corporation has taken legal action for recovery of the outstanding debt against the guarantor. The guarantor is a sound party and the Corporation's money is safe. But the Corporation has accepted the technical advice of the auditors to make a suitable appropriation to the reserve for bad debts until actual recovery is made from the guarantor.

The amount of subvention asked for from the Government in the year under report was Rs. 4.28 lakhs as against Rs. 5.97 lakhs in the previous year. The Chairman rightly observes that in the absence of the higher appropriation to the bad debts reserve, this lower subvention would have been still reduced. However, what is important to note in this connection is the frank, if somewhat pessimistic, statement made by the Chairman. He says that subventions would be dispensed with when the Corporation's volume of transactions overshoots the Rs. 4-crore mark. This is a far cry from last year's improving performance at the level of Rs. 90.43 lakhs.

There are sufficient indications in the Chairman's speech that small industries are being increasingly assisted and carefully guided in their requirements. Also, the agency arrangement for channelling government aid to small industries through the Corporation is progressing satisfactorily under its revised and onerous form. The Corporation has entered into an arrangement with 8 scheduled banks, having a network of 402 branches in the State, for acting as its agents in the distribution of credit supplied by it. All in all, it is a record of encouraging progress.

Finance

THE CENTRAL LOANS

UNUSUAL INTEREST was attached to this year's floatation of the Central loans. Not because the Union Finance Minister, Mr. Morarji Desai, had planned to raise as much as Rs. 250 crores through market borrowings and prize bonds, but because the stock market had linked this issue with the upward revision of the Bank Rate. Due to the delay in the announcement of the Central Government's borrowing programme and the credit squeeze effected in the months of March and May last, feeling had been growing for sometime past that the Reserve Bank would raise its discount rate before the Union Government disclosed its loan programme. This week's announcement of the floatation of two loans by the Centre should clear the mist. The terms of these loans being in line with those floated since the Bank Rate was fixed at 4 per cent, it is now apparent that the Reserve Bank does not contemplate any change in its discount rate in the near future, if for no other reason than the fact that it would not like to undermine the confidence of the investing public in Government policies.

As regards the success of the two loans, it can safely be said that no difficulty is likely to be encountered in their being fully subscribed. Return on both of them is in tune with the current yield pattern of Government securities. The new 3½ per cent 1966 loan with its issue price of Rs. 99.75 gives a redemption yield of 3.547 per cent which is slightly better than that of the 1965 3½ per cent loan currently quoted at Rs. 99.85. Similarly, the 4.007 per cent redemption yield of the 4 per cent 1980 loan at the issue price of Rs. 99.90 compares quite favourably with the 3.98 per cent yield of the 4 per cent 1979 loan now mentioned around Rs. 100.30. The short-term loan should prove a hot favourite with the banks and port trusts, while the long-dated one should get good support from the Life Insurance Corporation and Provident Fund accounts.

The total amount envisaged to be raised through the two loans is only Rs. 175 crores out of which nearly half can be expected to be subscribed by means of the conversion of the 2¾ per cent 1960 loan, 4 per cent 1960-70 loan and the 2¼ per cent 1955-60 Hyderabad loan; the total outstandings against these three loans are reckoned around Rs. 112 crores. Fresh subscriptions to the extent of about Rs. 85 crores are not beyond the capacity of the institutional investors at the moment. Even if they are, the Reserve Bank can be trusted to take up the balance which it can sell later on tap as and when the market is able to absorb it.

That the loan programme of the Central Government falls short of the Union Finance Minister's plan by as much as Rs. 75 crores is scarcely surprising. This shortfall can be easily made up by the impounded additional deposits of the banks and the yield from prize bonds the response to which has far exceeded expectations.

Sugar

MYSORE SUGAR'S EXPANSION PROGRAMME

THE SUGAR industry ran into various difficulties during 1957-58 season so that there was a sudden fall in output. This downtrend continued during the next season also and in 1958-59 the output of sugar was 19.2 lakh tons. This unsatisfactory state was mainly due to the inadequacy of cane supplied to factories. In the face of rising demand and lower output, a tightening of controls was found necessary and the distribution of sugar had to be regulated and prices had to be controlled by the State Governments. Under these distressing circumstances the scheme to export 1 lakh tons of sugar had to be dropped and only 12,500 tons were exported.

Mr. B. K. Krishnan, Chairman and Managing Director of the Mysore Sugar Co. Ltd, pointed out at the Annual General Meeting of the Company at Bangalore that as a result of certain incentives given to industries in the new sugar policy announced by the Government of India in October last, the output during the current season has gone up by nearly 5 lakh tons to 24 lakhs tons. In view of the fact that the sugar target in the Third Five-Year Plan draft has been fixed at 30 lakh tons, the Mysore Sugar Company is examining its programmes for expansion. The Chairman has given the outline of a scheme prepared for the Company for achieving an overall crushing capacity of 4,000 tons of cane per day. This will be made possible by stepping up of the capacity of the Mandya factory to 3,000 tons partly by rehabilitation and partly by expansion and transferring the remaining capacity of 1,000 tons to a branch unit to be set up in the Maddur region

The Chairman has expressed satisfaction at the fact that at least two factories, including the Mysore Sugar, wish to expand and about half a dozen new factories are likely to come up during the Third Plan period in the Mysore State, so that it will not only become fully self-sufficient but may well be able to export some quantity. He has, however, expressed the apprehension that States in South India may be faced with a surplus because all these States have Plans for starting new factories. Under these circumstances he has advocated an overall co-ordinated expansion programme and has cautioned against any haphazard expansion in any of these States.

Engineering

PROBLEMS OF CONTAINER INDUSTRY

MR. K. C. MAHINDRA, Chairman, The Metal Box Co. of India Ltd., while reviewing the annual working of the Company expressed his dissatisfaction over the new excise duty on tinplate and aluminium imposed in March last. It was specially disappointing for the Company because it will not be able to pursue its policy of reducing the prices of its goods, which it achieved following greater operational efficiency. Considering the fact that the demand for tin containers is fairly elastic (any rise in price will divert the demand from small containers towards loose goods sold in bulk containers) excise duty has regressive effect. It has been voiced in various circles that the trade in spurious goods in pilfer-proof consumer packages is the single remedy for the evil of food adulteration. The Company has played a significant role in the mass production and sales at economic rates of tamper-proof containers which are packed in factory-sealed consumer units. The government, by levying new excise on tinplate and aluminium has, though unwittingly, facilitated food adulteration. It is hoped that proper attention is paid to this grievance.

The Chairman has also pointed out that the stocks of raw materials pose a problem which some times takes a grave turn. Past experience has shown that the availability of tinplate both at home and abroad can change at very short notice. He has, therefore, expressed his desire that the consumers should be permitted to keep a stock which covers these risks. It also may be helpful to grant them the licences for adequate quantities giving them sufficient margin of time.

Current Topics

PROGRESS OF PLANNING, 1951—61

In the Draft Outline of the Third Five-Year Plan published this week, a chapter is devoted to the achievements of the First and Second Five-Year Plans. Following are highlights indicating the main lines of progress.

THE total investment in the economy during the first two Plans will be a little over Rs. 10,000 crores, of which outlay in the public sector will amount to about Rs. 6,560 crores.

(Rs. crores)

	First Plan 1951-56	Second Plan 1956-61 (anticipated)	Total 1951-61
Public Sector outlay	1960	4600	6,560
Public Sector investment	1560	3650	5,210
Private Sector investment	1800*	3100*	4,900
Total investment	3360	6750	10,110

(*These are estimates revised in the light of fuller information and are in lieu of the estimate of Rs. 1,600 crores in the First Plan and of Rs. 2,400 crores in the Second Plan).

During the First Plan, national income increased by 18 per cent. The increase in national income over the Second Plan period is expected to be about 20 per cent. Over the ten years 1951-61, national income will, therefore, have increased by about 42 per cent, per capita income by about 20 per cent and per capita consumption by about 16 per cent. Agricultural production will have gone up by 40 per cent and industrial production by 120 per cent.

The following table gives a summary of agricultural production trends since 1949-50:

INDEX OF AGRICULTURAL PRODUCTION
(1949 - 50 = 100)

	1950-51	1955-56	1958-59	1960-61 (expected)
All commodities	95.6	116.9	132.0	135.0
Food crops	90.5	115.3	130.0	131.0
Other crops	105.9	120.1	136.0	143 0

The table shows that there is a rising trend but variations from year to year had been considerable. The increase in the production of major agricultural commodities has been as follows:

Commodity	1950-51	1960-61 (likely achievement)
Foodgrains (cereals and pulses) (million tons)	52.2*	75
Oilseeds (million tons)	5.1	7.2
Sugarcane (in terms of gur) (million tons)	5.6	7.2
Cotton (million bales)	2.9	5.4
Jute (million bales)	3.3	5.5

* Estimate of production adjusted for changes in statistical coverage, etc. upto 1956-57.

The total irrigated area will increase from 51.5 million acres in 1950-51 to 70 million acres in 1960-61. The consumption of nitrogenous fertilizers will increase by six times from 55,000 tons (in terms of nitrogen) in 1950-51 to 360,000 tons in 1960-61. During this period four million acres of waste land have been reclaimed and green manuring extended to 22 million acres and soil conservation programmes to 2.7 million acres.

The growth of industrial production since 1951 is shown in the following table:

INDEX OF INDUSTRIAL PRODUCTION

(Base : 1951 = 100)

	1955	1956	1959
All Commodities	122.4	132.6	151.1
Cotton Textiles	111.9	117.5	111.5
Iron and Steel	113.3	119.4	163.1
Machinery	163.9	215.0	424.3
Chemicals	159.0	171.1	214.0

Total finished steel capacity will increase to 4.5 million tons as compared to 1 million tons at the beginning of the First Plan and 1.3 million tons at the beginning of the Second Plan. The aggregate value of all kinds of industrial machinery produced in the country has risen from Rs. 11 crores in 1957 to above Rs. 79 crores in 1958.

The following table shows the progress made in the production of important producer goods:

Commodity	1950-51	1960-61 (likely production)
Finished steel (Million tons)	1.0	2.6
Aluminium (Thousand tons)	3.7	17
Diesel engines (Thousands)	5.5	33
Electric cables (ACSR) conductors (Tons)	1674	18,000
Locomotives (Number)	3	295
Nitrogenous fertiliser (N) (Thousand tons)	9	210
Sulphuric acid (Thousand tons)	99	400
Cement (Million tons)	2.7	8.8
Coal (Million tons)	32	53
Iron ore (Million tons)	3	12

Similarly, there has been substantial increase in the production of consumer goods like cotton textiles, sugar, bicycles and automobiles as the following table shows.

PRODUCTION OF CONSUMER GOODS

Commodity	1950-51	1960-61 (likely production)
1. Cotton Textiles Mills Cloth (Mil. yds.)	3726	5000
2. Sugar (Mil. tons)	1.10	2.25
3. Paper and paperboards (000' tons)	114	320
4. Bicycles (organised sector only) (Thousands)	101	1050
5. Automobiles (Numbers)	16,500	53,500

The period has also shown considerable development in village and small industries. Between 1950-51 and 1960-61, the production of handloom cloth will have increased from about 742 million to about 2,125 million yards, of khadi from over 7 million to about 80 million yards, and of raw silk from about 2 million to about 3.7 million lbs.

The installed power generating capacity will increase from 2.3 million K.W. in 1950-51 to 5.8 million K.W. by the end of 1960-61. The number of towns and villages electrified will have increased by more than five times from 3,687 in 1950-51 to 19,000 by 1960-61.

The period has seen a considerable expansion in transport. The total freight traffic originating on the railways is expected to increase by about 80 per cent from 91 million tons in 1950-51 to 162 million tons at the end of the Second Plan. The number of locomotives will increase from 8,200 at the beginning of the Second Plan to 10,600 by the end of the Second Plan and coaches from 19,200 to 28,900 and wagons from 199,100 to 354,100. The milage of surfaced roads will increase from 97,500 miles at the beginning of the decade, to 144,000 miles in 1960-61. The shipping tonnage will increase from 3,90,000 G.R.T. to 9,00,000 G.R.T.

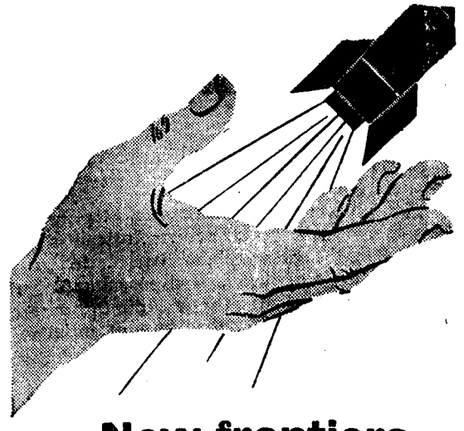
Facilities for education, health and social welfare have increased substantially during the period. The percentage of children attending school to all children in the age group 6-11 will increase from 43 in 1950-51 to 60 by 1960-61. The total number of students in schools will go up by 75 per cent and in Universities by 140 per cent.

In the field of health, the number of hospitals and dispensaries will increase from 8,600 in 1950-51 to 12,600 in 1960-61. The number of medical colleges will increase from 30 to 55 and of registered doctors will increase from 59,000 to 84,000 during the period.

In varying degrees, throughout the first four years of the Second Plan, prices of foodgrains and agricultural raw materials as well as of several industrial commodities have tended to rise. The index of wholesale prices (1952-53=100) which stood at 99.2 in the last year of the First Plan rose to 105.1 and 106.1 during the two following years. Thereafter, it rose to 111.7 in 1958-59, the highest level reached during the year being 116.3. By the end of 1959-60, it stood at 118.6

The increase in employment during the Second Plan has not kept pace with the growth of the labour force. It was hoped that the development programmes envisaged would lead to the creation of 8 million additional jobs outside agriculture. The achievement for the Plan period is at present estimated at about 6.5 million.

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A DELHI NOTEBOOK

THIRD PLAN

THE draft outline of the Third Five-Year Plan has been released for eliciting public comment. The general framework of the Plan is in line with the indications given in these columns from time to time. The Plan envisages a total investment of Rs. 10,200 crores—Rs. 6,200 crores in the public sector and Rs. 4,000 crores in the private sector—over the five years' period to 1965-66. The total outlay in the public sector will be Rs. 7,250 crores.

The broad aims of the Plan are:

(i) to secure during the next 5-year period a rise in national income of over 5 per cent per annum, the pattern of investment being designed also to sustain this rate of growth during subsequent plan periods;

(ii) to achieve self-sufficiency in foodgrains and increase agricultural production to meet the requirements of industry and exports;

(iii) to expand basic industries like steel, fuel and power and establish machine-building capacity, so that the requirements of further industrialisation can be met within a period of 10 years or so mainly from the country's own resources;

(iv) to utilise to the fullest extent possible the manpower resources of the country and to ensure a substantial expansion in employment opportunities; and

(v) to bring about a reduction of inequalities in income and wealth and a more even distribution of economic power.

One of the principal objectives of the Plan is to secure a marked advance towards self-sustaining growth, which implies that savings and investment in the economy rise sufficiently to secure a rate of growth of income on a continuing basis. As self-sustaining growth can only be achieved by balanced development both in agriculture and industry, the Plan calls for effort both to enlarge the capital base and to raise the output of food and raw materials.

According to latest estimates, the population of India in 1966 will be 480 million instead of 434 million assumed in the Second Plan Report. In an economy with low levels of income and consumption, high rates of population growth severely limit the pace of economic development. It is, therefore, essential to stabilise the population.

PRIORITY FOR AGRICULTURE

The Plan emphasises that in the scheme of development the first priority necessarily belongs to agriculture. The importance of achieving self-sufficiency in foodgrains and meeting the requirements of industry and export is one of the major aims of the Third Plan. Agricultural production has to be increased to the highest levels feasible so that the incomes and levels of living, as the rural population rises, should keep pace with incomes in other sectors.

The Plan provides for an outlay in the public sector of Rs. 1,025 crores for agriculture and community development and Rs. 650 crores for major and medium irrigation works. Investment by the private sector (exclusive of assistance received from the public sector) is estimated to be of the order of Rs. 800 crores. As the Plan proceeds, if larger resources are needed for assuring more rapid advance within the rural economy, specially through the fuller use of manpower, these will be made available.

Agricultural production is to be stepped up by 30 to 33 per cent, depending upon the targets which may be finally decided as a result of work on area agricultural plans. The targets of production proposed for some of the important agricultural commodities are:

Commodity	Annual Production 1960-61 (Expected)	1965-66 (Target)
Foodgrains (million tons)	75	100-105
Oilseeds (million tons)	7.2	9.2-9.5
Sugarcane (in terms of gur) (million tons)	7.2	9.0-9.2
Cotton (million tons)	5.4	7.2
Jute (million bales)	5.5	6.5

In addition, measures will be taken to increase the production of food articles like fruits and vegetables, milk, fish, meat, eggs, as also of other commodities like coconut, arecanut, cashewnuts, pepper, cardamom, tobacco, lac and timber.

The target proposed for foodgrains would allow for consumption of about 15 ozs. of cereals and 3 ozs. of pulses per capita per day, besides providing some margin against emergencies. The target for raw cotton is expected to be sufficient to provide about 17.5 yards of cotton textile per annum per capita and in addition, allow for some exports.

The net irrigated area is proposed to be expanded to about 90 million acres by the end of the Third Plan as against 70 million acres expected at the end of the Second Plan. About 40 million acres will be covered by dry farming techniques. Soil conservation measures are to be extended to an additional area of 13 million acres. The consumption of nitrogenous fertilizer is to be increased from 360,000 tons in terms of nitrogen in 1960-61 to 1 million tons in 1965-66. Plant protection measures will be extended to 75 million acres. The community development programme will be extended to the entire rural area by October 1963; the programme of co-operative development will be intensified and finance through co-operative agencies is expected to play a considerable part in increasing agricultural production.

INDUSTRIAL SECTOR

A high priority is also being given to industry, power and transport because development in these fields is vital for lifting the economy to a higher level and for its accelerated growth. Public sector outlay in large-scale industry and mineral development will be Rs. 1,500 crores and private sector investment (exclusive of assistance from public sector) is expected to be Rs. 1,000 crores. Special emphasis is placed on heavy industries which will help make the economy self-sustaining, namely, steel and machine building and the manufacture of producer goods. Necessary measures are also proposed to be taken to expand the production of consumer goods.

Steel: Developments in iron and steel are linked with the capacity target of 10.2 million tons in terms of steel ingots and 1.5 million tons of pig iron for sale. The additional capacity and output in this field are expected to be realised almost entirely in the public sector. The Bhilai, Rourkela and Durgapur steel plants are proposed to be expanded contributing jointly 5.5 million tons of steel ingots. The Plan also provides for a fourth steel plant in the public sector to be started at Bokaro.

Machine Building: Proposals for machinery and engineering industries include heavy machine building plant, foundry forge, coal mining machinery plant, heavy machine tool factory, doubling of the output of Hindustan Machine Tools, Bangalore, expansion of Heavy Electrical Project in Bhopal, two additional heavy electrical projects and scheme for the production of high pressure boilers and precision instruments. Machinery manufacturing programmes in the private sector are expected to supplement considerably the efforts of the public sector. Near self-sufficiency is expected in regard to textile, sugar, cement and paper machinery.

Fertilisers. The production of nitrogenous fertilisers is to be stepped up from 210 thousand tons of nitrogen at the end of the Second Plan to 1 million tons at the end of the Third Plan and of phosphatic fertilisers from 70 thousand tons to 400-500 thousand tons in terms of P_2O_5.

Coal: Production of coal is to be increased to 97 million tons at the end of the Third Plan as against the target of 60 million tons at the end of the Second Plan.

Oil: On the basis of the present proved reserves, the Naharkatiya area is expected to produce 2.75 million tons of crude oil per year. Provision has been made both for the completion of refineries at Nunmati and Barauni for processing the Naharkatiya crude oil and also for further exploration with a view to obtaining additional production of crude oil from Cambay and other areas where prospects appear to be favourable.

Among the other important industrial targets which have been proposed are:

	Annual Production 1960-61	1965-66
Aluminium (thousand tons)	17.0	75.0
Cement (million tons)	8.8	13.0
Paper (thousand tons)	320.0	700.0
Sulphuric acid (thousand tons)	400.0	1250.0
Caustic Soda (thousand tons)	125.0	340.0
Sugar (million tons)	2.5	3.0
Cotton taxtiles (mill cloth) (million yards)	5000.0	5800.0
Bicycles (organised sector) (thousand Nos.)	1050.0	2000.0
Sewing machines (thousand Nos.)	300.0	450.0
Automobiles (Nos.)	53500.0	100,000.0

Considerable emphasis has been placed on the development of village and small industries. Provision has been made for positive forms of assistance like facilities for training, technical know-how, supply of credit and raw materials, etc. Production of cloth in the decentralized sector is proposed to be increased from about 2,600 million yards in 1960-61 to 3,500 million yards in 1965-66. The number of industrial estates is expected to increase from 60 in the Second Plan to 360 in the Third Plan. In the programmes for small-scale industries, the emphasis will be on promoting their development in small towns and rural areas and on linking them up more closely with large-scale industries as ancillary or feeder units.

DEVELOPMENT OF POWER

As regards power, it is proposed to increase the total generating capacity from 5.8 million kw. at the end of the Second Plan to 11.8 million kw. at the end of the Third Plan. The programme for power includes a project for nuclear power generation of 300 thousand kw. It is expected that 15,000 additional towns and villages will be electrified during the Third Plan bringing the total to 34,000.

TRANSPORT AND COMMUNICATIONS

It is expected that the railways will be able to carry goods traffic to the extent of about 235 million tons in 1965-66 as against 162 million tons in 1960-61. One thousand two hundred miles of new railway lines will be constructed. Under the road development programme, it is proposed to expand surfaced roads from 144,000 miles in 1960-61 to 164,000 miles in 1965-66. The expansion of road transport will be mainly in the private sector. It is estimated that the number of commercial vehicles will go up from about 200,000 to about 300,000. The shipping target proposes to add about 200,000 G.R.T. to the tonnage of 900,000 G.R.T. expected to be achieved at the end of the Second Plan.

SOCIAL SERVICES

It is proposed to provide for free and compulsory primary education in the age group 6-11 years. Making allowance for slow progress in women's education in certain backward areas, it is estimated that the proportion of pupils to the number of children will go up from 60 to 80 per cent in the age group 6-11, from 23 to 30 per cent in the age group 11-14 and from 12 to 15 per cent in the age group 14-17. The total number of students in schools will go up from 41 million in 1960-61 to 60 million in 1965-66.

Scientific and technical education will be given increasing support. The intake capacity of engineering colleges and polytechnics will increase from 37,200 at the end of the Second Plan to 53,500 at the end of the Third Plan,

The number of registered doctors will increase from 84,000 to 103,000, of hospitals and dispensaries from 12,600 to 14,600 and of primary health centres from 2,600 to 5,000. The number of family planning centres will increase from 1,800 to 8,200.

Programmes for low-income group housing, housing for industrial workers, slum clearance and slum improvement and acquisition and development of land for housing will be expanded and finance for housing will be provided through Housing Finance Corporation.

The Plan includes a programme of local development works for enabling all rural areas to provide themselves with certain minimum amenities. These are (a) adequate supply of drinking water, (b) roads linking each village to the nearest main road or railway station and (c) village school building which may also serve as a community centre and village library.

OUTLAY AND INVESTMENT

For achieving the above targets the draft outline envisages a total investment of Rs. 10,200 crores in the economy during the five years to 1966. Of the amount, Rs. 6,200 crores will be in the public sector and Rs. 4,000 crores in the private sector. The total outlay in the public sector will be Rs. 7,250 crores. A sum of Rs. 200 crores is expected to be transferred from the public sector for capital formation in the private sector. The total outlay and investment in the Third Plan as compared with those of the Second Plan are as follows:

(Rs. crores)

	Second Plan	Third Plan
Public Sector		
Plan outlay	4,600	7,250
Current outlay	950	1,050
Investment	3,650	6,200
Private Sector	3,100*	4,000*
Total Investment	6,750	10,200

* Exclusive of Rs. 200 crores of assistance transferred from public sector.

The general pattern of investment in the Second Plan is being continued in the Third. But in the public sector there is greater emphasis on agriculture, industry and power and on certain aspects of social services.

The distribution of the Third Plan outlay in the public sector as compared to the Second Plan is as follows:

(Rs. crores)

Expenditure Head	Second Plan	Third Plan
1. Agriculture and minor irrigation	320	625
2. Community Development and co-operation	210	400
3. Major and medium irrigation	450	650
4. **Total** 1,2 and 3	**980**	**1675**
5. Power	410	925
6. Village & small industries	180	250
7. Industry & minerals	880	1500
8. Transport & communications	1290	1450
9. **Total** 5, 6, 7 and 8	**2760**	**4125**
10. Social services	860	1250
11. Inventories	—	200
Grand Total	**4600**	**7250**

The allocations proposed at present are necessarily provisional. They are intended to assist the Central and State Governments in undertaking detailed studies of their programmes and projects and in establishing priorities within each sector. It is stated that for approved programmes and targets under agriculture, village and small industries, primary education, technical education, special works programmes for utilising manpower resources etc., additional domestic resources will be made available, if found necessary, after examination by States and Ministries. In respect of approved projects for which substantial external finance is required, once the necessary foreign exchange is found, every effort will be made to find the requisite internal resources. Out of the total outlay in the public sector of Rs. 7,250 crores, Rs. 3,600 crores will be in the Centre and Rs. 3,650 crores in the States. Central assistance to States is estimated at Rs. 2,500 crores.

RESOURCES FOR THE PLAN

The resources for the Third Plan, compared to those for the Second, are to be drawn as follows:

(Rs. crores)

	Second Plan	Third Plan
1. Balance from revenues on the basis of existing taxation	(—)100	350
2. Contribution of the Railways on the existing basis	150*	150
3. Surpluses of other public enterprises on the existing basis	**	440
4. Loans from the public	800	850
5. Small savings	380	550
6. Provident funds, betterment levies, steel equalisation fund, miscellaneous capital receipts	213	510
7. Additional taxation, including measures to increase the surpluses of public enterprises	1000	1650
8. Budgetary receipts corresponding to external assistance	982	2200
9. Deficit financing	1175	550
TOTAL	4600	7250

*Inclusive of increased fares and freights.
**Included in (1) above.

Of the Rs. 1650 crores to be secured from additional taxation, including measures to increase the surpluses from public enterprises, the share of the States has been fixed at about one-third. The Plan envisages increases both in direct and in indirect taxation and checking of evasion through various means such as watch on expense accounts of companies. To curb inflationary tendencies, deficit financing is proposed to be limited to Rs. 550 crores in the Third Plan as against Rs. 1175 crores in the Second.

FOREIGN EXCHANGE

The Third Plan, with its emphasis on rapid industrialisation, would involve a considerable amount of foreign exchange expenditure. It is estimated that the direct foreign exchange component of the Plan will be of the order of Rs. 1900 crores. In addition, it will be essential to provide for imports of about Rs. 200 crores worth of components, balancing equipment, etc. needed to increase the production of capital goods within the country. Thus, for the Plan and for imports of components, etc., foreign exchange of the order of Rs. 2100 crores is needed.

The estimates made at this stage show that even if the Plan requirements are not taken into account, the balance of payments position, because of the repayments of capital and payment of interest due in the Third Plan period, would show a deficit of Rs. 500 crores. The requirements of foreign exchange in the Third Plan period would thus come to Rs. 2600 crores. To this total of Rs. 2600 crores have to be added the estimated receipts of Rs. 600 crores by way of PL 480 commodity assistance from the USA. On this basis, the total balance of payments deficit for the Third Plan would come to about Rs. 3200 crores.

As to the prospects of securing external assistance of the order required, no prediction can be made. The Plan will have to be flexible and the commitments in regard to foreign exchange expenditure will have to be made only on the basis of external resources that are clearly in sight.

PRIVATE INVESTMENT

Investment in the private sector covers not only organised industry, mining, electricity and transport, but also large and dispersed fields like agriculture, village and small industries, rural and urban housing, etc. The following table sets out the likely levels of investment in the private sector in the Second and Third Plans.

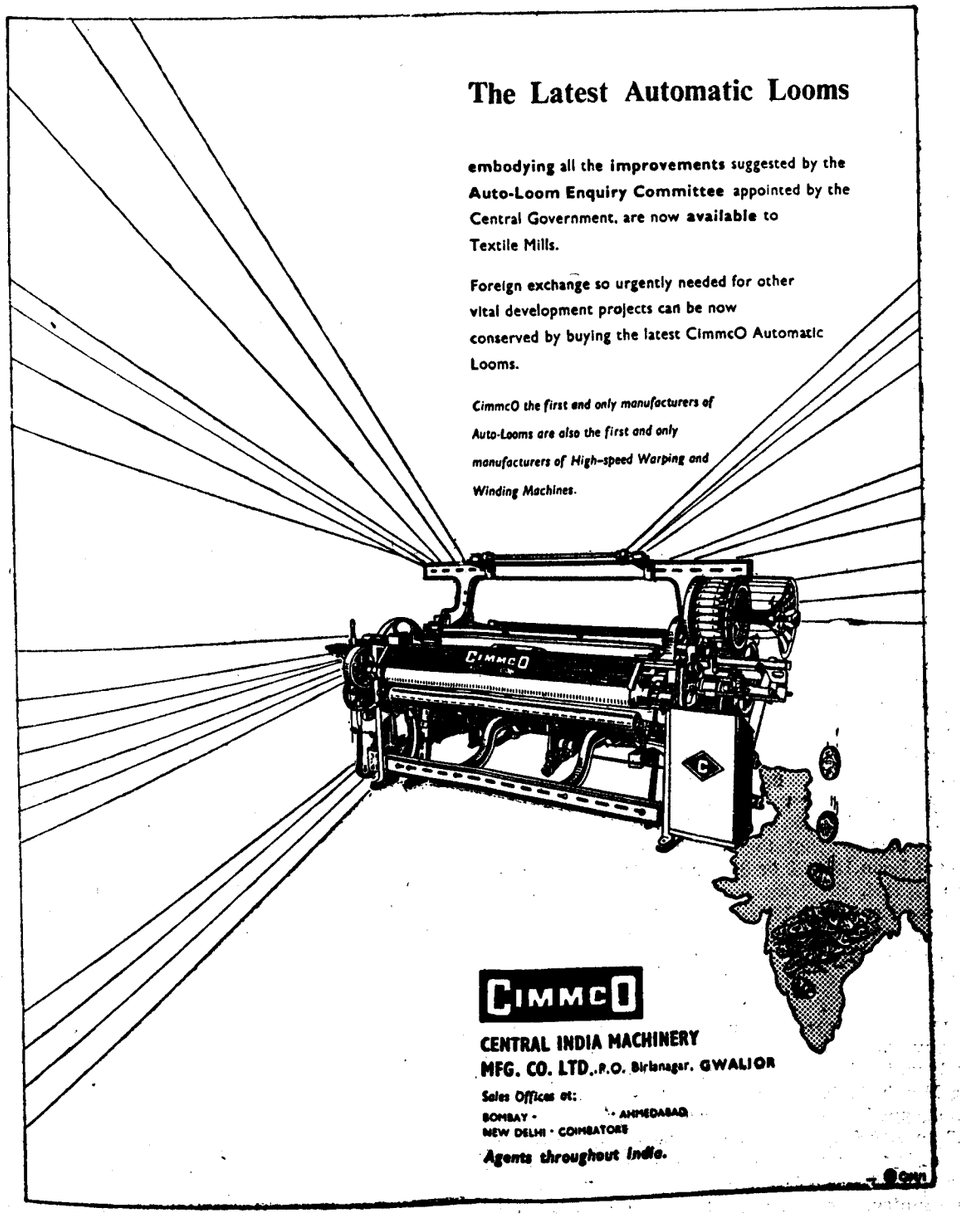
(Rs. crores)

	Second Plan	Third Plan
1. Agriculture (including irrigation)	675	850
2. Power	40	50
3. Transport	135	200
4. Village and small industries	225	325
5. Large and medium industry and minerals	700	1050
6. Housing and other construction	1000	1125
7. Inventories	525	600
TOTAL	3300*	4200*

* Inclusive of Rs. 200 crores transferred from the public sector by way of assistance.

The Third Plan envisages a substantial step-up in private investment mainly in the field of large and medium industries—from Rs. 700 crores in the Second Plan to Rs. 1050 crores in the Third Plan. Increased investments in the other sectors are relatively small and it is assumed that they will be financed from their normal sources which include savings by agriculturists, by those engaged in arts and crafts and in trade in small industries.

Under the Plan there is a considerable scope for the private sector in the industrial sphere. This is due in the main to the wide opportunities provided by the expansion of the economy under the impact of successive Five-Year Plans. One of the main objectives of policy is that the opportunities which thus arise for private enterprise should be availed of by a large number of comparatively small and medium entrepreneurs and that possible trends towards concentration of economic power should be checked in the early stages



WORLDGRAM

India

Facilities in Calcutta Port: A scheme for the installation of eleven 5-ton portal electric cranes in Calcutta port at a cost of about Rs. 28.65 lakhs has been approved by the Government of India. The scheme is part of the programme for re-conditioning and strengthening of the Kidderpore docks of the port intended to provide modern facilities. The electric cranes will be supplied and erected by a West German firm. A considerable part of the total cost of the scheme will, however, be incurred in India, the foreign exchange cost being about Rs. 17.4 lakhs. Calcutta, which is a river port, is now handling over 10 million tons of cargo every year. The two most important foreign exchange earners, tea and jute goods, are exported through Calcutta. The modernisation of part equipment, on which emphasis has been laid in the Second Plan, will, together with other schemes now under implementation, raise the capacity of the port at the end of the Second Plan to 12.5 million tons per year. A provision of about Rs. 32 crores has been made in the Second Plan for development and improvement of facilities in Calcutta port. A part of the expenditure is to be carried over into the Third Plan during which, it is hoped, a total expenditure of about Rs. 22 crores will be incurred on further improvement of the port.

*

Two New Central Loans Floated: The Government of India have announced the simultaneous issue of the following two new loans for a total sum of Rs. 175 crores:

(a) 3½ per cent Bonds 1966—Issue price Rs. 99.75 per cent and repayable at par on the 18th of July 1966; and

(b) 4 per cent Loan 1980—Issue price Rs. 99.90 per cent and repayable at par on the 18th of July 1980.

Interest on the new loans is payable half-yearly on the 18th of January and the 18th of July and will be liable to tax under the Indian Income-tax Act, 1922. Subscription lists will open on the 18th of July 1960 and close on the 20th of July 1960, but may be closed earlier without notice as soon as the total subscriptions to the bonds and loan amount to Rs. 175 crores approximately. Government reserve the right to retain subscriptions up to ten per cent in excess of the notified amount. Subscriptions may be in the form of cash/cheque or securities of the 2¾ per cent Loan 1960 or 4 per cent Loan 1960-70 or 2¼ per cent Hyderabad Loan 1955-60 (H.E.H. the Nizam's Government 2¼ per cent O.S. Rupee Loan 1365-70F) which will be accepted for conversion at Rs. 100 per Rs. 100 (Nominal), Rs. 100.30 per 100 (Nominal) and Rs. 84.75 per Rs. 85.71 or O.S. Rs. 100 (Nominal) respectively.

*

Lowest Man-Days Loss in Railways: Man-days lost through work-stoppages on the Indian railways touched the lowest point since independence during the year ending March, 1960. An official review shows that the losses dropped sharply from 2.26 lakh man-days in 1956-57 to 12,000 and 11,000 man-days respectively in the following two years and to less than 5,000 man-days in 1959-60. The largest public-owned undertaking in the country, the railways at present have over 11 lakh men on their pay rolls who put in more than 400 million man-days of work annually. In the country as a whole, 56 lakh man-days were lost in the industrial sector during the calendar year 1959, while 78 lakh man-days were lost in the previous year.

*

Durgapur Furnace Commissioned: The second 200-ton basic open hearth furnace of the Durgapur Steel Works went into production on June 30, 1960. The production of steel started at Durgapur on April 25, 1960, when the first open hearth furnace was commissioned. So far, the furnace has produced about 11,000 tons of ingot steel. The first consignment of finished steel in the form of billets left the Steel Works on June 27, 1960. The Durgapur Steel Works which will produce one million tons of ingot steel annually, will have seven 200-ton and one 100-ton open hearth furnaces. The latter will turn out special steel for the wheel and axle plant of the Steel Works.

U.S.A.

US Loan to India: The US Development Loan Fund announced the simultaneous signing of seven loan agreements totalling $89.2 million (Rs. 42.4 crores) for enterprises in India. Five loans are for power generating facilities, one is to a development bank and one is for the importation of American-made jeep and truck parts. The Road Transport loan which is for $13.1 million (Rs. 6.2 crores), will enable private manufacturing firms in India to procure American-made auto parts to be assembled into jeeps and trucks in India. Firms will receive licenses from the Government enabling them to import components and pay US suppliers with dollars provided by the Development Loan Fund. Auto components to be imported will consist mainly of frames, axles, transmissions, differentials and wheels. These will be combined with other components manufactured in India to produce 5,000 jeeps, 800 jeep station wagons, 800 jeep trucks, 800 Dodge one-ton trucks and 6,000 Dodge 3-ton trucks.

The loans involving power generating facilities include: 1. The Ahmedabad Electricity Co., Ltd., ($3.9 million) to cover foreign exchange costs of adding 30,000 kilowatts to its system; 2. Barauni Thermal Power Project ($3.8 million) to add 30,000 kilowatts generating capacity to its power plant near the Ganges river, 250 miles north-west of Calcutta. (Barauni has also received Rs. 1.3 crores of assistance in PL 480 rupees). Two grants totalling $1,024,178 (Rs. 48.7 lakhs) from the US Technical Co-operation Mission were also announced. Of the total, $719,935 will be spent for importing DDT, the insecticide used against the malaria carrying anopheles mosquito. The rest of the funds will be utilized in the importation of antimalaria drugs and laboratory equipment.

Switzerland

41st Lausanne National Fair: The Lausanne Fair will be taking place from September 10th to 25th, 1960 at the Palace of Beaulieu, whose premises extend over a total area of 1,320,000 sq. ft. More than 2,300 exhibitors, countless tried and proven products, spectacular novelties, huge collective exhibitions of agricultural machinery, the electricity and gas sectors, industrial exhibits, textiles and the luxury industries, the arts and crafts as well as big shows and markets of horses and large and small livestock, will be on display in the 23 sectors of this important autumn fair, representing the Swiss economy in all its unified diversity.

I.F.C.

IFC's Investment in India: Rober L. Garner, President of the International Finance Corporation announced recently an investment of $1,365,000 in Assam Sillimanite, Ltd., for expansion of operations to manufacture high-grade refractory bricks and shapes. Assam Sillimanite, incorporated in 1951, has been engaged in mining and processing for export sillimanite, magnesite and kyanite—minerals used in high-temperature furnaces employed by the steel, glass and ceramics industries. The company, whose Chairman is S. M. Wahi, works valuable deposits of some of these minerals in India. The IFC investment will help finance a plant designed to produce 46,000 tons annually of refractory materials. India imported more than 120,000 tons of refractories in 1957. Production by the new plant will fill some of the basic needs of India's growing industries for high-temperature furnace materials. All raw materials are locally available. It is estimated that the first two years of full operation will provide net annual foreign exchange savings to India equal to IFC's dollar investment.

NEWS IN BRIEF

INDIAN

The Heavy Electrical Factory at Bhopal, the first of its kind in India, commenced production on July 1, according to schedule. The annual output at the factory will be of the order of about Rs. 25 crores.

*

The US Development Loan Fund has announced the simultaneous signing of seven agreements covering loans totalling $89.2 million (Rs. 42.2 crores) for enterprises in India. Five loans are for power generating projects, one for a development bank and one for the import of American-made jeep and truck parts.

*

Man-days lost through work-stoppages on the Indian Railways touched the lowest point since Independence during the year ending March last, according to an official review. The review shows that the losses dropped sharply from 2.26,000 man-days in 1956-57 to 5,000 man-days in 1959-60.

*

The Government of India have set up an eight-member committee to study the problem of utilisation of iron ore fines. The various technical processes for agglomeration to render fines fit for steel plants or export, will also be studied by the committee.

*

The Board of Directors of the Hindustan Insecticides, which runs the State-owned DDT factories at Delhi and Alwaye (Kerala State), has decided to raise the management's contribution to the Employees Provident Fund from 6¼ per cent to 8-1/3 per cent.

*

The Government of India have set apart a sum of Rs. 2 lakhs for giving awards and financial assistance during 1960-61 to artisans, technicians and others with inventive skill.

*

A seismic survey of the Cauvery Basin will be undertaken shortly by the Oil and National Gas Commission.

*

The Government of India have decided to grant licences for the import of six items from Pakistan, as provided for in the Trade Agreement between Governments of India and Pakistan signed on March 21, 1960. The items are betelnuts, betel leaves, eggs and poultry, fish, dried and salted, drugs and medicines including Unani and Ayurvedic, and livestock, including horses.

FOREIGN

The United Nations-sponsored conference of tin producing and consuming states has unanimously approved a new International Tin Agreement to be effective for five years from July 1, 1961.

*

Pakistan's "austerity" budget for the coming fiscal year (July 1960 to June 1961) earmarked Rs. 98.59 crores for defence out of the total estimated revenue receipts of Rs. 171.37 crores.

*

The International Finance Corporation is making its first commitment to invest in an Argentine enterprise. The commitment is for $3 million at 7 per cent to help finance a new sulphite mill to produce dissolving pulp for rayon and cellophane manufacture and bleached sulphite pulp for paper production.

*

Export surpluses and the credit squeeze have combined to send up West Germany's gold and foreign exchange reserves to record levels. The gross reserves totalled DM 27,069.5 million on June 15, according to Bundesbank figures.

*

UK's balance of payments has improved remarkably and shows a surplus of £46 million in the first quarter of 1960 against a deficit of £18 million in the last quarter of 1959.

*

France has announced the removal of a number of tentative restrictions on imports of certain goods from the OEEC and dollar countries. The list of goods includes certain types of electrical generators, vacuum cleaners, machines or the production of paper and cardboard and some other equipments.

*

The US General Electric Company has developed a electronic device, called "compactron", which, it hopes, will replace conventional valves and transistors in radio and TV receivers and gramophones.

*

The Soviet Union has agreed to buy $25 million worth of Canadian goods each year under a new trade agreement.

*

The Cuban Government has announced a minimum price of 3 cents per pound for the sales of sugar in the world market.

COMMODITY NEWS AND NOTES

SUGAR POLICY A SUCCESS

The Union Food Minister, Mr. S. K. Patil, recently expressed his firm view that by "tactful handling" of the situation in respect of sugar they had turned the corner and had built up a five-lakh ton buffer stock as against two-and-a-half-lakh tons expected earlier. Everbody could now have as much sugar as he wanted for genuine consumption. The Government was also releasing more and more sugar and prices had come down in the north where it had gone up sometime back. The sugar policy of the Government thus, had succeeded, he claimed. If they found that there was no risk they would even remove control and restriction on sugar. It should be even possible to export sugar to earn foreign exchange if the present trend continued, he added.

Mr. Patil said the Government had made efforts to increase the capacity of sugar production by 10 to 15 per cent. As many as 20 new factories had been licensed particularly in areas where cane production was the largest. In an area in Maharashtra, he said, cane production reached a new peak about 75 tons per acre in the country. That meant sugar production would be somewhere between seven and a half to eight tons per acre of cane which, he claimed was probably the highest in the world.

MORE IMPORT OF RAW WOOL

The Government of India have decided to grant additional licences for import of raw wool and wool tops and shoddy yarn and rags to manufacturers of woollen hosiery yarn and shoddy yarn on an ad hoc basis. A Public Notice issued in this connection says that this decision has been taken to relieve the general scarcity of woollen hosiery yarn and shoddy yarn in the country. Licences will be issued in consultation with the Textile Commissioner, Bombay, and will be subject to the following conditions.

i. Raw wool and wool tops and shoddy wool and rags imported against the licence will be exclusively used for the manufacture of hosiery yarn or shoddy yarn.

ii. Sale of hosiery yarn or shoddy yarn manufactured out of raw wool and wool tops imported against the licences can be effected only on the directions of the Textile Commissioner, Bombay and at prices not exceeding those to be specified by him.

iii. In case of short delivery of hosiery yarn or shoddy yarn manufactured from the raw wool and wool tops imported against the licence, double the quantity of raw wool and wool tops or shoddy wool will be deducted from the allocation which might be made to the licensee in the next half year. This will be without prejudice to any other action which may be taken for contravention of the condition imposed on the licence under the I.T.C. regulations.

MINERAL ORES IN ORISSA

Preliminary surveys in some districts of Orissa have revealed that there are large deposits of mineral ore. Kalahanfi abounds in bauxite, Undargarh and Sambalpur in limestone, Talchar in iron and Balasore in chromite and magnetite. Talchar is known for long to have rich deposits in coal but its extensive survey has not yet been made despite the fact that three coal mines are already being worked there. Five State-sponsored survey parties who are now considering after exhaustive surveys, the prospects for the technical feasibility of the extraction of the State's minerals and assess their exact quantities, will submit their reports in September next, it is learnt.

UTILISATION OF IRON ORE FINES

The Government of India have set up an eight-member committee to study the problem of utilisation of iron ore fines. With the rapid increase in the production of iron ore to meet the requirement of expanding steel industry and the export trade, utilisation of huge quantities of such fines, which are incidental to mechanised mining, has assumed a problem of considerable importance. The Committee will study and make recommendations on the problems of utilisation of iron ore fines in all its aspects including extent of fines production and the cost at which these can be procured. The various technical processess for agglomeration to render fines fit for steel plants or export together with their economics will also be studied by the Committee. The Committee will study the extent to which fines can be and should be utilised in Indian steel plants and the measures for securing this utilisation. Research facilities and pilot plant, the allied problem of suitable feed for blast furnace and the need to conserve coking coal reserves will also be studied by the Committee.

THE TATA IRON & STEEL CO., LTD.

NOTICE

Extension of date for submission of coupons and applications in respect of "A" Second Preference shares and new Ordinary shares.

NOTICE is hereby given that the extended period for submission of **coupons** in respect of the "A' Second Preference shares and the new Ordinary shares in terms of the Company's Circular dated the 12th October, 1959, expires on the 30th June, 1960. As some shareholders have not yet exercised their right to obtain shares by submitting the requisite coupons, the Directors have extended the period of submission of coupons to 29th July, 1960, and the Company's bankers have accordingly been authorised to receive applications on and after 1st July, 1960, up to but not later than the 29th July, 1960, in respect of such coupons Provided that along with each such application with the required coupons and the moneys to be received with such application interest at the rate of 9 per cent per annum (which the Directors have decided to charge) shall be paid to the Company's bankers as under:-

(i) For applications with coupons from **resident** shareholders from 16th December, 1959 to the date of payment; and

(ii) For applications with coupons in the case of **non-resident** shareholders from 1st June, 1960, to the date of payment.

The Directors have also resolved that the last date for receiving applications in respect of "A" Second Preference **shares** and new Ordinary **shares** from the **non**-resident shareholders which was 30th June, 1960, be extended upto 29th July, 1960, provided that along with each such application and the moneys to be received with such application interest at the rate of 9 per cent per annum thereon (which the Directors have decided to charge) from 1st day of April, 1960 to the date of payment shall be paid to the Company's bankers.

No application in respect of coupons received from resident shareholders on and after the 16th December, 1959, and from non-resident shareholders on and after the 1st June, 1960 and no application in respect of right "A" Second Preference shares and new Ordinary shares received from non-resident shareholders on and after the 1st April, 1960, will be entertained by the Directors unless interest is paid as aforesaid. No such application will be entertained after the 29th July, 1960.

Dated at Bombay this 29th day of June, 1960.

By Order of the Directors
For and on behalf of
The Tata Iron and Steel Company Limited
Tata Industries Private Limited
Managing Agents
By their Constituted Attorney
V. G. Mokashi

COMPANY AFFAIRS

METAL BOX: HIGHER SALES

Higher exports and larger sales of non-tinplate products like plastics, industrial components and machinery produced at the newly constituted factory at Calcutta helped the Metal Box Co. of India Ltd. to successfully raise its sale proceeds in 1959 to Rs. 830 lakhs, about 19 per cent higher than the previous year's figure. In view of the success in Ceylon, Burma, Thailand, Iran etc., the Chairman, Mr. K. C. Mahindra, is hopeful of good results in the coming years too. He has pointed out that it would be vital that the concessions on tinplate prices applicable last year for export purposes, which were reduced since December 1959, are restored to their previous level.

He made a pointed reference to the new excises levied on tinplate and aluminium. The Company has been trying to reduce the prices of its goods but these excises have stood in the way. This will, the Director has pointed out, damage the use of pilfer-proof consumer packing and the goods might be sold loose in unhygienic bulk containers, which are a standing temptation to adulteration. With the latest impositions tinplates will bear 33-1/3 per cent in the form of excise, sales tax, etc. Similarly, aluminium will now cost the Company higher, and ultimately the public may have to pay higher; almost twice as much as it does in the USA and the UK. In view of the need to popularise the use of packages which protect their contents from adulteration, it is necessary that some way out is found to reduce the excise duty imposed on tinplate.

The Chairman also pointed out that the stocks of tinplate were always very low with them and it was not possible to meet adequately the normal demand. Past experience has shown that the availability of tinplate both at home and abroad can change at very short notice. It is, therefore, necessary that the consumers are permitted extra quantities for stocks which will cover such vagaries. The licences should be granted to them for adequate quantities well in advance. The Chairman has also pleaded for a higher installed capacity of tinplates and aluminium in the country.

Sales of the Company increased by Rs. 134.9 lakhs to Rs. 845 lakhs and profits have increased by 10.7 lakhs to 108.3 lakhs. To compensate Ordinary Shareholders for the changed tax procedure increased dividends are recommended. An Interim Dividend of 90 nP., subject to Income Tax, was paid in January 1960 on the Ordinary Capital, exclusive of the new Shares offered in December 1959, which did not rank for this dividend. The Directors now recommended the payment of a final dividend of Rs. 1.60 subject to Income Tax on the increased Ordinary Capital of Rs. 161 lakhs.

In December 1959 the capital was increased to Rs. 161 lakhs by the issue to Ordinary Shareholders at par in the proportion of two new shares for every five held.

RISING PROFITS FOR PURTABPORE

In sharp contrast to the previous year's loss of Rs. 2.13 lakhs, the Purtabpore Company Limited has shown a profit of Rs. 2.81 lakhs during the year to October 31, 1959. This is the first report of the company since the resignation of their managing agents. The quantity of cane crushed by the company was 26.04 lakh maunds with an extraction of 9.88 per cent as against 24.91 lakh maunds with an extraction of 9.91 per cent in the previous year. The sugar obtained during the season (1958-59) was 2.57 lakh maunds as against 2.47 lakh maunds during the previous season. Prospects for the coming year (1959-60 season) are still better as the mills have crushed 36.9 lakh maunds of cane which is the highest quantity crushed since the start of the mills, The overall result naturally would be better.

Taking into account the profit on the sale of agricultural land (3.27 lakhs) and the transfer from general reserve and stock & stores reserve amounting to Rs. 25 thousand and Rs. 1 lakh respectively the surplus comes to Rs. 7.33 lakhs. Taking in account the previous year's deficit of Rs. 2.82 lakhs, there is a credit balance of Rs. 4.51 lakhs. A sum of Rs. 3.27 lakhs is proposed to be transferred to rehabilitation reserve. Dividend on cumulative preference shares for 1956-57 and 1957-58 will absorb Rs. 1.20 lakhs. The directors have proposed not to pay any dividend on ordinary shares in view of losses incurred by the company during the previous two years.

BRITISH INDIA ELECTRIC'S RISING COSTS

The turnover of the company increased during the year as compared to the previous year, mainly due to higher production of switch gear, although there was a reduction in the sales of motors. In spite of this higher turnover the profits were reduced, largely by the implementation of the Third Omnibus Engineering Tribunal Award which is reflected in the increase in labour cost. Profit during the year after providing for taxation and depreciation comes to Rs. 3.45 lakhs as against 3.51 lakhs during the previous year. The board of directors has transferred Rs. 32,907 to Development Rebate Reserve and Rs. 1.81 lakhs to general reserve. A final dividend at the rate of 25 per cent is proposed to be distributed which will absorb a sum of Rs. 1.25 lakhs.

ALLAHABAD BANK

LIMITED

INDIA'S OLDEST JOINT STOCK BANK

ESTABLISHED 1865

Affiliated to The Chartered Bank

HEAD OFFICE : CALCUTTA

14, India Exchange Place,

Authorised Capital	**Rs.**	**1,00,00,000**
Subscribed Capital	**Rs.**	**60,00,000**
Paid-up Capital	**Rs.**	**45,50,000**
Reserve Fund	**Rs.**	**1,08,00,000**

BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED

M. J. Mackaness,
General Manager.

Company Meetings

THE METAL BOX COMPANY OF INDIA LIMITED

CHAIRMAN'S REVIEW

The Twenty-seventh Annual General Meeting of The Metal Box Company of India Limited, will be held on Wednesday, the 20th July, 1960 at 59C, Chowringhee Road, Calcutta.

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

SALES

Once again it is my pleasant privilege to review a successful year with sales at Rs. 830 lakhs, 19 per cent over last year's. This increase was achieved notwithstanding unexpectedly poor offtake by the new fish canning and milk processing industries; it is substantially due to your Company's success in enlarging exports and sales of non-tinplate products, namely plastics, industrial components and machinery made at the newly constituted Calcutta No. 2 Factory. The improved exports I anticipated last year have been realised: we registered a sevenfold increase. We sought markets far and wide: during the year we exported goods to Ceylon, Burma, Thailand, Iran, Hongkong, East Africa, Pakistan, Malaya, Italy, the Fiji Islands and Aden, with particular emphasis on the first four. Having established ourselves in these export markets, we can with confidence look forward to a further expansion this year, but for achieving this it is vital that the concessions on tinplate prices applicable last year for export purposes—but reduced progressively since December 1959—should be restored to their previous level.

The new excises on tinplate and aluminium were not imposed until March and have had no effect on the year's operations. But in view of the success I reported to you last year in effecting, in the face of rising costs, price reductions following greater operational efficiency, these imposts are most disappointing. Faced with the task of bridging a large gap between expenditure and revenue, and in pursuance of a policy of broadening the base of indirect taxation, the Finance Minister in his latest budget made use of the fact that there is scarcely any income group in urban India which does not purchase packaged goods; these heavy excises, added to the already abnormally high prices charged for tinplate and aluminium, will bear down upon poor and rich alike. However simple they may be as a device for collecting taxes, these excises have a damaging social side effect with repercussions on the nation's health. This step must adversely affect the province of the Health Ministry since the most effective single remedy for the evil of food adulteration and the trade in spurious goods is pilferproof consumer packaging. Through its own Research Division, its Technical Development Section and its Technical Consultants overseas, your Company has played a leading part in developing the mass production and sales at economic rates of tamperproof containers which now constitute the major part of its business. The result: instead of being sold loose in unhygienic bulk containers which are a standing temptation to adulteration, an increasing volume of goods is being packed in factory-sealed consumer units. These branded consumer packages—containing from a few grams to a few kilos—may be Notampa-sealed Rigid Tubes, Pockets made from heat-sealing aluminium foil laminate, Bottles and Cans sealed with R. S. Closures, Open Top Cans, Diaphragm Cans, Scored Cans or Cans fitted with Capsule Overseals. Surely any Government which has declared its intention of beating the problem of food adulteration should encourage the use of these packages.

What we find happening in reality is the imposition of a heavy excise on two of our essential raw materials for producing tamperproof packages. With the latest imposition, for example, tinplate will bear some 33-1/3% in the form of excise, sales tax and the levy for the Steel Equalisation Fund. Likewise aluminium will now cost your Company—and ultimately the public—almost twice as much as it does manufacturers in the USA and UK. Particularly affected by this increase will be the R. S. Closure which has been accepted in the last six years as the most efficient seal in preventing adulteration and substitution in the ethical drug, fruit drinks, and other beverages trades.

It may be argued that the excise will not affect the current year's sales, and that there is no harm introducing deterrents against the use of materials in which the country is not yet self-sufficient. No doubt in short-term no damage may be done but the long-term implications are clear; self-sufficiency is in sight both in respect of tinplate and aluminium and there is a simple choice on the one hand between condoning adulteration and, on the other, of encouraging the use of packages which protect their contents from adulteration. By making the materials from which they are produced freely available at the lowest possible prices, much food adulteration could be prevented and the maximum use could be made of the country's installed capacity to protect consumer goods. My hope is that there will be some rethinking in high places and that these discouragements to sound packaging will either be removed altogether or substantially reduced.

RAW MATERIALS

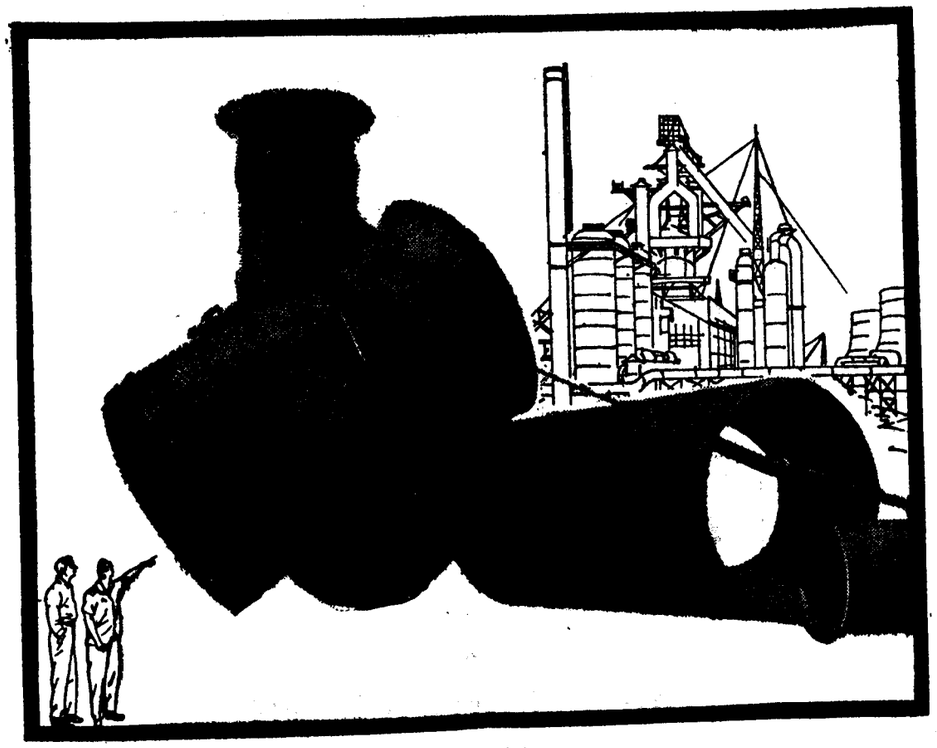
At the beginning of the year under review stocks of tinplate were so low that it was not possible to meet adequately the normal demands placed on us by our customers and, to keep packing industries supplied as far as possible, uneconomical sizes of plate had to be used. The position had an adverse effect on the efficiency of our operations.

It was indeed fortunate that indigenous supplies were well maintained. Without these supplies the delayed arrivals of imported materials would have had serious repercussions on our production.

Towards the second half of the year the stock levels had improved but the forward position was still a matter of grave concern. Past experience has shown that the availability of tinplate both at home and abroad can change at very short notice. It is therefore essential that we be permitted a stock level which will cover such vagaries.

Furthermore, because of the length of the order books of foreign producers, it is essential in today's

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conditions that licences are granted for adequate quantities well in advance.

Having regard to the relatively high capital-output ratio of secondary steel products, it is to be hoped that Government will make available as quickly as possible within the country a capacity of at least 250,000 tons of tinplate per annum. If this is not achieved over the next five years the development of packaging will be held back.

The position in respect of supplies of aluminium has also presented difficulties. It was not so many years ago that your Company was asked to make an all out effort to help develop the use of aluminium to provide an outlet for the increased production of aluminium envisaged at that time. Your Company made the effort and its consumption of aluminium increased from 327 tons in 1956-57 to 827 tons in 1959-60. It is hoped the new units licensed for the manufacture of primary aluminium will soon come into production.

As a result of the efforts of the Company's Research Division, more and more ancillary materials are being developed from indigenous sources and the quality of these products is showing a marked improvement. However, although work is in hand on new formulae, the supply position needs constant watching as a number of these materials are still dependent on a comparatively small percentage of imported constituents. As you can imagine this will remain a frustrating experience for all concerned until a more liberal attitude is possible towards the licensing of such materials.

As in the past the full resources of your Company will be concentrated on obtaining the desired materials to maintain its output but in the last analysis its success will depend upon the support received from the Government.

DEVELOPMENTS

I would again like to comment on the new Calcutta No. 1 Factory and I am pleased to report that the improvement in the operational efficiency mentioned last year resulting from the new premises has continued proving beyond all doubt the advisability of building a new factory which allowed of adequate space for well laid out equipment and a well designed flow from raw materials to finished products.

At the rehabilitated old factory, re-organised as Calcutta No. 2, the expanded production of plastics envisaged there, embracing injection moulding, polyethylene extrusion, printing and bag-making, was implemented. I am pleased to report that the establishment of these processes was significantly devoid of the teething troubles normally expected with new projects which reflects well on those responsible.

The Machineey Building Section of the Calcutta No. 2 Factory has been expanded and now produces for our customers an increased range of closing and ancillary equipment. In addition, it has undertaken the manufacture of individual production machines to help towards the conserving of foreign exchange that would otherwise be required to import the equipment. To the same end it is undertaking the manufacture of spare parts. Development in these directions must be dependent on the availability of adequate machine tools. If these are supplied, there is the skill and knowledge present to make great progress.

Your Company's efforts to provide Industrial Components for many of the new products which are now being manufactured in India continue and the Company's range of these products has widened considerably. It produces many such components which hitherto were imported from overseas.

During the year the Company's Technical Development Section was transferred from its existing premises to the Calcutta No. 2 Factory to provide space for the expansion of the Company's Research Division. This expansion was necessary to progress the development of indigenous raw materials and to increase the facilities to meet the manifold packaging problems encountered by our customers.

The factory at Faridabad, New Delhi, has been completed and the transfer of equipment from the old premises at Azadpur will be effected shortly. Delay in moving was caused by the shortage of power at Faridabad and even now it can only be made available during restricted hours. It is hoped that this position will improve during the current year with the increase in power supply planned by Government.

RIGHTS ISSUE

As forecast in my last review, the rights issue at par in the ratio of two new shares for every five shares held was made in December 1959. The money so raised has already been fully utilised.

It seems to us that if a rights issue is made at an attractive price, extra care should be taken to ensure that as far as possible no shareholder loses by his failure to take up the shares to which he is entitled. In our case only 656 shares were not taken up by the shareholders entitled to them. The Directors decided to allot these to a Board of Trustees who promptly sold the shares at market prices. The profit on sale was then paid to the shareholders originally entitled to the rights shares. By this means the best interest of all our shareholders was safeguarded.

INDUSTRIAL RELATIONS

In the present stage of development it would be most unusual if I had nothing to report in that most important field of Employee Relations. There has been a lot of activity. In the main the good relationship normally found in the Company between Management and Employees has continued and almost without exception any dispute that has arisen has been settled on a bi-partite basis. The negotiations on this basis show an awareness on the part both of Management and Employees that there must be "give and take". I hope that the Employees are as proud of their Company as the Company is of the Employees.

The apparently inevitable rise in the cost of living led, during the year, to negotiations in respect of Dearness Allowance, apart from which, in certain cases, there has been a revision of grading schemes. In nearly all cases agreement was reached on a basis of understanding and friendliness to the mutual benefit of all concerned.

Last year it was reported that a revised production bonus had been introduced in Bombay. This has been extended to the other units in the Company with a substantial increase in productivity and a comparable increase in earnings.

The Directors' offer to increase the level of contributions to the Providend Fund from 6¼ per cent to 8-1/3 per cent was much appreciated by the Employees of the Company.

The only tri-partite negotiations have been in respect of the hourly rated Employees of the Madras Branch. Their demands are still under negotiation on a tri-partite basis but it is to be hoped that ultimate agree-

ment will be reached without recourse to the time consuming processes of the Industrial Courts.

In the field of training there has been considerable development and as forecast in last year's review, the training staff of the Company has been substantially reinforced. Apart from the training organised within the Company, the Company has participated actively in all available spheres of external training. Only recently the second course in the Primary Centre established under the Workers' Education Scheme sponsored by the Government was inaugurated in Calcutta at the Company's No. 1 Factory there.

The Company again offered facilities for parties of Employees to visit projects being developed under the Five-Year Plans which were attended with continuing enthusiasm.

STAFF

In times of rapid economic expansion a multiplicity of problems in running a business is to be expected, problems which seem to be inevitable and of a nature difficult to forecast. The Officers and Staff responded once again admirably to those which had to be faced during the year and I have ever growing confidence in the ability of our Officers and Staff to deal satisfactorily with these problems as and when they arise.

We continue to receive the benefit of overseas training in the U.K. with the Company's Associates there. Within India we are participating more and more in Management and Technical courses being organised throughout the country and through facilities provided by the National Productivity Council

I would also like to make reference to successful efforts to promote social and sports activities within the Company, the importance of which should not be overlooked as a valuable contribution to the consolidation of a fine team spirit so essential to an effective organisation.

I thank the Officers and Staff for a year of hard work and successful results.

VISITS FROM ASSOCIATES

It was with great pleasure that towards the end of the year we welcomed to India Sir Harold Roxbee Cox. Deputy Chairman of The Metal Box Company Limited, England, accompanied by Lady Roxbee Cox, and also Mr. K. D. Brough, Managing Director of The Metal Box Company Overseas Limited. The purpose of their visit was, as representatives of our Technical Consultants, to see at first hand the industrial expansion so rapidly progressing in India and the developments that had taken place in your Company with a view to assessing in which directions they could make the most effective contributions.

Whereas we have had the opportunity of welcoming Mr. Brough from time to time over a considerable number of years, it was Sir Harold's first visit and as a prominent industrialist and a renowned scientist he evinced keen interest in all aspects of the Company's activities and India's progress. He has subsequently told me how impressed he was and for my part I would like to thank him for the refreshing results of his visit which helped to cement the growing mutual understanding and respect between members of your Company and those of its Associates in the U.K.

THE MYSORE SUGAR COMPANY LIMITED, BANGALORE

The twenty-sixth Annual General Meeting of the Mysore Sugar Company, Limited, was held at the Registered Office of the Company at Bangalore on Tuesday the 28th June, 1960, under the Chairmanship of Sri B. M. Krishnan, I.A.S. (Retd.) Chairman and Managing Director of the Company. Moving the adoption of the Report and Accounts, the Chairman made the following speech at the meeting:

"GENTLEMEN,

It gives me great pleasure to welcome you to this the Twenty-sixth Annual General Meeting of the Shareholders of the Mysore Sugar Company, Limited. Copies of the Directors' Report and the Audited Statements of Accounts for the year ended 30th June, 1959 have already been circulated to you in advance and I shall, with your permission, take them as read. You will notice that the pattern of presentation of Accounts has been slightly modified so as to show separately and at a glance the financial results of working of the different lines of activities of the Company.

2. A word of explanation is perhaps due for the delay in convening this meeting which should, in the ordinary course, have been held before the 31st March, 1960. This has been due to reasons beyond the control of your Directors. The audit of the Company's Accounts by the Officers of the Commercial Audit Department took more time than was anticipated and the final comments of the Comptroller and Auditor-General on our Accounts, which a Government Company is required to publish along with its Accounts, were received only in the middle of May 1960. The meeting could not, therefore, be convened earlier. Since the audit comments are published, your Dirctors have thought it advisable to publish their replies also for the information of Shareholders.

3. The downward trend in the country's sugar production, which set in during the 1957-58 season, continued during 1958-59 also, and production declined to 19.18 lakh tons, in spite of an increase in the number of factories. In the face of the increasing demand for sugar, the unsatisactory production,which was mainly due to inadequacy of cane supplies to factories, led to a tightening of control measures. The result is that the responsibility for distribution of sugar and for regulating its price at various levels has once again passed on to the State Governments. With the fall in production, the programme for export of sugar for earning foreign exchange received a set-back and the original export quota of 1,00,000 tons had to be drastically cut to a nominal 12,500 tons. How precarious the position was, could be gauged from the fact that the carry-over stock at the end of 1958-59 season had come down to about 1½ lakh tons, as against 4 to 5 lakh tons usually held by factories at the end of every season

4. As against the above discouraging picture, it is gratifying to note that the performance of the industry during the current season has shown a remarkable improvement, with production reaching 24 lakh tons, which is nearly 5 lakh tons more than what it was in the previous year. This has been possible largely because of the incentives given to the industry in the new sugar policy announced by the Government of India on the 25th October, 1959. Under this new policy, the price of sugarcane has been raised by three annas a maund and factories which show an increased production are given a rebate of 50 per cent in the basic excise duty on that part of the production which is in

excess of the average of the preceding two seasons. The higher production has enabled the authorities to raise the level of monthly release for consumption and, consequently, the supply position is now eased. The country can now be said to have turned the corner in regard to its sugar position in respect of production and, given the proper incentives, there is no doubt that production will rise further in the coming season and thus pave the way for an early de-control of sugar.

5. The target of 22½ lakh tons of sugar fixed for the II Five Year Plan has been proved to be not too ambitious under the conditions now obtaining and a much higher target of 30 lakh tons has been envisaged for the Third Plan. In order to achieve this, the Government of India propose licensing additional capacity. This opportunity has been seized by us to revive the pending expansion programme of our factory at Mandya. After a thorough examination of the cane potential of the Mandya area and taking into consideration the several advantages we already possess, your Directors have formulated a scheme for achieving an overall crushing capacity of 4,000 tons of cane per day. This scheme envisages stepping up the capacity of the Mandya factory to 3,000 tons partly by rehabilitation and partly by expansion, and transferring the remaining capacity of 1,000 tons to a branch unit to be set up in the Maddur region. Necessary applications for licences under the Industries (Development and Regulation) Act have been submitted to the Government of India and the matter is under their active consideration. In regard to Mandya unit we have already been asked by them to formulate definite proposals to procure the units necessary for expansion from manufacturing sources available in India and the matter is receiving urgent attention.

6. With its existing seven factories, Mysore is currently self-sufficient in sugar on the basis of the present controlled system of distribution. According to my information. at least two factories, including our own, wish to expand and about half a dozen new factories are also likely to come up in the co-operative sector. When all these factories go into production before the end of the Third Plan, Mysore State will not only become fully self-sufficient but may well be faced with a surplus, the disposal of which is likely to create a problem, especially when every other State in South India has plans for starting new factories. In these circumstances, it becomes necessary to guard against an un-co-ordinated overall expansion of the sugar industry in South India, which may soon cease to be a deficit region.

7. A matter of significance to the industry has been the publication recently of the report of the Tariff Commission which had gone into the cost structure of sugar and the claim of the industry for a suitable allowance in the sugar price on account of rehabilitation of plant and machinery. The main recommendations of the Commission, which have been accepted by the Government, fall short of expectations and have naturally given cause for concern. A return of 12 per cent on Capital employed, to meet a variety of commitments like bonus and gratuity to workers, Directors' remuneration, interest on borrowed capital, taxation, and finally, dividend to shareholders, can hardly be considered adequate in the sugar industry. On the burning question of rehabilitation allowance, the Commission has expressed itself against inclusion of any element of rehabilitation allowance in sugar price on a uniform basis. In my address to you last year I had stated at length the problem of rehabilitation of sugar plant, which is of recent origin so far as our industry is concerned, and I do not wish to cover the same ground again. Suffice it to say that the need for rehabilitation has now been well recognised and has also received judicial support. It is too late in the day to argue that rehabilitation should be met from normal depreciation or other extraneous sources. This is a matter which is of vital importance to the future of sugar industry and calls for re-consideration, especially as it has a vital bearing on the Price Linking Formula. On the question of the share of the cane growers in the price of sugar, for purposes of application of the Price Linking Formula prescribed by the Government of India for the 1958-59 seasons, which was the origin of the reference to the Tariff Commission, the Commission has not thrown any light. Our plea has been that the percentage share of sugar price to be passed on to growers under the formula needs to be revised after giving credit for adequate rehabilitation allowance in the sugar cost. It now remains to be seen in what way the formula will be modified having regard to the ever expanding needs of the industry.

8. I shall now deal with the working of your Company. From the Report and Accounts in your hands you would have seen that the Company had another year of successful working. Production of sugar in our Mandya Factory during 1958-59 came to 35,771 tons which is 3,749 tons less than the peak production of 39,520 tons recorded in the previous year. The quantity of cane actually crushed was 3,48,814 tons, while the percentage of sugar recovery was 10.24. The corresponding figures for the previous season were 3,79,545 tons and 10.40 per cent respectively. The duration of the season was also shorter, being 217 days as against 239 days for which the factory worked in 1957-58. The fall under these heads accounts for the drop in production. However, the quantity of sugar sold was more than that in any previous year and the total value realised was also the highest.

9. As in previous years, the statutory price of sugarcane continued to be Rs. 1.44 per Md. (Rs. 39.20 per ton) for delivery at the factory gate. Over and above this price, suppliers are eligible for a deferred price calculated according to the Price Linking Formula. Although the 1958-59 season closed a year ago, the decisive 'X' factor in the formula is yet to be announced in its final form. Consequently, it was a problem how to close our financial accounts for the relevant year. Pending assessment of the exact liability on this account, an assumed figure, based on a rough calculation, has been provided for and debited in the accounts, which will admit of payment of additional price up to about Rs. 5 per ton. The additional price of Rs. 3 per ton paid for the previous year's supplies did not satisfy the cane growers and after re-consideration, a further payment of Rs. 1.20 nP. per ton was made in June 1959, raising the additional price from Rs. 3 to Rs. 4.20 per ton. The cost of this extra payment amounting to Rs. 4,50,890 has been absorbed in the Accounts of the year under review.

10. The financial results of the year's operations have resulted in a net profit of Rs. 6,54,699 after making adequate provisions for depreciation and development rebate, taxation and rehabilitation. This is almost on par with the net profit of Rs. 6,87,575 reported in the previous year, although there has been a sizable drop in the gross profits from Rs. 45,70,846 to Rs. 31,89,054. The decline in earnings is to be attributed mainly to the rise in sugar manufacturing costs, resulting from lower percentage of sugar recovery, and increased costs on account of items like additional cane price, salaries and wages. Another important factor that is responsible for the fall in profits is that against the year's profit a loss of Rs. 3,37,688 had to be set off incurred on the disposal, during the year under review, of our export quota of 1000.3 tons of sugar released out of the 1957-58 season's production, in terms of the Sugar Export Promotion Act, 1958.

11. As shareholders are aware, the procedure relating to payment of dividend has been radically altered

by the Finance Act, 1959, under which income-tax is to be deducted at source out of the dividend declared and the system of grossing up of dividend by shareholders is discontinued. In the altered circumstances it has become necessary to make a departure from our normal practice of declaring a 20 per cent dividend—a practice which your Company has consistently followed during the last two decades. After careful consideration, your Directors have decided to raise the dividend for 1958-59 to 30 per cent, subject to deduction of tax, so that shareholders may be compensated for the loss arising from the abolition of grossing and may receive a net return which is a little more than what they have been accustomed to get in the past. Consequent on the unavoidable delay that has occurred in convening the general meeting, your Directors have, in anticipation of your approval, already paid the dividend recommended by them, treating it as an interim dividend. This will now have to be confirmed as the final dividend for the year.

12. Efforts in the direction of affording greater amenities to labour and of promoting better labour-relationship continue to be made by your Company. During the year under report, the second phase of the Swarnasandra housing colony was completed by the Labour Housing Board under which 116 tenements were made available for occupation, in addition to the 496 houses built under the first phase a few years ago. Another block of 184 houses is nearing completion. Our employees pay only 50 per cent of the prescribed rent for these houses, the remaining 50 per cent being met by the Company as a subsidy. The policy of issue of foodgrains on subsidised basis is also being continued. The Company's High School, where free education is imparted to the children of employees and cane growers, is being steadily expanded and a new High School building at a cost of nearly Rs. 3 lakhs is now under construction.

13. The agitation for additional bonus, which has now become an annual feature, was repeated in respect of the year 1957-58. Contrary to the accepted principle of settling industrial disputes by arbitration, the Management's offer to refer the issue to arbitration was turned down by labour which persisted in its demand and threatened a strike. Your Directors finally agreed to grant an additional bonus of two months' pay as Silver Jubilee Bonus, over and above the bonus of four months' pay already paid. The problem of bonus to employees in the Sugar industry is somewhat complicated. Here, the cane growers, who constitute an integral part of the industry, also come in for a share of profits and the usual Bonus formula for determining the surplus profit available for grant of bonus to workers cannot be automatically applied in our case. There is as yet no authoritative formula for determining the relative claims of cane growers and workers for bonus and we look forward to some guidance, on this important issue, from the Central Wage Board for the Sugar Industry which is examining the question of the principles on which bonus is to be granted in the sugar industry.

14. The proposal for utilisation of bagasse obtained in our sugar factory for the manufacture of superior quality paper under the auspices of Mandya National Paper Mills Ltd., has materialised and it is expected that the Paper Mills would go into production by about the middle of next year. Under a thirty-three year agreement entered into between your Company and the Mandya National Paper Mills, Limited, on the 21st September, 1959, we have agreed to release our bagasse for paper manufacture in exchange for coal of equivalent calorific value to be supplied by the Paper Mills for being used as substitute fuel in our factory boilers, in addition to royalty. In pursuance of this understanding, action is being taken to instal a large multi-fuel boiler in our factory at a cost of nearly Rs. 18 lakhs of which a small portion amounting to about 10 per cent will be contributed by the Paper Mills. As a gesture of our goodwill towards the new undertaking, your Company has subscribed for shares of the value of about Rs. 4 lakhs in the Paper Mills and the latter has reciprocated by providing a place for one of our nominees on its Directorate.

15. You may recall that in my speech last year I had referred to the problem of our large alcohol potential and had posed the question why we should not embark on some useful and remunerative schemes of development which would solve our alcohol problem, on the lines indicated in the report of the Alcohol Committee. I am very happy to announce that your Directors have now under active consideration a scheme for the establishment of a new industry at Mandya, designed to manufacture Cellulose Acetate flakes and moulding powders. They are advised that this is a promising line of manufacture, for which there is bound to be great demand from the growing Plastics and Raw Film industry in our country. The Government of India have promised to grant a licence, provided certain conditions are fulfilled, and we are almost at the stage of finalising our efforts very early when we will be moving the Central Government for the final licence. This will be a major project involving heavy capital outlay and calling for foreign collaboration, both on the financial and technical sides. Negotiations with certain foreign firms who have taken a lively interest in the proposal, are in progress and there is every possibility of our being able to secure excellent foreign collaboration for this new venture.

16. Let me also mention another line of development that is finalised. We hove a well-equipped workshop attached to our factory and its present operations are confined to maintaining the sugar machinery in an efficient condition. We are advised that it has potentialities to do some thing more and therefore we have obtained from the Government of India a licence to work it as a unit for manufacturing chemical plant and machinery. We hope to re-organise the workshop as a Manufacturing unit very early.

17. There is yet another line of expansion which I should place before you though it may appear to be inconsequential against the back-ground of our activities connected with the manufacture of sugar and alcohol. I refer to our excellent product which is already familiar to you all in the name of "Golden Syrup". It has all along been a showpiece and presentation article. With the stoppage of imports, it has assumed significance in the consumers' market. Negotiations have, therefore, been completed to put it on the all-India market through the good offices of Messrs. Spencer & Co. Ltd. A resolution to approve the deal is before you. May I add that this may, though in a small way, be a product that could be exported to earn foreign exchange which the country is in dire need at present.

18. From what I have already said you will appreciate that we are on the eve of embarking upon a number of development schemes calculated to achieve a many-sided expansion of our activities which will put Mandya prominently on the Industrial map of India. In the first place, there is the proposal for expansion of our sugar plant and for starting a branch factory designed to secure an overall crushing capacity of 4,000 tons of cane per day and double the present production by nearly 35,000 tons of sugar. The scheme for conversion of our bagasse into paper is well under way and though this industry is not sponsored and run by us we will still be closely associated with it. By far the most important scheme which we have under consideration is the project for manufacture of Cellulose Acetate based on our alcohol. Detailed project report for the scheme is now under preparation by experts. Closely allied to this project is a proposal for further expansion of our Distillery so as not only to take care of the anticipated increased production of molasses but also to provide the basic raw material for the proposed new industry.

19. The implementation of the above schemes of expansion and new projects naturally call for large financial resources. While your Company undoubtedly enjoys high credit and can raise funds by borrowing, the magnitude of the capital that would be needed for the Cellulose Acetate project would necessitate our going to the capital market for raising fresh capital. Details in regard to this matter are yet to be finalised and I am therefore not in a position to say anything at this stage. There is also the pending question of re-organisation of the capital structure. Certain definite proposals in this behalf have been submitted by your Directors to the Government of Mysore who hold majority share interests in our Company and if these are concurred in by them, action will be taken to implement them as soon as possible

20. In my speech last year I referred to the proposal for celebrating the Silver Jubilee of the Company. A committee consisting of all interests connected with the Company has since made certain proposals calculated to benefit not only the employees of the Company but also the shareholders and cane growers. The proposals cover a wide range of schemes of a beneficial nature, such as, construction of hospital, maternity home, high schools and a community hall and grant of weightage increments to employees, institution of Silver Jubilee Gold Medals under the auspices of the Mysore University, issue of Bonus Shares and grant of token bonus to the large body of cane growers. Your Directors have generally accepted the proposals and the question of implementing the same in a phased manner, consistent with the financial resources of the Company, is now under the consideration of your Directors. In fact, some items in the proposed programme have already been covered, like grant of Silver Jubilee Bonus to staff and employees and presentation of Silver Jubilee valets to shareholders and others connected with the working of the Company.

21. Before I conclude, it is my pleasant duty to acknowledge the valuable assistance and co-operation received by me from my colleagues on the Board. The employees of the Company, from the General Manager downwards, have all continued to serve the Company loyally and efficiently and the thanks of the Management are due to them. The Company is also thankful to the large body of cane growers from whom it has received unstinted co-operation. Above all, the Company is grateful to the Government of Mysore for their continued solicitude towards it."

The Report and Accounts for the year 1958-59 were adopted and the Interim Dividend of 30 per cent, subject to tax, already paid, was confirmed as the final Dividend for the year. The retiring Directors, Sri H. K. Veeranna Gowdh and Sri L. Siddappa were re-elected unopposed. The meeting also accorded its consent to the appointment of Messrs. Spencer & Company Ltd. Madras, as the Sole Agents for the sale of Golden Syrup for a period of three years.

With a vote of thanks to the Chair, the meeting terminated.

H. MAHARUDRIAH,
Secretary.

Bangalore,
Dated 29th June, 1960.

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

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54		106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55		94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56		86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57		102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58		106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59		115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60		119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
March	1959	113.8	100.3	116.0	116.2	109.4	108.5	108.6	112.4
April	,,	113.1	97.5	116.2	116.2	108.4	107.9	108.0	111.9
May	,,	116.1	98.6	115.8	119.5	108.1	108.5	108.4	114.0
March	1960	117.0	96.4	117.0	131.9	121.3	115.9	116.6	118.8
April	,,	118.6	103.1	118.7	134.2	123.2	116.9	117.8	120.5
May	,,	119.9	107.3	118.6	140.1	125.4	118.9	119.8	122.7
28-5-1960		119.5	106.3	118.5	142.0	125.3	119.0	119.9	122.8
4-6-1960		120.4	109.8	118.4	142.0	126.3	118.2	119.3	123.1
11-6-1960		120.6	109.2	118.5	138.5	126.5	118.5	119.6	122.8
18-6-1960		121.4	108.5	118.6	139.0	127.0	119.2	120.3	123.5

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1336 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103					105	104		106		—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 July	399	418	315	165	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165	433	164	178	173
September	403	422	319	156	399	465	510	162	434	162	179	173
October	405	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164*	173*	168*
February	399	418	294	161	389	468	511	165	448	167*	167*	168*
March	395	414	287	157	392	464*	510	165	446	166	168*	168*
April	402	421	—	155	392	463*	511	—	446	—	—	168*
May	—	—	—	153	—	—	—	—	452	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED: 24-6-1960 High	24-6-1960 Low	24-6-1960 Average	17-6-1960 High	17-6-1960 Low	17-6-1960 Average	10-6-1960 High	10-6-1960 Low	10-6-1960 Average	3-6-1960 High	3-6-1960 Low	3-6-1960 Average
Gold (per fine tola) —	126.75	125.50	125.86	126.31	125.00	125.74	126.34	125.22	125.87	129.37	124.94	126.54
Silver (per 100 fine tolas)	214.37	212.37	213.32	212.87	211.31	212.22	212.62	211.22	211.93	213.44	211.12	212.01

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	ASSET: Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,82	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	545,61	595,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	130,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285 38	16.30	131,50	1,333,88	1,750,77
Average of Fridays										
March 1959 ..	1,694,62	12,40	1,707,02	117,76	174,68	295,77	17.38	129,88	1,281,37	1,707,02
April ,, ..	1,756,36	17,83	1,774,19	117,76	178,01	292,44	16.67	132 26	1,346,16	1,774,19
May ,, ..	1,756,56	22,14	1,778,70	117,76	178 01	295,77	16.63	130,15	1,352,78	1,778,70
March 1960 ..	1,836,41	16,64	1,853,05	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,05
April ,, ..	1,887.43	17,25	1,904 67	117,76	163,01	280,77	14.74	127,16	1,496,74	1,904,67
May ,, ..	1,886,74	20,78	1,907.52	117.76	163,01	280,77	14.72	125,34	1,501,41	1 907,52
Week-Ending										
20-5-1960 ..	1,880,06	22.26	1,902,31	117,76	163,01	280.77	14 76	125,15	1,476.40	1,902,31
27-5-1960 ..	1,860,99	32,11	1,893,10	117,76	163,01	280,77	14 83	125,93	1,486,40	1,893,10
3-6-1960 ..	1,867,88	23,87	1,891,75	117,76	158,01	275,77	14.58	124,58	1,491,40	1,891,75
10-6-1960 ..	1,880.72	10,29	1,891 01	117,76	148,01	265,77	14.05	123,85	1,501,40	1,891,01
17-6-1960 ..	1,859,19	33,43	1,892,62	117,76	148,01	265,77	14 04	125,45	1,501,40	1,892,62

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS**	ASSETS: Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58* ..	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57 62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60* ..	55 50	23,24	79,61	123 48	281,83	83,18	450,01	19,94	15,54	28,97	25 53	88,92	258,90	12,22
Avr. of Fridays														
March 1959 ..	55,82	24,53	68,84	117,73	266,92	90,90	447,81	12,47	7,22	34,98	23,79	104,21	253,15	12,00
April ,, ..	53,36	19,25	83,53	118,28	274,42	99,19	453,62	17,90	22,96	33,95	37,34	84,95	241,14	15,38
May ,, ..	56,83	16,47	75,99	118,46	267,55	89,15	446,70	22,20	9,17	24,17	38,20	73,29	266,50	13,17
March 1960 ..	54,20	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143,45	220,44	14,03
April ,, ..	62,66	21,36	90 66	100,04	274,72	119,53	479,25	17,33	47,71	21,96	41,01	117,33	219,04	14,87
May ,, ..	55 55	27,19	96 34	98,14	277,23	108,96	471,19	20,85	27,39	12,66	49,43	115,02	230,51	15,34
Week-Ending														
20-5-1960 ..	57,99	29,47	94,24	97,79	279,50	109,16	473,66	22,33	26,47	11,66	51,31	114,78	231,77	15,34
27-5-1960 ..	52,01	34,49	103,64	97,83	287,98	108,35	481,33	32,18	18,11	9,54	42,08	108 45	255,62	15,35
3-6-1960 ..	66,70	16,79	97,68	98,09	279 26	109,29	473,55	23,93	18,08	10,51	44,42	120,23	240,59	15,78
10-6-1960 ..	71,07	8,75	111,71	86,83	278 36	107,00	470,37	10.37	35,82	15.55	45,71	126,47	220.69	15,75
17-6-1960 ..	92,42	9,23	107,51	87,05	296,20	112,05	493,25	33,49	38,01	13,76	50,00	121,99	228,23	15,78

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and of Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡ Includes cash and short-term securities.

COMPOSITION OF INDIA'S FOREIGN TRADE

EXPORTS

(Rs. Lakhs)

Items	First Quarter of 1959	Fourth Quarter of 1959	First Quarter of 1960	Variation of (3) over (2)	Variation of (3) over (1)
	(1)	(2)	(3)	(4)	(5)
Tea black	19,95	49,41	22,97	—26,44	+ 3,02
Spices	2,03	4,14	6,34	+ 2,20	+ 4,31
Fruits and vegetables	5,35	4,92	6,02	+ 1,10	+ 67
Jute manuacturers	22,05	27,69	23,17	— 4,52	+ 1,12
Hides and skins (except fur skins undressed)	2,63	3,08	3,17	+ 9	+ 54
Mineral fuels, lubricants, and related materials	2,25	1,82	2,54	+ 72	+ 29
Vegetable oil (non-essential)	1,23	6,38	2,17	— 4,21	+ 94
Iron ore and concentrates (except pyrite not roasted)	2,50	3,42	4,41	+ 99	+ 1,91
Manganese ore and concentrates	3,37	2,49	2,60	+ 11	— 77
Cashew kernel	3,47	3,39	4,34	+ 95	+ 87
Tobacco, unmanufactured and manufactured	4,80	1,11	5,57	+ 4,46	+ 77
Leather and manufactured leather	5,26	8,30	7,11	— 1,19	+ 1,85
Raw cotton other than linters	3,38	2,23	1,80	— 43	— 1,58
Cotton textiles	13,60	22,51	16,88	— 5,63	+ 3,28
Oilseeds, oil nuts and oil kernels	1,61	44	1,33	+ 89	— 28
Lac					
(a) Shellac	84	92	1,06	+ 14	+ 22
(b) Other than shellac	76	69	74	+ 5	— 2
Mica	2,42	2,64	2,15	— 49	— 27
Sewing Machines	6	16	15	— 1	+ 9
Electric fans	9	10	29	+ 19	+ 20
Chemicals	1,12	1,38	1,54	+ 16	+ 42

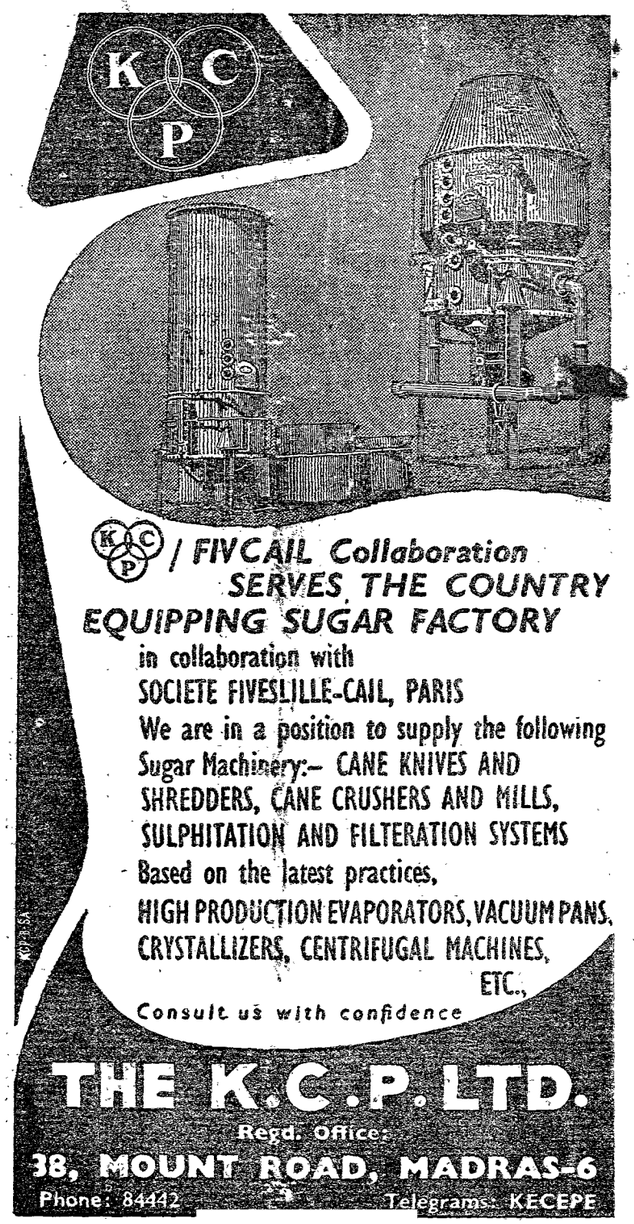
IMPORTS

Cereals and cereal preparations	22,35	21,84	13,74	— 8,10	— 8,61
Fruits and vegetables	4,87	7,61	6,05	— 1,56	+ 1,18
Mineral fuels, lubricants and other related materials	14,80	28,71	23,51	— 5,20	+ 8,71
Vegetable oils (non-essential)	61	1,01	94	— 7	+ 33
Raw cotton, other than linters	6,10	6,52	12,63	+ 6,11	+ 6,53
Chemical elements and compounds	8,37	10,28	9,42	— 86	+ 1,05
Medicinal and pharmaceutical products	1,95	2,04	2,82	+ 78	+ 87
Coaltar, dye-stuffs and natural indigo	1,69	1,68	1,86	+ 18	+ 17
Base metals					
(a) Iron and steel including alloy steel	20,80	20,31	20,65	+ 34	— 15
(b) Non-ferrous metals	7,37	10,86	9,91	— 95	+ 2,54
Manufactures of metals	5,22	6,12	3,74	— 2,38	— 1,48
Machinery other than electric	33,69	41,21	37,17	— 4,04	+ 3,48
Electric machinery, apparatus and appliances	11,80	12,37	11,24	— 1,13	— 56
Transport equipment	15,16	13,83	12,47	— 1,36	— 2,69
Paper and paperboards	1,94	2,60	2,83	+ 23	+ 89

DIRECTION OF INDIA'S FOREIGN TRADE

(Rs. Lakhs)

Country	Imports				Exports (incl. re-exports)			
	1958	1959	Jan.-Mar. 1959	Jan.-March 1960	1958	1959	Jan.-Mar. 1959	Jan.-Mar. 1960
A. Dollar Area								
U.S.A.	1,61,46	1,95,43	38,29	30,44	93,09	95,41	24,28	25,26
Canada	34,66	22,21	4,08	2,32	14,54	15,15	4,20	4,19
Total Dollar Area	1,97,56	2,19,05	42,50	33,19	116,80	115,86	28,99	30,22
B. European Common Market								
Germany, West	93,95	1,18,72	27,18	23,43	14,83	19,61	3,72	5,17
Netherlands	9,82	13,07	2,26	3,74	6,80	9,02	1,96	1,96
Belgium	16,59	13,37	3,05	4,24	4,64	5,17	92	1,52
Luxembourg	77	28	19	10	—	—	—	—
France	16,96	19,10	3,85	3,83	7,21	8,27	2,00	2,12
Italy	25,57	25,86	8,25	5,18	5,53	5,70	1,26	1,65
Total of (B)	1,63,66	1,90,41	44,78	40,52	39,01	47,77	9,86	12,42
C. Other OEEC Countries								
Sweden	8,96	10,70	3,14	3,09	1,55	1,43	34	39
Norway	3,39	2,04	36	71	1,14	1,26	28	33
Denmark	3,33	1,94	80	43	2,04	2,33	50	57
Portugal	35	38	12	7	17	29	5	5
Switzerland	9,68	7,83	1,79	1,96	81	90	24	13
Austria	2,14	1,95	48	72	21	24	4	3
Total of (C)	27,94	24,95	6,68	6,96	9,59	10,88	2,95	2,24
D. Sterling Area								
United Kingdom	1,68,53	1,72,72	36,45	45,71	1,66,29	1,72,17	34,00	41,74
Pakistan, west	36	41	5	69	2,90	2,91	47	98
Pakistan, East	5,92	5,04	1,33	3,78	4,27	3,40	68	1,09
Kenya	11,50	11,64	2,78	2,88	4,75	4,89	1,14	1,17
Ceylon	4,30	6,05	1,56	82	20,10	22,23	4,91	5,08
Australia	15,32	11,80	2,63	4,34	21,43	19,16	4,53	3,94
New Zealand	1,15	1,06	26	32	5,67	4,73	84	1,45
Burma	45,54	13,17	3,06	5,81	7,54	12,68	2,23	2,19
Singapore	9,29	9,09	1,83	3,18	10,44	7,67	2,43	1,75
Federation of Malaya	10,70	10,55	2,50	2,86	4,90	4,73	1,31	1,11
Total Sterling Area	3,07,39	2,74,85	61,08	78,07	2,94,10	2,96,21	63,84	70,70
E. Other Area								
USSR	21,71	16,65	3,40	2,80	23,32	30,36	6,10	6,36
Czechoslovakia	6,49	3,72	72	1,57	3,95	4,24	70	1,58
Germany, East	1,09	3,14	1,12	56	74	2,50	77	1,21
Poland	2,26	4,02	48	58	92	3,59	9	1,43
Hungary	62	2,39	78	34	61	73	24	22
China	5,28	4,86	1,73	1,14	3,43	7,82	17	38
Yugoslavia	2,25	2,44	26	88	99	1,75	4	87
Saudi Arabia	19,67	20,05	3,39	7,63	4,03	3,79	93	2,00
Iran	33,07	35,56	7,20	9,18	5,91	4,42	1,02	90
Indonesia	3,31	3,83	77	91	2,88	3,83	56	1,57
Japan	39,66	40,96	12,26	9,58	25,86	34,44	7,84	8,61
Egypt	6,24	8,04	1,30	6,97	8,68	8,38	2,10	3,60
Sudan	7,49	10,67	1,29	92	7,16	14,62	41	1,26
Thailand	45	59	12	18	2,44	2,49	77	42
Total Other Area	1,67,63	1,78,12	39,77	50,29	1,19,46	1,52,02	27,75	37,42
All Areas	8,64,18	8,87,38	1,94,81	2,09,03	5,78,96	6,22,74	1,33,39	1,53,00



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Ordeal by Fire

THERE is a soul of good in things evil. Events this week have brought the Indian people face to face with themselves, and in the process of this searching of their own souls they have found some inner strength. Thus, notwithstanding the deep distress which the strike has inevitably caused, it is proving an operation fully worth while. Over the last twelve years of Independence, a listless complacency has replaced enthusiasm, and a great decline in discipline has accompanied even quite substantial achievements. The nation has not girded its loins in a supreme effort to battle with poverty or to accept the strains of development with inadequate financial, managerial, and operational resources. We have attempted always to obtain too much for too little. The Central Government employees, who made excessive claims in this respect, were only reflecting a national disease. But we can take pride from the fact that, before it was too late, we recalled ourselves to some degree of discipline and self-control. It was a tragedy that the strike was called by certain misguided trade unions. But the tragedy has been much relieved by the remarkable growth of discipline and determination by the public at large, and by the new efficiency created in the Central Government.

Undoubtedly, the first fact that comes to light is the extraordinary capacity of the Congress organisation under pressure to withstand its opponents. The Praja Socialist leaders and the Communists, who have too often derided indiscipline of the Congress, have still to learn the lesson that in spirit, the Indian people will always side with the Congress organisation when it has its back to the wall. It is quite true that the general public has its own major interest in siding with the administration. But it would be foolish to ignore the fact that Congress leadership, weak and disorderly as it often appears, has a remarkable capacity of rising to the occasion in times of stress. Perhaps the discipline of the pre-Independence age has carried over below the surface. Certainly, amongst the great leaders, Jawaharlal Nehru, Pandit Govind Ballabh Pant and some Chief Ministers, particularly Dr. B. C. Roy, have their remarkable stature under great pressure; at their substantial ages, they can still ride almost any storm set by their opponents. The extraordinary efficiency with which the Central Government has operated in Delhi has raised high hopes that the power of prompt decision, which seemed to have departed with Sardar Vallabhbhai Patel, can suddenly come to life again. The firm action of the Ministry of Home Affairs has stricken fear into disorderly members of the Central Secretariat; from now, perhaps, there will be increased output corresponding to the desperate needs of the nation at the threshold of the Third Plan.

There is also some negative satisfaction to be found. It has done the country good to recognise the irresponsibilities of the Praja Socialist and the Communist leaders, who launched on an all-India strike, which, firstly, as a trade unionist measure could never achieve its object, and, secondly, which has inevitably led to

violence in which workers have been the main sufferers. The fact that the sabotage of some valuable equipment has also been attempted will add anger to the reaction of the public to the irresponsibilities of these leaders. Now, surely, there can be very little ground for negotiation, until the strike is called off unconditionally. But if it should be called off unconditionally, the minimum of punishment and the removal of the humiliation which workers have endured, will not only be good counsel, but an act of duty. For the leaders only, there should be no mercy.

The fact remains that a victory in this case for the Government machinery and for the Congress Party is, by no means, synonymous with the removal of the emergency. Nor does it, in any way, overcome the point that the Government of India has lost touch with the great mass of its own workers, who are sullen and bitter, because the strain of living, with no adequate control on prices, has become almost intolerable. This time at least, when the Government talks about holding the price line, it must mean business. It must accept the obligations of failure on its part to carry out its commitments. More important still, it must cease to talk ideologically and not fail to practise what it preaches to the private sector. Inevitably, this should mean that Mr. Gulzari Lal Nanda, who bears the main responsibility for having undermined the basic principles of ordered development of the wage structure, should be replaced by a Minister of Labour who is conversant with the present temper of the country to get full value for work paid for by the Central Exchequer. The nation's will has been demonstrated in the quite remarkable degree of discipline and support for the administration. It would be the greatest tragedy if this opportunity were allowed to pass without our benefiting fully from the instruments it gives the country for correction of the errors of indiscipline and waste of the last twelve years.

Delhi's New Master Plan

AS an essay in spacious thinking, the Draft Master Plan for Delhi published last week by the Delhi Development Authority is a *magnum opus*, a fitting end to the dedicated work of Albert Mayer and his versatile team. An attractive pattern has thus been woven into the Delhi to be built in the next two decades. It is the product of prodigious labour extending over the last four years and incorporates the results of a number of surveys and investigations undertaken by experts. It can also lay claim to being a pioneer in taking within its ambit not only the metropolis, but the region around to bring about what is termed a metropolitan-urban-rural integration. Greater Delhi that is covered thus includes even certain areas in the Punjab and Uttar Pradesh, making for an estimated total population of 10 million by 1981.

The Master Plan has come none too soon. From about 9 lakhs prior to Independence, the population of Delhi has been growing by leaps and bounds to 21 lakhs by the end of 1959. It has been estimated that during the present decade, the equivalent of a city is being added to Delhi's population every year, and indications are that even on a conservative estimate, the population of the city will be around 5.5 million by 1981. The major contributory factors for this phenomenal rise, apart from the normal growth and regular migration, have been the influx of refugees consequent on Partition and the massive growth of Government employment. Lacking a plan, the result has been haphazard development, providing ugly contrasts, with extravagant use of valuable land in certain parts and woeful congestion in others. In certain areas, the density of population is as low as 15 to the acre whereas in others, it is as high as 1,000. Similar have been the contrasts in the provision of public utilities, services and community facilities, which, if allowed to go unchecked, will lead to the growth of more slums and a distorted physical environment, hardly conducive to harmonious economic and social development and leading in turn to increasing social conflicts and tension.

The problem here is, of course, colossal, as is evident, for instance, from the statement in the Plan that roughly one-third of the total population of Old Delhi lives in areas which are to be replanned and rebuilt almost completely. The development envisaged, therefore, is on the lines of rectifying the adverse consequences of past growth as well as the regulation of growth in the future. The elimination of slums, the rebuilding of deteriorated areas and the removal of overcrowding as far as possible from congested localities and densification of thinly populated areas, which are some of the stated objectives, are meant evidently to provide a corrective for past neglect, while the suggestion for an inviolable "green belt" around the city is meant to limit the ultimate physical growth of the city to contain an estimated population of about five million.

It is open to doubt whether the eventual size contemplated will not be too unwieldy. To meet this difficulty, however, the Plan proposes an attractive scheme to divide the existing and proposed urban area into suitable sectors or planning districts numbering eight. Each district is intended to be self-contained in employment and community facilities, with a shopping centre, a major work centre, a college and a general hospital, and at the same time connected by a system of roads and highways both within the district as well as in relation with other districts. This scheme is a part of an over-all plan for land use which tries to relate residential land requirements to work areas, shopping, recreation, transportation and municipal services. A basic problem, however, relates to housing and slum clearance. The Plan estimates the housing shortage in 1959 at one lakh whereas population is also increasing at the rate of 1 lakh a year. Hence land will have to be acquired on a big scale for undertaking housing construction for various categories as well as for slum clearance. The Plan rightly, therefore, places emphasis on a large-scale land acquisition policy, an aspect to which adequate attention does not seem to have been bestowed hitherto. At the same time, it is worthwhile to plan for the dispersal of the Central Government offices on a more systematic basis so as to reduce the pressure on the employment in the public services, expected to be doubled in 1981.

The real crux of the problem is, as always, implementation and the translation of theory into practice. It revolves on two major premises, a suitable agency and resources, what will be the cost and how it is to be met. This is in short the prose of this long poetry. The plan itself concedes that an essential imperative is an organisation whose sole business and duty is to carry forward the various activities envisaged from start to finish. But the structure it has proposed is an *ad hoc* committee consisting of representatives of U.P., Punjab and Delhi to initiate in the first instance, preparation of plans for the entire Greater Delhi area and review those in progress. It feels that this is the only feasible arrangement instead of an alternative, for instance, of a statutory planning agency. Its view that no difficulty is likely to occur in securing the maximum possible co-ordination from the participating units out of this arrangement seems to err very much on the side of optimism. As regards cost, the Plan does not give out much except to say that it is expected to be followed with studies and proposals relating to financial planning and capital budgeting. However, it has made proposals for phasing the programme until 1966, but even this has been purely in physical terms and has yet to be co-ordinated to the revenue resources. One may wonder whether finance is to be the stumbling block. The citizens of Delhi must now with one voice demand that their interests, so greatly neglected over the years, do not now become the first victim of false economy.

The Crisis in Coking Coal

IT seems that for some time past, the country has been facing one of the worst crises on the coal front, especially in regard to coking coal, the supply position of which is said to have worsened to an extreme point. Reports suggest that the three public sector steel plants are eking out a hand to mouth existence so far as coal supplies are concerned. In this context it is stressed that they have for some time carried on with stocks of coking coal hardly sufficient for two or three days' consumption. The position in the private sector steel plants too is said to be critical. They are also reported to be constrained to operate with fuel stocks considerably less than what they carry normally.

It is intriguing how this situation has been allowed to develop. The crisis of superior grades coal, which has raised its head now, is by no means a passing phase. All available evidence tends to establish that it is the cumulative effect of the lag in production practically over the whole of the Second Plan period. As against a production ceiling of 15 million tons, output of coking coal in 1956 amounted to only 13.8 million tons. In 1957, 1958 and 1959 actual raisings at 15.08 million tons, 15.16 million tons and 14.57 million tons fell short of the ceiling by 1.62 million tons, 2.04 million tons and 3.83 million tons respectively.

Still another aspect of the problem which has received little notice, despite strongly ventilated grievance of the steel industry, is that for quite a long time now the quality too has deteriorated considerably. The coking coal supplied to the steel plants is said to contain 25 per cent ash content in place of a maximum of 20 per cent previously. The effects of a higher ash content are reflected greatly in the decline in the output of steel and the rise in production costs. For every increase of one per cent of ash content, it is estimated, the output of steel goes down by about 4.6 per cent, while at current prices the production costs rise by about Rs. 7.2 per ton.

This acute shortage of coking coal would not have made its appearance at this vital stage when the State-owned steel plants are being commissioned into production but for the serious failure of the programme of erecting the four coal washeries in the public sector. Only the washery at Kargali has so far gone into production, but the rate of output there has been very disappointing. The establishment of the other three washeries has been postponed and it is rather amazing that among the major reasons of this delay is the technical flaw in the planning of the plants. It would mean that a long delay has become inevitable. Alongside this grievous failure in respect of washeries, there has been the omission to implement the Central schemes for stowing in the Jharia and Jambod|Kajora coalfields. In the absence of stowing facilities, large quantities of coking coal, it is feared, are going to be lost to the collieries. The repeated demand for a flow of sand and stowing materials in requisite quantities in these areas has proved fruitless. The shortage of supply of coking coal to the steel plants appears to have been aggravated to some extent at least by the lag in the supply of wagons too. A certain margin of stocks at the pitheads is a normal feature of the operation of collieries, but during 1959 in particular, the disparity between the raisings of coking coal and their dispatches was as large as 0.52 million tons. For coking coal this is undoubtedly a large accumulation at pitheads.

On no account, obviously, can this rot be allowed to continue. The country cannot afford to wait until the remaining three washeries in the public sector are erected. Apparently there is need to take energetic action to step up coking coal output. It is ironical that a rigid attitude should have been taken by the Central Government on the question of fixation of coal prices when they were revised recently. Between the submission of the Coal Price Committee's Report and the belated decision on its recommendations, the situation underwent a rapid change which made the estimates and assumptions on which the price formula was based somewhat outmoded. The industry's deputation which called on the authorities was peremptorily told that the issue was closed and it could not be re-opened. The result is that a large number of collieries are reported to be unable to carry on production at full swing for sheer inadequacy of the prices now fixed to cover the production costs.

The coal industry's first requirement at present, it thus appears, is to enable it to arm itself to carry out the programmes of expansion in the Third Plan. The priority need in this respect is that reasonable prices should be fixed for coal which would not only be in alignment with the production costs, but leave a surplus to be utilized to finance rehabilitation and development programmes. For the former, it is also essential that the industry should be allocated adequate foreign exchange so that it may be able to acquire spares for lack of which machinery is sometimes kept idle. There is, however, an overriding consideration dictated by the target fixed for coal production in the Third Plan. As against the anticipated output of 53 million tons during the current financial year, the target for 1965-66 is pitched at 97 million tons. To raise production by nothing less than 87 per cent in five years is a real challenge to the industry. It is somewhat surprising that, when the short supply position of coking coal is a recognised fact, the Draft Outline of the next Plan does not throw any light on the break-up of the composite target into at least the major categories. The Industrial Policy Resolution of 1956, insofar as it relates to coal mining, throws a heavy weight on the public sector which its current performance does not at all warrant. Total output—and not its sectorwise allocation — is the basic requirement of the economy. Pragmatism requires that the policy on coal production should be modified to transfer greater responsibility where there is proved capacity to deliver the goods.

A DELHI DIARY

STRIKES AND ASTROLOGERS

AT moments of great crisis in India — quite apart from that most critical moment of birth — astrologers must be called in to provide consolation and assurance. True to the inevitable course of human events, astrologers have been busy in Delhi this week, telling us how long the strike will last and what are its long-term consequences. Exactly how astrologers arrive at this information is not for me to describe. Presumably the main actors have their individual horoscopes which when added up give what is called a total picture. The question is: How are they added up? Be that as it may, I have before me three astrological predictions. One of them says that the strike will last for one week, the second says it will last for two weeks, and the third says it will run for three weeks. It seems clear to me that astrology, with all its magnificent reputation in this country, cannot in these circumstances be always right. As in the law of perjury in the Indian Penal Code, it is not necessary to prove which prediction is right to demonstrate that two of these three astrologers must certainly be wrong. And why, unless these astrologers are greatly under the influence of the lunar month, and vulgar fractions thereof, must they necessarily choose a week as the unit for the measurement of duration, rejecting sevenths? These are deep psychological questions which I leave to those who have probed deeper into astrologers who, apparently, have a life of their own.

Looking at the disturbing events in Bombay and Calcutta, and then at the solid front in the rest of the country, I argue that the strike will last ten days with the greater portion of it broken long before. I, therefore, add my own astrological prediction to the aforesaid three predictions; I can claim flexibility in that I am not bound to the lunar month. Thus at least my prediction cannot be deemed to be of the same ordinary quality as the rest.

THE PERILS OF PROCRASTINATION

Last week I referred — somewhat disrespectfully, I am told — to the perils of certain personal philosophies, and I did some injustice, seeing that the personalities discussed there have shown, in the event, their great capacity to deal vigorously, and even imaginatively with the strike situation. I should really have concentrated far more on personalities in the Council of Action, particularly, Mr. S. M. Joshi, Mr. Peter Alvares and Mr. Nath Pai. All these three have shown, to my mind, the most glaring inadequacy. This was particularly revealed last Sunday when, as D-Day was approaching, they were obviously losing their own nerves having played heavily on the nerves of others. The story goes that Mr. Peter Alvares, who was left alone at 4-30 p.m. on Sunday with powers to call off the strike, could not summon enough courage to do it on his own. He tried feverishly to get some vocal support from Bombay. While the telephones refused to oblige — is this called the boomerang? — a precious half hour passed, and Mr. Peter Alvares lost the chance of being on the right side of history. He is also now on the wrong side of the prison bars; people are even asking why it took forty-eight hours to arrest him after the strike commenced.

OSSA VENIENTIBUS SERA

For late comers, as the Latin proverb says, there will be bones. One question that is being asked is how on earth has it come about that Mr. Asoka Mehta, Chairman of the Praja Socialist Party, which seems to have been sponsoring this strike through important leaders in Bombay, could possibly have stayed out of India when his intervention might have saved his Party from this egregious blunder? The habit of leaving the country for long periods, which seems to have descended on Praja Socialist top politicians, has done the Party considerable damage in the public mind. I cannot help agreeing that on this occasion Mr. Asoka Mehta should have stayed at home while so serious a situation was building up. I also think, although the leader of the Swatantra Party was very much here, his silence was by no means the line which the Swatantra Party should have taken on this major question. Political parties must sooner or later recognise that they exist to present a point of view for the public, even if it is a controversial, and unacceptable one to the majority. In this particular case, neither the Praja Socialist Party nor the Swatantra Party chose to give the country any good lead and, undoubtedly, the feeling has gained ground that at times of crisis the only party on which to rely is the Congress. I need not mention the Communist Party. For a party participating in the strike, its utterances have an ambivalence, which is no improvement on silence. But at least it never raised expectations. But surely the democratic opposition has done itself considerable damage by stultifying acts of neglect. This is not one of the problems which will save the Opposition by mere efflux of time. There are — as a famous Dewan of Mysore used to say — a large number of problems which do solve themselves in this manner. And, of course, in the long run, as Keynes has reminded us, time solves everything since we will all be dead. But in the short period in which we live, all Indian Opposition parties seem to be in the doghouse. At least that is my reading. Do I hear any noises from afar, particularly Bombay and Madras?

DEUS EX MACHINA

Since I am dwelling in Latin phrases, perhaps I should ask what is the Deus ex Machina to rescue us from the trouble? I see that Mr. Guruswami, a member of the Joint Council of Action, is coming to Delhi with the complaint that other members of the Council of Action are not available for consultation. Since during the period when they were in consultation they were unable to take a sensible view, and now almost no consultation is necessary because the strike has been lost, it is difficult to see the force of Mr. Guruswami's contention. But I must try my hand at a constructive proposal. The proper thing for him to do is to revive the Feroze Gandhi proposals, and for the Government to stand by the last offer made, provided the strike is unconditionally withdrawn. This, I know, sounds extraordinarily like not driving home one's advantage. But since it is after all a Deus ex Machina that is being applied, it must be a merciful instrument; after all, none of the Almighty's instruments lead to the humiliation of men who are made in the Divine image. I, therefore, recommend to Mr. Guruswami the suggestion that what he needs now is his old formula and his old authority to get the railway men to call off their mistaken rebellion; he can do this without all his colleagues on the Joint Council. So can the country.

BACK TO THE STEEL FRAME?

In conclusion, may I say that the crisis has had another beneficial effect? In meeting external aggression, the (political) Government of India has discovered anew the virtue of its own (administrative) limits. How else can one explain the sudden delegation of powers to five, good men and true, at Bombay, Calcutta, Madras, Chandigarh and Lucknow? Can it be that the Government of India is coming round to the view that some of the best trouble-shooters of the world were reared in the civil service here in Delhi without deep mass contact with the people?

ARGUS.

THE WEEK'S NOTES

Assam

NEED FOR CENTRAL INTERVENTION

EVEN FROM the guarded reports that trickle through, it is evident that a very serious situation has arisen in Assam. The trouble that has been brewing over the language issue for some time now has taken an ugly turn during the last one month resulting in violence and mob rule. Rioting, loot and arson have been on the ascendent and the situation has got so much out of control in many places of the State that army reinforcements had to be rushed to put down lawlessness. The large-scale military operations of the last few days no doubt seem to have yielded some results, but it is not known when complete normalcy will be restored and a sense of security ensured to the law-abiding citizen. Retaliation and counter-retaliation between members belonging to the different communities have reached such sanguinary proportions, reminiscent of the holocaust of the Partition days, that short of some drastic action, it may prove difficult to retrieve the situation.

The visit of the Defence Minister this week to the State and the proposed visit of the Prime Minister shows the serious concern of the Centre towards this troubled State. On all accounts, the State Government has betrayed its helplessness and cannot be depended upon to ensure the peace. There is also the fact that it is a partisan in the language dispute and the Chief Minister has been made to make a 'volte face' under political pressure from the wise stand he took earlier, namely, that Assamese cannot be made a State language unless it has the acceptance of the non-Ahamiyas in the State. Whatever may be the merits or demerits of the Assamese case, the present time is most inopportune to seek a solution to the vexed language controversy. The need is to put down lawlessness with a heavy hand and restore order and normalcy. This cannot brook any further delay and calls for the promulgation of even President's rule if the Governor advises such a step for rescuing the State from large-scale hooliganism and violence.

Congo

MR. LUMUMBA'S FOLLY

WITHIN A fortnight of its achieving independence, the Congo Republic is faced with a crisis which threatens its very existence as an independent country. While the Central administration lies paralysed by rank indiscipline in the army, the mineral-rich Province of Katanga has declared itself independent of the Central authority. Belgium has flown in troops in quite a large number on the pretext that they are needed there to protect the Belgian nationals who preferred to stay back in the Republic. Prime Minister Lumumba has appealed to the U.N. and the U.S. Government to send military aid to help in restoring law and order in the country, especially in the southern region where army indiscipline is reported to be verging on revolt.

This grave debacle, though deplorable, is scarcely surprising. It can be directly attributed to the unstatesmanlike utterances of Mr. Lumumba during the inauguration ceremonies when he harped on the sufferings endured by the Congolese during their fight for independence. As if not satisfied with that, he is reported to have dwelt on this theme in an address to the soldiers, little realising that he was treading a path which could lead to disaster, especially when regional, tribal and personal rivalries had not died out and he had at his disposal only a half-trained administrative machinery to deal with the situation in case it took an adverse turn. Events of the past few days have borne out this fact. Mr. Lumumba's outbursts have caused a turmoil in the Republic, resulting in not only harassment of Europeans, but also in the killing of not a few Belgians. This will undoubtedly give a mighty handle to the protagonists of the policy of racial discrimination in South Africa and elsewhere on the 'Dark Continent.'

In the circumstances, the only hope for restoring peace in the Republic is through U.N. intervention which Mr. Lumumba has sought. In view of the inexperience of the Congolese in running the administration, the U.N. obviously ought to make available to the Congo Government the services of some military experts and administrators, preferably from the adjoining independent West African countries, till the time the Congolese become experienced enough to manage their affairs. Efforts also need to be made to bring about rapprochement between the Central authority of the Republic and the rebellious Katanga Government.

Census

AN INTERESTING PHENOMENON

THE TWO-DAY conference of the Directors of State Statistical Bureaux that was held in the capital this week once again focussed attention on the magnitude of the task confronting the coming census. It has been stated that emphasis will particularly be laid on the economic data to be collected in view of the large development programmes initiated. While this may be so, the data to be collected under the head "Social" may be equally rewarding. As an instance, the 1951 census data pertaining to higher education provides some interesting results. Below are given two tables of females and males for some States who have received higher education, classified as non-graduates and degree holders. In all the States except the Punjab, one finds that among women, non-graduates preponderate over graduates. In the case of the Punjab, however, the percentage of graduates is nearly double that of non-graduates. What can be the explanation for this curious phenomenon? If it is contended that higher education may be cheaper in the Punjab than elsewhere, why are not men so avid in taking to it? Or does it indicate that the lower and higher middle-class families are more prosperous in the Punjab to afford higher education for their daughters? Or does it mean that the social inhibitions are less acute in that State so that women can take to professional careers more easily than elsewhere? It will be interesting to know what the coming census is to offer here for the social scientist to answer these with greater ease and confidence.

FEMALES

State	Non-Graduates (1)	Diploma and Degree holders (2)
Kerala	38,185 (73.4)	13,805 (26.6)
Madras	47,713 (77.7)	13,677 (22.3)
Bombay	57,160 (64.1)	31,956 (35.9)
W. Bengal ..	57,027 (84.1)	10,770 (15.9)
Uttar Pradesh ..	27,798 (52.9)	24,787 (47.1)
Punjab	26,466 (37.4)	44,231 (62.6)

MALES

State	Non-Graduates (1)	Diploma and Degree holders (2)
Kerala	103,956 (70.4)	43,671 (29.6)
Madras	228,569 (79.9)	57,354 (20.1)
Bombay	315,039 (69.1)	140,772 (30.9)
W. Bengal ..	409,858 (75.4)	133,934 (24.6)
Uttar Pradesh ..	272,818 (58.6)	192,923 (41.4)
Punjab	174,062 (59.6)	118,118 (40.4)

Note: Figures in brackets indicate the percentages of each group to the total of columns (1) & (2).

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Window on the World

PRIVATE AFFLUENCE AND PUBLIC SQUALOR

By

ODYSSEUS

)MRADE KARL MARX has been discarded as "old hat" by what remains of the orthodox Socialists in West. Their new prophet is Mr. J. K. Galbraith,)se basic thesis is that because a Capitalist society luces for private profit, the individual becomes ever 'e affluent, that there is an inherent inability to cate sufficient resources to national defence, edu- on, scientific development, and welfare services, and t the planned USSR economy, in which the needs of ence and the public services come before those of consumer is rapidly overtaking the complacent West. t week, we argued that if, in fact, the USSR is ving towards affluence, this was a matter for rejoicing ier than for anxiety. The richer that the USSR omes, the more buying and selling that she does rnationally—following the example of the UK in 19th century—the better off we shall all be.

But is it true that the West, in general, and Mr. lbraith's own USA in particular, are starving their)lic services? The June issue of the "Monthly ter" of the First National City Bank of New York ows interesting light on this question. The Bank ws statistically that the trend in the USA has been vards an ever increasing assumption of responsibilities the Federal and state governments, and it would be y to compile similar statistics for the UK, France, l Germany—to cite but three leading Western coun- es.

US statistics of numbers employed in government vice, taxes collected and federal expenditure dis-)ve the allegation that the share of the government in the US economy is shrinking. The US government enjoys an income of one hundred thousand million dollars a year—a bigger spending power than that of any other government on earth. Just look at the figures below.

The table certainly weakens the force of the suggestion that I made here on June 17 that the Americans lack a sufficiently developed social conscience. The question that presents itself instead is: Are they getting value for money for their enormous expenditure?

If the US government lives in public squalor, it is not because the US taxpayer is stingy, since while the US government's cash intake has multiplied twenty times since 1927, US personal disposable income—i.e., what, after paying his federal taxes, the individual citizen has left to meet state taxes and, after that, to spend on himself—is only slightly more than four times more than what he had in 1927.

THE RELUCTANT VOTER

One excuse for increasing the Federal government's aid to states and municipalities is that the electors cannot, or will not, provide the latter with enough money. But might not one reason be that the burden of Federal taxation leads many electors to vote against expensive state and local government schemes involving still higher taxes? In spite of this, however, state and local governments income in the USA has risen to more than five times what it was in 1927.

The poverty-stricken US government has difficulty in meeting its expenses on its one hundred thousand million dollar dole from the American people. The First

U.S. PUBLIC EXPENDITURE

	Mid—1920's	1940	Late 1950's
Govt. Exp. and GNP			
Fed. cash exp. ($ bil.)	$ 2.8	$ 9.6	$94.8
State & local govt. exp. ($ bil.)	7.7	10.3	48.8
Gross national product ($ bil.)	97.6	95.6	463.8
Per cent: Govt. exp. to GNP	10.8%	20.8%	31.0%
Selected Public Exp. (in millions of dollars)			
Social insurance benefits	*	$ 1,215	$15,975
Highway expenditures	$ 1,819	2,177	8,702
Aid to other transportation	257	377	1,629
Public welfare and assistance	161	1,314	3,777
Police	290	386	1,769
Fire protection	203	235	873
Sanitation	312	207	1,505
Local parks and recreation	153	162	635
Jails and other correctional	68	105	573
Health	84	195	806
Hospitals	347	537	3,849
Education	2,243	2,827	16,836
Other Measures (in millions unless otherwise noted)			
No. of personal income-tax returns†	4.2	14.8	59.8
Government employment	2.8	4.2	8.1
Educational enrollment‡	30.7	32.1	46.3
High school graduates, total no.	n.a.	25.7	51.6
College graduates, total no.	n.a.	3.9	8.1
Paved rural roads (miles)	0.5	1.3	2.1
National park acreage	9.6	21.6	24.4
Visitors to national parks	2.1	16.8	65.5
Social security coverage as % of paid employment	0	64.5%	90.5%
Public housing units (thousands)	0	60.9	444.7

* Unavailable on comparable basis but minor. †Includes returns of estates and trusts which numbered less than one per cent of individual returns in 1940 and 1957. ‡Includes public and private schools from elementary to university level. n.a.—Not available.

National City Bank explains this by pointing to the bewildering variety of US spending programmes. The purposes for which funds are sought today are far removed from the emergency relief programmes of the 1930's. Encouraged by Federal help and example, the states open their purses wider and wider. The New York State Supreme Court has decided that houses made available to individuals and families with incomes as high as $6,200 to $14,060 a year could legally be built under New York State's housing programme for people with "low incomes". Why, one asks, rubbing one's eyes, should the state subsidise people who have incomes double that of the US national average? Who but those subsidised can pay the bill—with the administrative charges added on to the building costs? How much US man power is wasted collecting taxes and doling out benefits to America's affluent citizens?

If the USA provides the biggest and best example of Welfarism running riot, Britain, France, and other Western States, provide examples proportionate to their respective national incomes. And if it is true, as it often is, in other countries besides the USA that local electors grudge municipalities money for schools, libraries, etc., the reason is the same: with ever rising central government taxes, they seek by whatever means they can to curb fresh schemes of public expenditure involving still higher taxes.

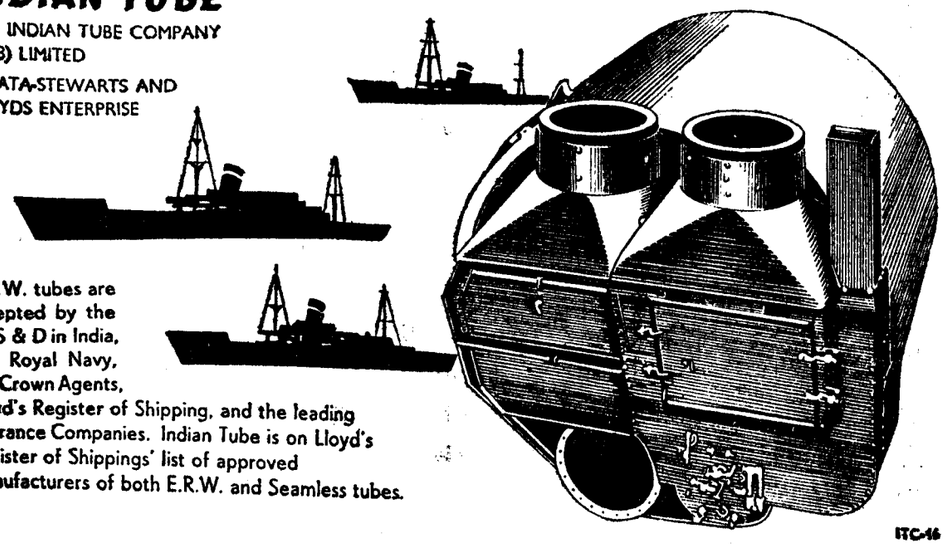
But once we admit any reluctance on the part of citizens to pay taxes, does that not give the whole case away to those who argue that, left to himself, the citizen in a Capitalist state will only spend on himself? The answer is, I submit, that it is not taxation in itself, but excessive and ever increasing taxes which undermine the individual's conscience and turn him from a normally public spirited citizen into a "fiddler" who seizes every opportunity to charge items to an expense account, which undermines his sense of personal responsibility and civic consciousness, and makes him turn to the state to educate his children, pay his doctor's bills, and grant him an old age pension. He thinks that he ought to get something back out of all the Welfarism for which he is paying. That is why governments keep finding it necessary to raise more and bigger subsidies, which in turn, need to be financed by higher taxes—or by inflation.

In short, the danger in today's affluent societies is not that public policy is subordinated to private profit, but that private profit is so plundered that it cannot afford to make its full contribution to society. Public expenditure on education and other services is not subject to the need to show a profit, and is therefore apt to be wasteful and to distort the true priorities in the economies. If democratic Capitalism has an inherent weakness, it is its tendency towards inflation. Inflation disrupts the mechanism of production, reduces productivity, causes production bottle necks, makes employers careless in their use of raw materials, provokes organised workers to hold society up to ransom for higher wages (which only add to the inflation), and robs all those on fixed incomes. Pushed hard enough, as in post-World War I Germany, it ends in bankruptcy and revolution. Now, however inadequate the battle that the Conservatives in the UK, and in other free countries, are putting up against inflation, they are aware of its dangers and they are struggling against it. Mr. R. H. S. Crossman's Galbraithian type of Socialist not only puts up no struggle at all but is unaware of the danger. He would, if returned to power, let loose planned spending programmes which would hasten the day on which the free nations would be united in one totalitarian world.

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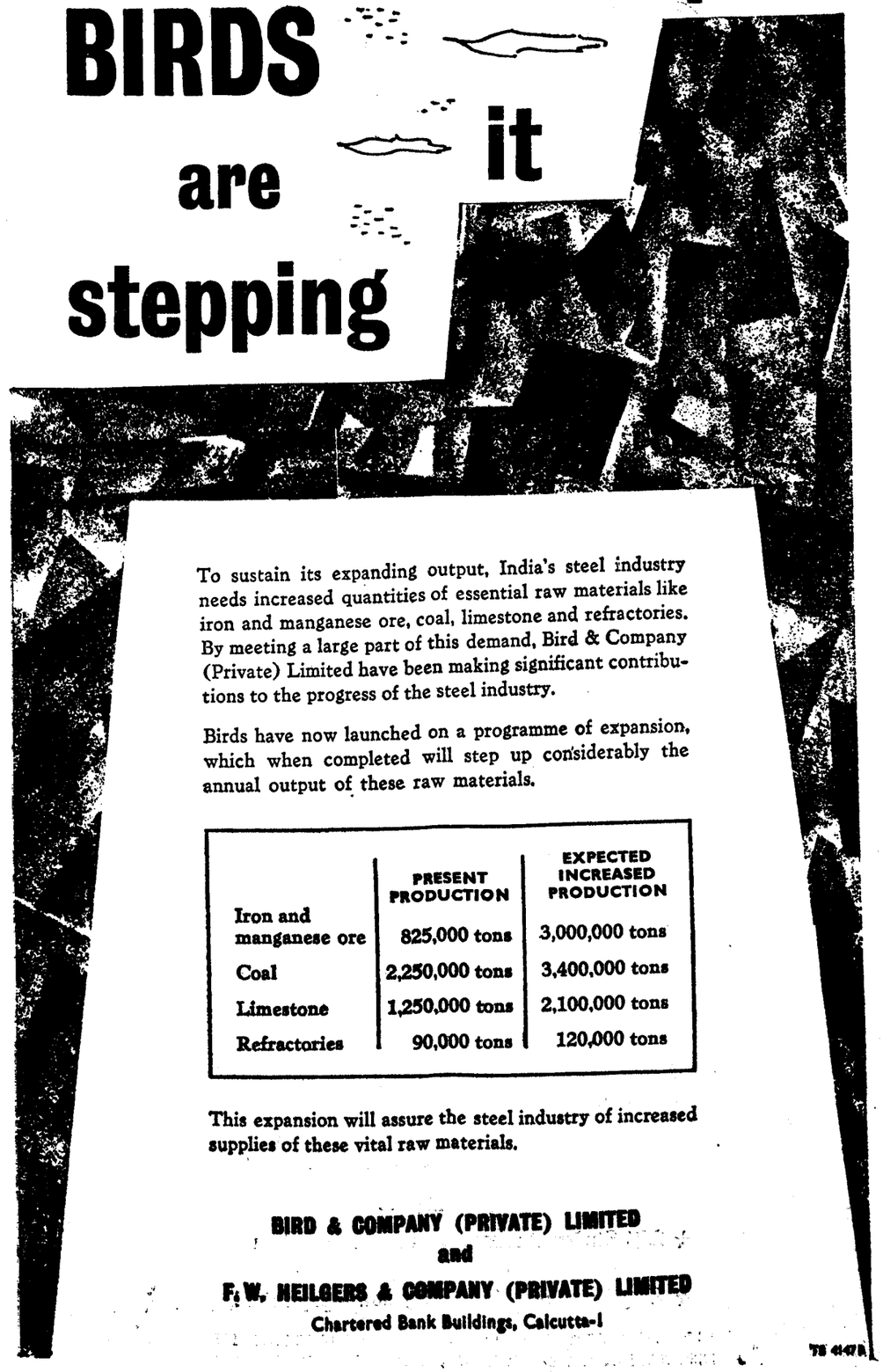
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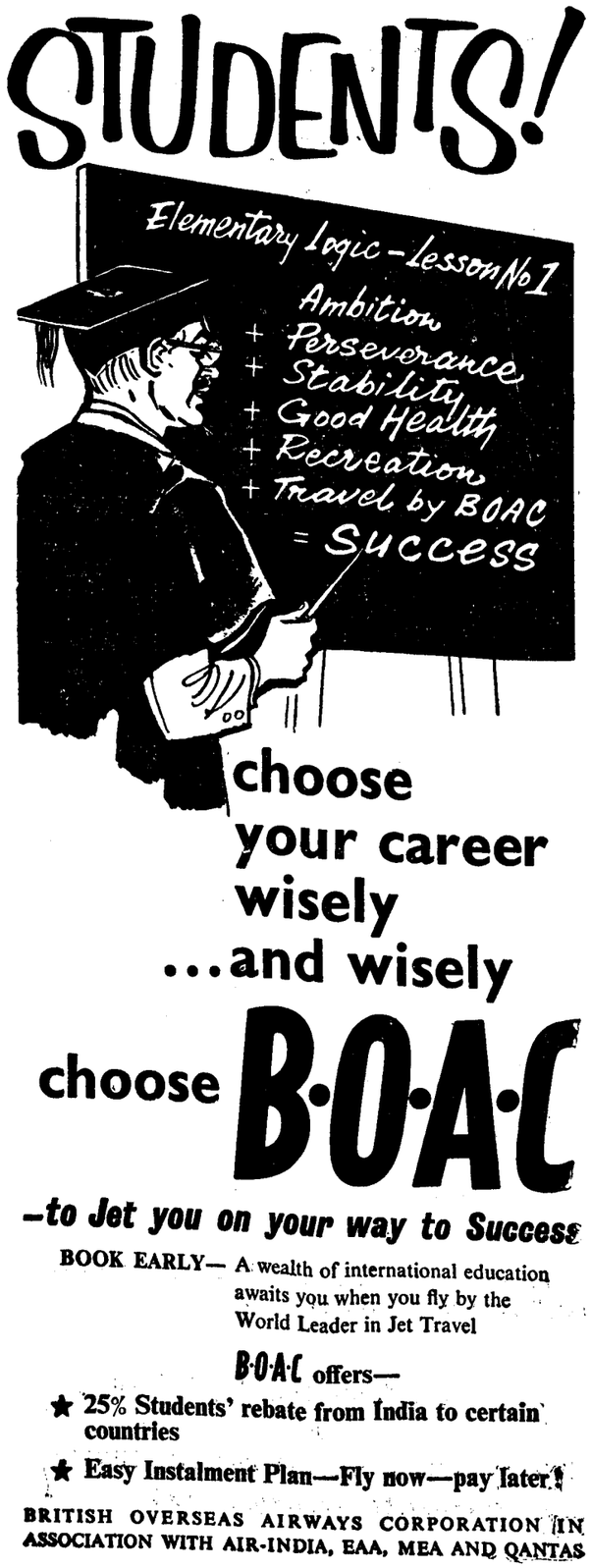
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The European Scene

RESULTS OF THE GERMAN CREDIT SQUEEZE

From Our Special West European Correspondent

PARIS, July 10.

WHEREAS interest rates were lowered last month in the USA and Canada and credit slightly cheapened in France, the West German central bank (Bundesbank) was obliged to put up its rediscount rate to 5 per cent (having raised it to 4 per cent last October) and its rate for advances against gilt-edged securities to 6 per cent. Clearly this is not another case of competitive bank rate increases such as took place in the West during the winter, (although bank rate also rose in the UK) but an attempt to control the excessive liquidity that is threatening the booming West German economy with inflation. Because the price of money went down in other financial centres just when the Bundesbank increased it in West Germany, the authorities had to take special steps to prevent a flight of capital into the country which would have annulled the effect of the bank rate rise. That is what happened last October: the rise in interest rates brought foreign money flowing into German banks and encouraged West Germans to repatriate funds, so that the net deflationary effect was nil. This time, the authorities not only increased banks' compulsory deposits and lowered the ceiling on paper accepted for re-discount, but ruled that no interest would be paid on foreigners' call deposits and none on new term deposits. Technically, this amounts to a retreat from the convertibility of the mark for non-residents, but a breach of principle was inevitable if the full effect of the rise in the price of money was not to be wiped out by migratory capital.

A firm limitation of liquidities is urgent because, although West German prices are to date surprisingly steady, the economy is strained to the limit—a limit set by manpower resources. The motive force of this wave of expansion is investment; stock accumulation has actually eased off in recent months, and consumption has not yet followed the upward trend of revenues. But it could begin to do so at any moment, for consumers seem to be accumulating their recent gains merely in order to buy durable goods: cars, washing machines, electrical appliances. If the expected rise in consumer outlays begins while investment is still running at its present peak, and while foreign demand for West German exports remains as strong as it is now, inflationary price rises would be inevitable. Since wage increases are general because of the manpower shortage (there are also rises in salaries and pensions), the resulting pressure on the mark could be awkward; hence the vigour of last month's monetary measures.

The stagnation of the labour force (the migration from the East has virtually ceased just when the very small war-time generation reaches adult age) is the central factor in the situation. West German industry has the material capacity to meet all present demand, even taking account of the fact that order books are 30 per cent longer today than this time last year, but it has not the trained men to run the plant. The emphasis is on "trained"; temporary Italian and North African workers will not do. The position would already be critical were it not for the extraordinary rise in productivity in German industry: output per man-hour is 10 per cent better than a year ago. Much current investment is aimed at further rises in productivity, notably by means of automation, and obviously this sort of investment must not be curtailed if West Germany is to learn to live with a stagnant labour force after being accustomed for years to a steady supply of adult, trained workers from the East. Meantime, there is a difficult phase of adjustment to accomplish if inflation is to be avoided.

This phase is commonly called the "end of the German miracle". The miracle is not ended in the sense that the German economy is threatened with contraction; on the contrary, the national product continues to expand. In April, the last month for which there are certain figures, industrial production reached the record index number of 247 (1950 equals 100), which was 11.7 per cent better than April 1959. But it is ended in the sense that the Germans cannot go on doing everything at once: export, invest, reconstruct, house, consume and modernise. Until the Bundesbank put the brakes on last month, West Germany was still trying to do everything at once. The demand for producer goods was at a record level in the first four months of this year, because investment was high. Building of houses and factories was still booming; construction permits issued in the first quarter were 16 per cent above first quarter 1959. Consumption, although not yet fully reflecting the rise in revenues, was growing apace: retail trade volume was 5 per cent above 1959 in January and February, 8 per cent above in March and 13 per cent above in April. Finally, exports flourished in response to strong foreign demand. The Germans used to blame inflation in neighbouring countries for the high level of their exports; now that their neighbours have controlled inflation, they blame the comfortable trade surpluses those neighbours have earned in their commerce with the USA. Whatever the reason, West German exports up to May were 24.3 per cent higher than last year (since prices have been stable, this rise in values is also a rise in volume.) Despite a 28 per cent increase in West German imports, this still left a very large trade surplus, which released further liquidities in the German economy.

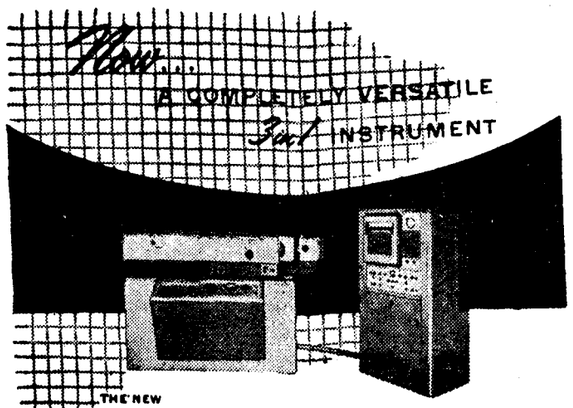
This record-breaking on every front cannot continue. One or more of these activities must be slowed down until the total volume of demand is in accord with the size of the labour force, to increase thereafter only as productivity increases. This is emphasised by the Federal Bank in its report for last month, written four weeks after the credit squeeze referred to above. The bank notes that the discriminatory measures taken against foreign deposits have succeeded in diminishing the flow of speculative funds into Germany, but it stresses the fact that monetary tension persists and that the limitation of credit must be pursued. Incidentally, it reveals that the official declaration by Bonn lately that the Deutschmark was not to be revalued was issued because rumours of an upward valuation of the currency were threatening to set off a new movement of funds to West Germany, thus undoing the effects of the credit squeeze.

A question that concerns India in this German monetary discipline is the likely effect on German capital exports. Plainly, in so far as capital movements depend solely on money-market rates—as they have

done in the free-enterprise German economy—the higher cost of money will discourage private investment abroad. Fortunately, a larger volume of German capital is becoming available to countries such as India otherwise than through the free money markets. Gradually departing from its rigid free-enterprise ideology, the Federal Government is venturing further into the field of direct lending on public account. On July 6, the West German Treasury Minister announced to the Development Aid Group of the Atlantic nations that his Government had set aside 1,500 million DM (about Rs. 150 crores) for direct aid to developing countries. This sum is in fact smaller than the figure suggested by Dr. Erhard, who is in favour of a special new tax to be imposed on Germans in order to build up a fund for loans to developing countries. Nevertheless, it is a substantial and useful sum to become available just at this moment when credit restriction at home might reduce private investment abroad.

The place where the credit squeeze is likely to have the quickest and most noticeable effect is in housing, for interest charges are a larger part of building costs. Here the Germans have already made a magnificent effort, and although there is still, theoretically, a housing shortage, they could afford to slow down construction for a time. Since 1952, the West Germans have built regularly over half a million new houses or flats each year, not taking account of construction in West Berlin and the Saar. Thus between 1949 and 1959, they completed 5,157,000 new housing units, and more than one-third of their present accommodation is now of recent erection. This restores the accommodation situation of before the war, when there were 3 to 4 persons per lodging; after the war-time destruction there were 5 to 6, but the figure is now back to 3.6. The Housing Ministry claims that there is still a shortage of 1,500,000 housing units and would like to maintain the present rate of building until 1965. On the other hand, the statistics show that housing construction has been becoming more luxurious; four-room lodgings were only 37 per cent of those completed in 1952, but last year they were 67 per cent, and the proportion of houses with baths and central heating has similarly increased. I am not suggesting that West Germans lie too soft o' nights, but in their present strained situation housing is the department of activity most likely to be curtailed, and with least damage.

Going through the statistics for this article I saw another sign of higher German living standards, which I do not mention here as a candidate for austerity restrictions, but simply because it is a little known aspect of the German miracle. Before the war, in the whole of the Reich as it then was, brewers produced 43.6 million hectoliters of beer; last year in the much smaller territory of the Federal Republic they produced 50.4 million hectoliters, and they are increasing output each year by over 8 per cent. Exports have nothing to do with this corner of the German miracle, because the West Germans drink 96 per cent of the beer they make, themselves. This means that last year they drank on an average, men, women and children, 91.5 liters of beer, which I should think is a world record.



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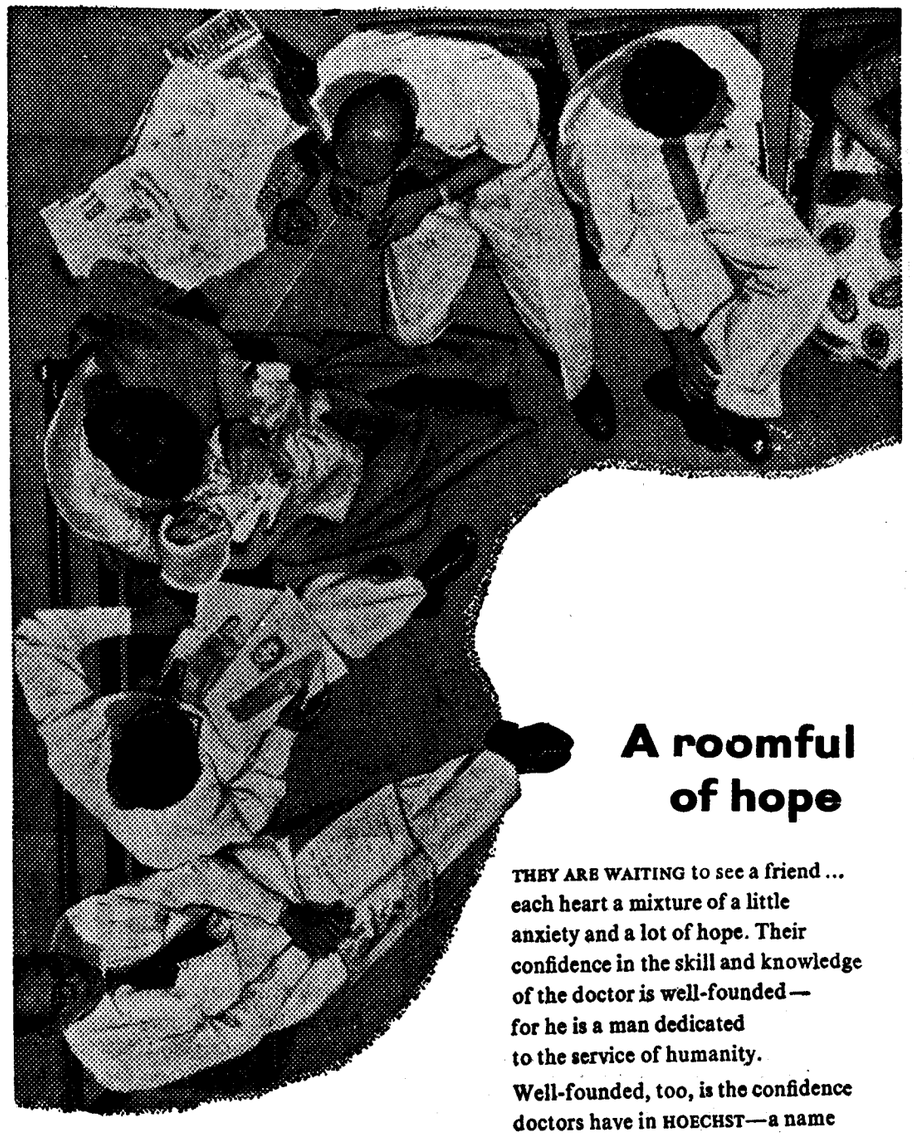
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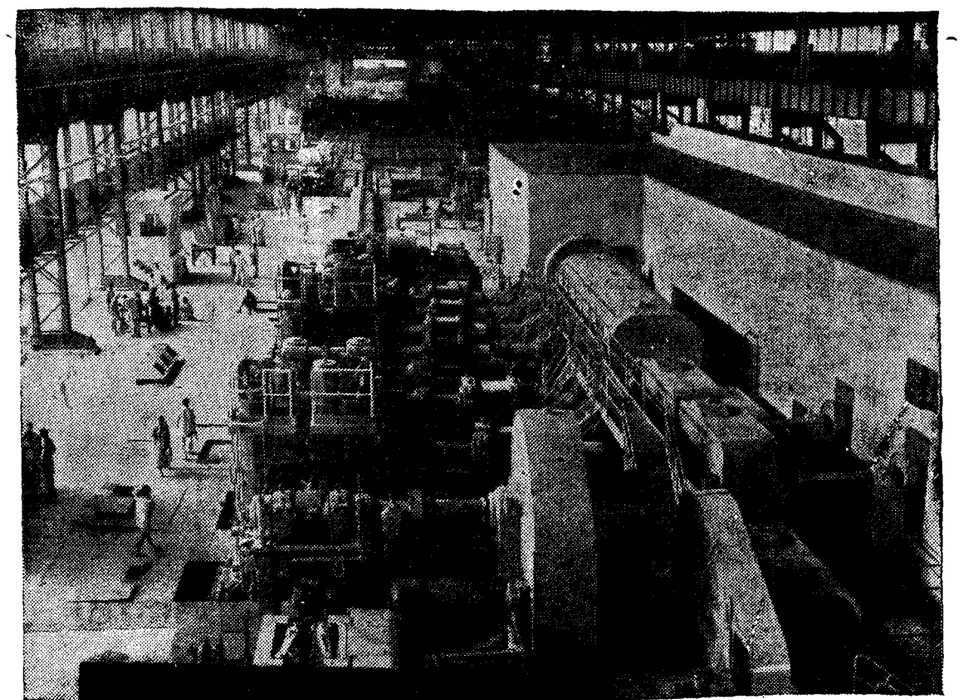
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BRITISH COMPANIES WORKING FOR INDIA

Economic Report from the U.S.

NATION'S FARM POPULATION

By GUY SIMS FITCH

WASHINGTON, July 13.

ONE of the great economic revolutions of our time is dramatically underscored in a new report by the US Census Bureau. One of a series of reports on the preliminary results of the 1960 decennial national census, it shows that for the first time in the history of the United States less than 10 per cent of the population—fewer than one person in 10—is counted as living on a farm. This marks the continuation of a trend which over the years has seen a drift of rural inhabitants into cities and of farmers into other lines of work. Yet so pronounced has been the technological progress and the soaring productivity of American agriculture, that this one-tenth of the population can feed and clothe this entire nation of 180 million people with abundance and almost limitless variety—something which nine-tenths of the population could not do nearly so well for a country of a few million people 150 years ago.

This transformation of the United States from a predominantly rural to a predominantly urban—and now suburban—society has been particularly marked in recent years. It has been so marked, in fact, that the Government has been moved to revise its definition of just who and what American farmers are. The new definition has automatically eliminated some four million American "farmers" at one statistical stroke. To qualify as a farmer, a person now must sell at least $50 worth of products—crops or livestock—a year. In the past, he did not have to sell anything commercially just so long as he was a farm dweller. This new and more rigid classification reflects the growing numbers of persons—many of them retired or semi-retired—who technically live on farms. The net result is an official listing of only 4,076,000 farm households in the United States today. Under the old system, the number would have been 5,158,000. A decade ago, the number of American farms totalled more than 5.6 million.

A more detailed analysis of the farm population is now in preparation, but on the basis of the latest estimate of 3.9 individuals per farm household, it would appear that the farm population of the United States now is figured at approximately 16 million persons, less than nine per cent of the total population. Under the old definition of a farm, the number would have come to 20 million persons, or some eleven per cent of the population. But whether one uses the old or the new definition, the figures are clear enough in showing the steady decline that has taken place in the nation's farm population. As recently as 1936, one of every four persons in the United States—25 per cent of the total—was counted as a farm dweller. Population growth, coupled with the steady urbanization of the country, brought this ratio down to 13 per cent by 1955.

A trend of this nature has obvious repercussions not only on the economic life of the country, but on its social and political life as well. As one example, small towns which once catered mainly to meeting the needs of farmers for agricultural supplies and services, may be looking to new and different pursuits. And the political orientation of many of these towns and their surrounding areas, which in the past may have been geared principally to agricultural questions, may also be undergoing a shift. Yet what undoubtedly is the most startling and revealing element in this entire situation is the productivity and efficiency demonstrated by American agriculture. Even under the Government's old farm definition, the farm population of the United States has decreased by one-sixth in the past ten years, yet farm production over the same period has increased by one-fourth. Going back over the past 20 years, the farm population has decreased by one-third, but farm production has increased by more than two-thirds. What of those who have left the farms? The evidence is clear that they have found productive lives in their new homes in the cities. The out-migration from the farms has been especially pronounced in the past two decades, and the total civilian labour force has grown by some 15 million in that period. Yet non-agricultural employment has climbed from 38 million in 1940 to 52 million in 1950 and to 61 million today. It is no exaggeration to say that the United States has maintained a thriving agricultural and industrial complex in the midst of social and economic change.

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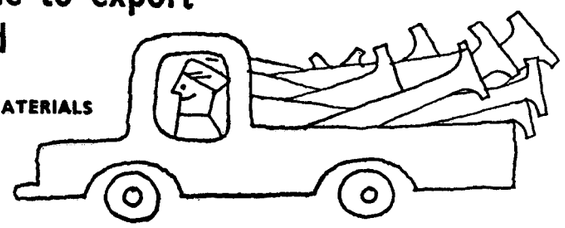
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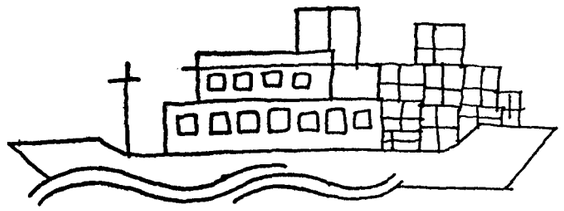
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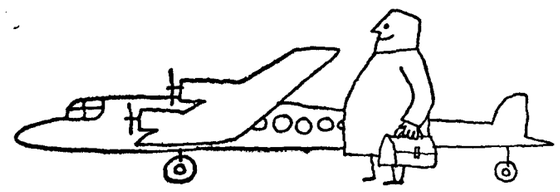


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BOOK REVIEWS

BACKGROUND TO CONSTITUTION

India's Constitution in the Making: By B. N. Rau: Orient Longmans: Price Rs. 25.

MR. B. SHIVA RAO has rendered a distinct public service in publishing this volume of writings on India's Constitution of his distinguished brother, the late Mr. B. N. Rau. The only records on this subject so far available to the public have been the debates of the Constituent Assembly and the published reports of some of its committees. Students of the Constitution and research scholars have felt the handicap of a paucity of documents pertaining to the various stages of constitution-making in India. Beyond the Cabinet Mission's statement of May 16, 1946, laying down the basis for the setting up of a Constituent Assembly for framing independent India's Constitution, authentic information has been lacking on the several steps that were subsequently taken to give effect to that proposal, and on the inter-play of events following the non-participation of the Muslim League in the Constituent Assembly — such as the decision to proceed with the framing of a Constitution for India excluding the areas now included in Pakistan, the patterns and principles to be followed in the drafting of the Constitution, etc. These are all vital matters in which a student of constitutional history would be greatly interested. The present volume is, therefore, particularly welcome as throwing light on these points.

When the British Government announced, in February 1947, their decision to transfer power in India not later than June 1948, the question arose as to how this transference was to be effected and what the prospects were of the final Constitution being ready before the prescribed date. Among the other complicating issues were: if the Muslim League finally decided not to come into the Constituent Assembly, would the Constitution framed by that Assembly be binding upon the "unwilling parts" of the country under the terms of the Cabinet Mission's Plan; how could these "unwilling parts" be determined and what Constitution would they have?

There arose also a number of other points relating to procedure: how, for instance, was provincial co-operation to be ensured in the framing of the Constitution and what should be the mode of voting; was the Constitution to be prepared in two or more stages, with an interval for criticism; how was the Chairman of the Constituent Assembly to be chosen; what was the language to be used in the Assembly; should the sessions of the Assembly be open or 'in camera'? Mr. B. N. Rau dealt with them in a manner that was at once clear and precise, thus greatly simplifying the task of the members of the Assembly.

With regard to the framing of the Constitution, the principles to be embodied therein had to be settled by the Assembly before proceeding with the detailed drafting. In order to ascertain public opinion, Mr. B. N. Rau prepared and issued to all members of the Central and Provincial legislatures a questionnaire on such subjects as the Head of the Indian Union, the type of executive, legislature and judiciary suitable to Indian conditions and the provision to be made relating to the amendments to the Constitution. When the Constituent Assembly set up two committees to report on the main provisions of the Union and Provincial constitutions, Mr B. N. Rau who, as President Rajendra Prasad has said in his foreword, was "the inevitable choice" for the post of Constitutional Adviser, prepared for their consideration memoranda on the Union and Provincial constitutions together with draft clauses. He also produced detailed notes on the scope and content of Union subjects, democratic executives, fundamental rights, second chambers, head of the State, system of representation and other allied matters. These memoranda and notes, apart from their great value, give us an insight into the circumstances under which the principles embodied in our Constitution were formulated.

The vexed problem of linguistic provinces and regional arrangements also received detailed consideration at his hands. He discussed this with reference to similar situations which had arisen in Hungary before World War I and in Ireland under the Government of Ireland Act, 1920, and suggested a plan for adoption in India without the creation of linguistic provinces. Another interesting question that arose early in the proceedings of the Constituent Assembly was whether, in the context of the passage of the Indian Independence Act by British Parliament in July, 1947, India would have the right of secession, and in what respect her position under the Act in this regard differed from that in Canada, Australia, South Africa or Ireland under the Statute of Westminster. There was also the very important question of India's relationship with the Commonwealth in view of India becoming a sovereign independent Republic. These and other matters have been dealt with in separate chapters in a masterly fashion, bringing to bear upon them an approach unique for its impartiality and lucidity.

Special mention must be made of a report included in the volume, submitted by Mr. B. N. Rau to the President of the Constituent Assembly, embodying the the results of his discussions on certaain important features of India's draft Constitution with leading constitutional experts such as the Chief Justice of the U.S. Supreme Court, ex-Chief Justice Hughes, Justice Frankfurter, President Truman, Mr. de Valera, Dr. Jessup and Prof. Dowling. This report reveals the interesting fact that the provision under Art. 249 of the Constitution conferring power on Parliament to legislate on matters in the State list in the national interest was inserted as a result of these discussions. In suggesting this amendment, Mr. B. N. Rau said:

> "Under the draft Indian Constitution, agriculture, co-operative societies and the production, supply and distribution of goods are all exclusively provincial subjects. Suppose, however, that in order to raise the standard of living of the Indian people as a whole, a system of co-operative farming and of price control of agricultural products on a national scale, and not merely in a single province, becomes desirable; in that event, the Centre should not be precluded from legislating in respect of the above subjects. As a safeguard against unwarranted encroachment on the provincial spheres, a resolution by a special majority of the Council of States, which for the most part represents the units of the Federation would be desirable ..... The essence of the matter is that where legislation is called for on a national basis, the Central Legislature should have power to enact it without amending the Constitution."

Among other chapters included in the volume are a note on the President's powers under the Constitution, the text of an address delivered by Mr. B. N. Rau to I.A.S. probationers on the "Parliamentary System of Government in India," a note on "Panchayats as Electoral Colleges" for the purposes of elections to the Central and Provincial legislatures, a paper on the "Citizenship in the Commonwealth of Nations," a note on Bhutan's relationship with India, and an article on the "Constitution of Burma" in the framing of which he played a significant part.

In their statement of May 1946, the Cabinet Mission had visualised the likelihood of a treaty between

the Union Constituent Assembly and the United Kingdom to provide for certain matters arising out of the transfer of power. Mr. B. N. Rau had prepared a draft of an Indo-British treaty envisaging a contingency of this nature, though the proposal for having such a treaty was ultimately given up. The volume under review reproduces the draft of this treaty together with his notes on the different provisions.

Mr. B. Shiva Rao, the editor of this volume, has written an illuminating introduction giving a connected account of the main events starting with the Cabinet Mission's statement and the several efforts made to persuade the Muslim League to co-operate in the work of the Constituent Assembly in the hope of partition being avoided up to the final decision to partition India. It also contains records of certain important discussions of an exploratory nature which took place between Mr. B. N. Rau and Prime Minister Nehru. For students of the Constitution and research scholars, this volume will be, as the Prime Minister pointed out, "invaluable as source material." As Dr. Rajendra Prasad has observed in his foreward: "The volume, so welcome by itself, underlines the urgent need for further research, to bring together the scattered mass of background material and data which influenced and shaped thinking in the Constituent Assembly and has given to our Constitution its present form and content. Such research is necessary, not only for the student of contemporary politics, but for a full understanding by future generations of our Constitution and of the interplay of social forces and attitudes behind the prosaic work of legal draftsmanship."

PEOPLE'S MOVEMENT

Community Development: Two Volumes: Volume I — The Quest: Volume II — A Movement is Born: By S. K. Dey: Publishers — Kitab Mahal, Delhi: Pages 194 each: Price Rs. 7.50 each.

These two volumes give a fairly comprehensive description of the ideas that inspire the man who is presiding over the Community Development programme in India. In the first volume entitled "The Quest", the author records some of the "eternal thoughts of India" which, according to him, constitute the prelude to the movement. He, in fact, attempts to present in a simple and summarized manner 'the national heritage of philosophy". In the second volume entitled "A Movement is Born", it is essentially the Minister of the Community Development, or the first servant of the movement, as he prefers to call himself, that speaks.

A single theme connects the two books, and it is the development of man and the community. Perhaps, it is not possible to agree with whatever Mr. Dey has to say. The way he equates totalitarianism and what he calls capitalist democracy, or his sketchy picture of a new society which would need "endless amendments to the Constitution," are instances of oversimplification. And over-simplification is perhaps what he is attempting for his readers. But to him, society is only the means to an end and that is the development of human personality.

The books, a word of caution may be added, are neither meant for a student of Indian philosophy, nor for research workers interested in evaluation studies quantitatively. They are more fire-side chats with semi-literate village folk. The ease with which the author moves from abstract ideas to down-to-earth issues is attractive. But the writing at times is disconnected and often dogmatic. Some editing might have improved the book from this angle but that might have also affected the spontaneous flow of ideas. It is likely that Mr. Dey deliberately preferred to appear in the books as he is, a dreamer with vision and a worker with a passion for work. Nothing emerges so well out of this book as this image of a man, with unbounded enthusiasm, and a profound passion for sharing experience even when the channels of communication have not been adequately developed for the most profitable reception of his ideas. All in all, he has been markedly successful in telling his story. Controversy on its theme will continue but here at least is Mr. Dey's "Apologia pro Vita Sua"; it should be read with sympathy even if agreement cannot be found.

INDUSTRIAL FINANCE

Industrial Organisation and Industrial Finance: By V. R. Sonalker: Publishers, Sonalkar Publishing Co., 479|7, Ganeshkind, Poona-5: Pages 208: Price Rs. 12.00.

From the annual reports of the several lending institutions connected with industrial finance, it can be seen that there are gaps between loans sanctioned and their utilisation. Allowing a certain margin for the time-lag in installation etc. of machinery, it can be assumed that in many cases, the utilization has to be delayed because the data furnished by the applicant is not adequate. Mr. Sonalker, who has dealt with these procedural matters, in detail, suggests that a solution to the problem seems to be to instil an awareness on the part of the industrialist about what details are required to be furnished and a strengthening of the inspection arrangements with the lending agency. This may no doubt be helpful, but the complex nature of industrial growth necessitates the sponsoring of an agency both on the national and the States' level which will specialise in furnishing technical data and report on the feasibility of the venture or its expansion programme. It would be obviously economical for industrialists to avail of the services of a centralised agency in furnishing all data instead of doing it on their own. It is also important that the financial institutions themselves should develop strong bodies of inspection whose function, besides checking the data and the proposal forwarded by the client, should be to guide and help him in reshaping his proposals, if necessary, in a co-operative spirit, as stressed by Mr. Sonalker.

Lack of full utilisation of the funds with certain institutions, however, should not deter the authorities in facilitating expansion of industrial credit, because the high rate of taxation, inadequate funds for replacements and rehabilitation and rapid technological change, necessitating addition of new plant are bound to make a heavy demand for industrial finance in future. The pattern in vogue in the U.K. may perhaps be of interest, namely, to have a separate financing body for important sections of the industry. This calls for vertical and horizontal expansion of institutions concerned with industrial finance. This book is full of practical suggestions and there is no doubt that it will fulfil a vital need for students of industrial finance by putting together the relevant facts on the subject.

As you look at the prospects of the British economy, you may like to remember that we are 14 years from the end of the second world war, and in 14 years from the end of the first war, we had experienced long-continued mass unemployment, taking us to the trough of the worst depression the world had ever known. There is something more than luck in our change of fortunes, there is also a notable piece of economic clear thinking which broke through to the consciousness of nations in the expositions of John Maynard Keynes. Governments no longer, as they did in the 1920's and 1930's meet depressions by measures which make them worse. As the nation and its individual business units meet the shocks and unexpected changes of the next 25 years, they are likely to need more economic clear thinking. They will not get it unless more men of ability can be persuaded to enter the profession, and unless economics and other social sciences receive some greater but still tiny fraction of the endowments now available to the natural sciences.

(From a lecture to the Royal Society of Arts by Prof. C. F. Carter of the University of Manchester.)

UNDER SECRETARY TO ... 23 JUL 1960 PUBLIC DEPART...

Special Article

THE SEASONAL FLUCTUATIONS IN SCHEDULED BANK DEBITS

FOR some reasons debits to bank accounts never receive the same attention as deposits, though bank debit turnover is a truer measure of the magnitude of demand for funds. For two reasons, it is a better gauge of need for funds than the bank credit outstanding — an indicator of the extent of demand for funds met by the banking system at any point of time. Firstly, the figure for debits includes debits against cash credit and overdraft limits as well as current deposits. Secondly, while change in bank advances between two points of time shows a **net** change in demand for funds for transaction purposes, debit turnover indicates the actual amount of funds used for business transactions. In this Special Article an attempt is made to study the seasonal character of debits to current accounts with the scheduled banks in India. Moreover, their regional character is also studied in order to evaluate the nature and magnitude of regional differentials. Further, an attempt has been made to correlate these debits with the movement of some important economic indicators such as the Index of Industrial Production and current deposits with the banks.

THE SEASONAL PATTERN

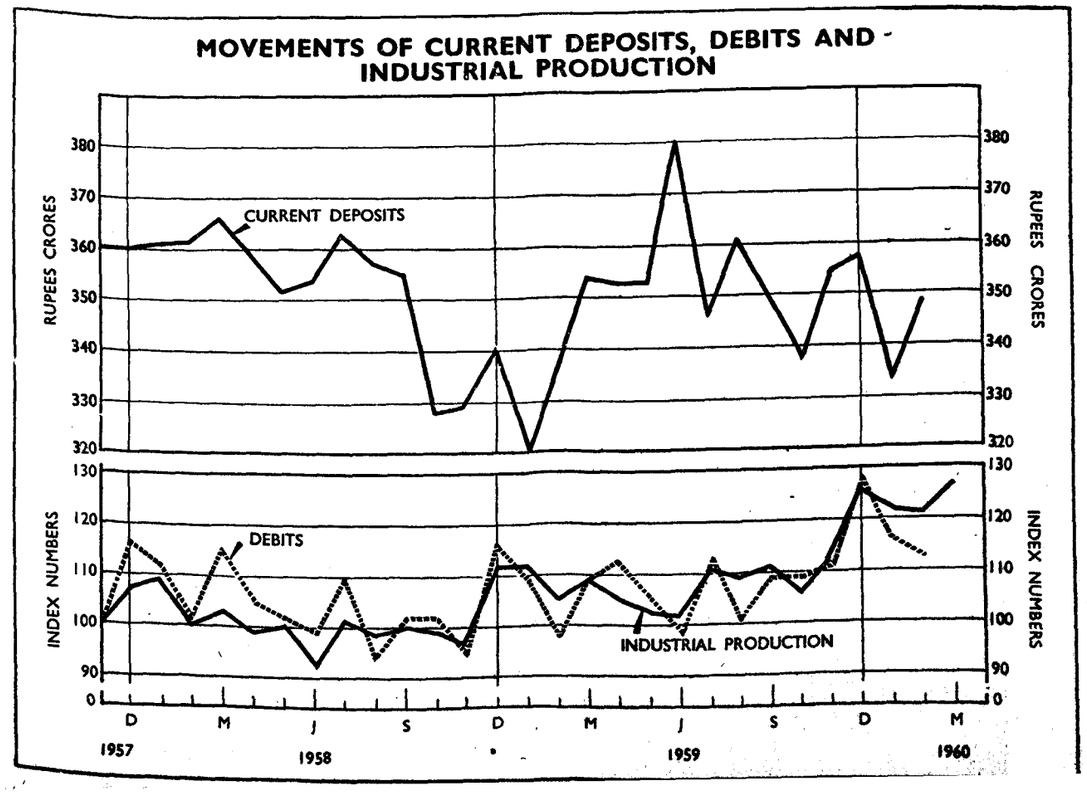
The seasonal fluctuations of bank debits exhibit a distinct and stable character. Firstly, three distinct peaks in debit turnover are attained in the periods March-April, July and December-January as shown in the table and graph below. Secondly, instead of March-April — a period when the busy season is at its zenith — the highest among the three peaks is reached in December-January. The possible explanation for this paradox lies in the fact that outstanding bank advances are much higher in early March as compared to early December. Thus, scope for debiting against unutilized approved cash credit and overdraft limits is much larger in December-January period than in March-April. The substantial debit turnover in July may not result in a very encouraging response to the new Government borrowing programme this month.

In order to study the regional differentials in bank debits, all the States for which data is available have been clubbed together to form five zones, viz., Northern Zone, Western Zone, Eastern Zone, Central Zone and Southern Zone. The States comprising each zone are the same as those recommended by the States Reorganisation Commission which fully kept in view the common problems of the States, besides their geographical contiguity. It will be seen from the table that the zonal pattern of debits conform to the All-India pattern. Individually also, in most of the States seasonal movements of debit turn-over are not materially different. This implies that there are some factors which operate uniformly over all regions and tend to wipe off regional differences.

RELATION WITH INDUSTRIAL PRODUCTION

When debits are correlated with the Index of Industrial Production as well as current deposits with the scheduled banks, it turns out that their movement is more in harmony with the former than with the latter. This is clearly brought out in the graph below (current deposits are shown in crores of rupees while industrial production and debits are depicted in index numbers, with November, 1957 as base).

Whereas debits and current deposits fail to move in unison, industrial production and debits not only attain their individual peaks at the same period, but also move in close harmony. This is largely because of the fact that demand for funds, which is reflected by the debits to current accounts, is chiefly determined by the business activity which in turn is closely related to the tempo of industrial production. Though arrival



of agricultural produce in the market also has a bearing on demand for funds, level of industrial production has a definite effect on transactions, particularly on release of stocks by factories to the wholesalers and by the wholesalers to the retailers. Moverover, another reason for lack of consonance between the movement of current deposits and debits is the fact that only two-third of the debits are against current deposits. The remaining one-third are against cash credit and over-draft accounts.

Linking bank debit turnover with some other important economic indicators needs to be further explored. For example, volume of foreign trade has a definite bearing on debits. In fact it has been found that in the period (November, 1957 to February, 1960) for which data for debits are available on a monthly basis, indices of imports and exports have been ruling fairly high in March-April, July and December-January when debits attain their peaks in seasonal fluctuation. But the harmony in movement is not so pronounced as in the case of Index of Industrial Production. In reality, seasonal fluctuations of imports and exports are not stable over time.

MONTHLY MOVEMENT OF DEBITS, CURRENT DEPOSITS AND INDEX OF INDUSTRIAL PRODUCTION

Month		Debits* to Current Accounts (Rs. crores)							
		Northern Zone	Western Zone	Central Zone	Eastern Zone	Southern Zone	All India	Current† Deposits Rs. crores	Index of Industrial Production 1951 = 100
November	1957	129	592	76	622	141	1,560	360	139
December	,,	138	706	100	697	170	1,811	360	148
January	1958	151	727	115	577	176	1,746	361	151
February	,,	153	617	91	568	154	1,583	362	139
March	,,	173	689	105	660	171	1,798	366	143
April	,,	151	675	101	545	168	1,640	359	137
May	,,	136	651	95	551	163	1,596	352	138
June	,,	126	609	87	578	146	1,546	354	128
July	,,	142	686	104	601	182	1,715	363	139
August	,,	120	596	72	531	153	1,473	357	135
September	,,	122	609	71	617	167	1,588	355	138
October	,,	142	646	75	573	152	1,589	328	138
November	,,	121	577	72	565	152	1,487	329	132
December	,,	198	716	96	598	201	1,809	340	155
January	1959	156	690	92	593	178	1,709	320	156
February	,,	116	625	78	546	167	1,532	340	146
March	,,	161	691	85	584	184	1,705	354	151
April	,,	168	724	94	599	181	1,766	353	145
May	,,	131	696	92	547	171	1,637	353	143
June	,,	119	646	84	533	163	1,547	380	142
July	,,	191	676	88	616	197	1,768	346	154
August	,,	149	623	86	557	168	1,583	361	151
September	,,	157	650	89	615	184	1,695	350	153
October	,,	172	696	89	568	183	1,708	338	146
November	,,	154	687	94	607	190	1,732	354	155
December	,,	171	797	112	715	199	1,994	358	176
January	1960	—	—	—	—	—	1,809	334	170
February	,,	—	—	—	—	—	1,757	348	168

* Relates only to centres with a population of more than one lakh. —Not available.
† Include credit balances in cash credits but exclude accounts of Government and quasi-Government bodies.



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THE BUSINESS WORLD

First Reactions to Third Plan Outline

By CROESUS

THE first important reaction to the Draft Outline of the Third Five-Year Plan, released early this week, was available to the public of Bombay, hardly three days after the release, thanks to the Commerce Graduates' Association, which, in conjunction with the Progressive Group and the Democratic Group, has arranged for a series of talk on the Third Plan. The first of these talks was given on the 8th inst. by Dr. V. K. R. V. Rao, Vice-Chancellor of the Delhi University and a leading economist of this country. Views coming from an economist of such eminence as Dr Rao always merit attention, but, since the Ooty Seminar in which he is believed to have played a prominent part, his views have come to be followed more closely than ever, inasmuch as they are supposed, if not to reflect, certainly to influence the policy of the political party in power today considerably. I must say Dr. Rao has lost none of the vigour he is reported to have displayed at Ooty, the enervating monsoon climate of Bombay notwithstanding. On the other hand, he chose to remind his audience that, much as many may be fondly feeling that the Ooty Seminar has been all but liquidated, its spirit still remained and would remain. For, he said, what transpired at Ooty followed a realistic appreciation of what he called "the realities of the Indian economic situation" which the country can afford to ignore only at its peril. Now what are these "economic realities"? They are, according to Dr. Rao, that (i) India is a poor country, (ii) that she has not the resources to pull herself up by her own bootstraps to the level of other advanced countries of the West. (iii) that she cannot afford to be indifferent to the need to raise the standard of living of her millions, especially when they have a vote to exercise and also come to know the results of effective demonstration, and (iv) that India can build herself up economically in a democratic and peaceful way only if she reverts to the policy chalked out for her by the Father of the Nation. It is against this background that we must examine his reactions to the Draft Outline of the Third Plan.

In so far as the pattern is concerned, Dr. Rao said, there was not much to be said, because, broadly, it was as had already been indicated in the First and the Second Plans. As regards the proposed total investment on the Third Plan, however, he was inclined to feel that, in real terms or on the basis of the 1948-49 level of prices, which formed the basis for the First Plan, the total investment of Rs. 10,200 crores was, after all, not so ambitious as it was made out to be. Generally also, he seemed to have little to say about the allocations to power, industry and minerals, and major and medium irrigation, but he was critical of the unduly low priority given to transport and communications, village and small-scale industries, and social services, on the one hand, and of the very large allocation to agriculture, on the other. The learned doctor was convinced that this large allocation to agriculture was perhaps the result of agitation, both within the country and abroad. According to him, agricultural output could be greatly raised without so much outlay, and he was categorical that all that needed to be done fruitfully to explore the available possibilities had not yet been done. He was, therefore, for cutting down the allocation under agriculture and transferring it to village and small-scale industries. It is not clear why, in spite of his feeling so strongly for the low allocation to transport and communications, he did not favour a transfer of the amount saved by a cut in the allocation to agriculture suggested by him to transport and communications. It does not also appear clear if Dr. Rao is fully aware of what the Estimates Cmmmittee has said about the actual performance of village and small-scale industries during the Second Plan period. Whatever may be the theoretical justification for supporting this sector, it seems to me, the planners cannot be blamed if they have made the allocations of investment they have made on the basis of proved performance.

In regard to resources, Dr. Rao mainly touched on "additional taxation, including measures to increase the surpluses of public enterprises" and drew attention to para 23 of Chapter IV ("Resources for the Plan") which reads as under:

"As regards income and corporation taxes, further increases in yields will have to be sought 'mainly' through a tightening of tax administration, watch on expense account of companies and other measures to check tax evasion. Indirect taxes and increases in the prices of products of public enterprises will, it must be recognised, tend to raise prices and costs, but this is part of the calculated sacrifices that have to be made."

The Economist of Ooty Seminar fame interpreted the above to mean that, by and large, there would be no increases in direct taxation and that whatever increases there might be would be only in indirect taxes, such as excise and sales tax. Although to put this interpretation is to read the para without the important adverb "mainly," that is probably the only interpretation that the facts of today permit. It is a separate issue, however, if Dr. Rao wants to raise direct taxes with a different end in view as, for instance, reducing inequalities in income. He was also critical of what the Draft Outline has to say about the price effects of indirect taxes as compared to those of deficit financing, and, in this context, he pertinently recalled the experiences of the country in the wake of the excise duties on cotton textiles imposed in September, 1956.

On prices and price effects, the Delhi Vice-Chancellor dwelt at quite some length and strongly criticised the absence of a detailed and pointed reference to

the policy on prices in the Draft Outline. Although he did not say so in as many words, I got the impression that he meant to suggest that, in having dismissed this important question by saying that the National Development Council was seized of it presently, the planners were guilty of a serious omission, even as they had been, as he said, in regard to the policy on reduction in inequalities of income and employment. While on the question of prices, he stressed the need for taking the public into confidence and educating it about the complexities of the price problem. There was no doubting his suspicion that profits in the private sector have been unconscionable and, therefore, needed to be brought down. While reiterating his Ooty thesis on a ceiling on all incomes, I thought he made a slight modification; whereas, in Ooty, he pleaded for a compulsory ceiling, this time, he was content to advocate a voluntary ceiling on incomes to be imposed by people themselves in the private sector. This poor country cannot afford to have the high incomes that a few persons in India are having today, he declared, but he made another important concession here, when he said that he was not for a ceiling for all times but only a decade, that is till such time that the country became self-sustaining or reached the take-off stage. An important point that apparently escaped Dr. Rao's attention is that, if even the present incentives are removed, the level of savings and investment in the country may not only not be maintained but go down to such a low level as to put off the take-off stage indefinitely.

In passing, Dr. Rao referred to the threatened strike of July 11, 1960, and said that it represented what the country might expect in the absence of a proper and effective price policy. He did not think there was anything unusual in the union leaders insisting on either a rise in the emoluments of the Government employees to neutralise the rise in prices or a stable price level. Prima facie, this is unexceptionable, but many would have appreciated if Dr. Rao had also told the union leaders that they cannot actively set in motion the factors that make for a rise in prices and passively pass on the responsibility to counter it to the Government. This seems to me something like pinching the baby and rocking the craddle at the same time. Just as the baby won't go to sleep with this treatment, the country's problem of rising prices won't be solved so long as no action is taken to prevent factors, such as higher and higher wages all the time without a corresponding or even something approximate to a corresponding rise in productivity, which make for higher prices. If higher wages don't mean higher real incomes, I wonder whether all the trouble taken in securing the higher wages is worth anything. Rather than that, would not everyone and, therefore, the country also, be better off, if all bent their energies to prevent higher wages and the resulting higher prices, instead of demanding stable prices and doing everything to upset that stability? This is a line of thought, to which, I submit our union leaders ought to pay a little attention today.

Business Notes

Financial Corporations

MADHYA PRADESH

THE FINANCIAL year ended March 31, 1960, was a year of better performance for the Madhya Pradesh Financial Corporation in respect of provision of credit than the previous year. The total amount of loans sanctioned during the year under report were of the order of Rs. 32 lakhs as against Rs. 18.75 lakhs in the previous year. In respect of beneficiaries, their number stood at 12 in 1959-60 which is to be compared with the number of 8 concerns the year before. At the end of the past year, 18 applications for assistance to the tune of Rs. 30.23 lakhs were pending. It is gratifying to learn that the number of rejected applications is diminishing. Last year only 6 applications for aid of Rs. 3 lakhs were rejected as against 16 applications for Rs. 33.15 lakhs in the previous year. The principal reason for rejection is the absence of proof of clear and marketable title to the assets offered as security as well as inadequacy of sureties. Last year's progress with higher sanctions shows that industrial concerns in the small sector are beginning to learn the value of tendering in time acceptable documentary proof of title. The net profit, however, was a shade lower at Rs. 4.09 lakhs in 1959-60 than Rs. 4.22 lakhs in 1958-59. The Chairman attributes the lower profit figure to the decline in the rates on call and short-term deposits offered by scheduled banks in pursuance of their inter-bank agreement on deposit rates. This implies that a substantial part of the funds of the Corporation are placed as scheduled bank deposits.

The outlook for accelerated industrial development is bright for Madhya Pradesh. This is the predominant conclusion which arises from the Techno-Economic Survey of the State conducted by the National Council of Applied Economic Research. In the private sector a wide range of industries like paper, superphosphate, coal carbonization, tractor, hardboard, aluminium, solvent extraction, caustic soda, sulphuric acid etc. are likely to be set up over time. The Japanese team of experts in small industries which visited the State had discussions with the Managing Director of the Corporation. Among the suggestions it has made for promoting small scale industries in the State, as in other parts of the country, are channelling of Government loans through the State Financial Corporation and utilisation of the branch offices of the State Bank of India as agencies for the transactions of the Corporation.

MYSORE

THE MYSORE STATE FINANCIAL CORPORATION'S annual report for the year ended March 1960 is its first. Some part of this year was occupied in going through the organisational and procedural preliminaries and as such the time left for attending to regular business was shorter than a year. Even so, it appears from the speech of Mr. H. V. Koujalgi, Chairman of the Corporation, that good business was transacted during the time available. Applications for requests worth Rs. 39.2 lakhs, which were tendered to the State Government under the State Aid to Industries Act were transferred to the Corporation for disposal. In addition, the Corporation received applications independently. The total sanctions came to Rs. 28 lakhs. Out of the sanctions of Rs. 28 lakhs, actual disbursements were made to the tune of Rs. 13 lakhs, which is a creditable performance, considering the short time of business operation and the performance of many other State Financial Corporations. The Corporation is taking sufficient precautions to see that loans are utilised for the purposes for which they are taken and, to this end, a follow-up machinery for supervision is built up. Like the other State Financial Corporations, the Mysore Corporation is also being used as an agency for the implementation of the "Pilot Scheme" introduced by the State Bank of India for the provision of cheap institutional credit to small industrial units for short-term working capital. The scheme is progressing satisfactorily in its liberalised form.

The Corporation's net profit during the year amounted to Rs. 2.45 lakhs out of which Rs. 11,871 were appropriated to the statutory reserve and Rs. 1.13 lakhs were set apart for payment of income-tax. Thus the balance available for dividend distribution was Rs. 1.20 lakhs. In terms of the guaranteed dividend at the rate of 4 per cent, a total sum of Rs. 2.87 lakhs is required for dividend payment. The Corporation has asked the State Government for subvention of the order of Rs. 1.67 lakhs.

One reason which facilitated the good start made by the Mysore Corporation was that the State Government granted exemption to borrowers to the extent of 50 per cent from payment of the stamp duty on mortgaged deeds. This concession was limited to the first year of the Corporation and a request has been made to the State Government to extend it to the current year. The Mysore State has asked the National Council of Applied Economic Research to conduct a survey into the potentialities of the expansion of forest and small-scale industries as well as ports in the State. The Chairman has made the pertinent observation that the part played by the Central and State Governments in stimulating industry in the State can have only a limited effect. By and large industrial expansion in the State must be undertaken, with the necessary risks it involves, by local entrepreneurs. He has assured these entrepreneurs that the Corporation would extend to them financial help within its powers.

Bicycles

SATISFACTORY PERFORMANCE

MR. BISHAMBAR DAS KAPUR in his presidential address at the Annual General Meeting of the Cycle Manufacturers' Association, held recently, outlined the remarkable progress made by the Indian bicycle industry during the last few years. The annual installed capacity which stood at 1.2 lakhs of bicycles in 1951, rose to 10.5 lakhs in 1959 in the organized sector. The number of factories also increased from 2 in 1951 to 21 in 1959. Mr. Manubhai Shah, Union Minister for Industry, who inaugurated the meeting, expressed satisfaction at the perfomance of the industry. He added that production during 1960 too has shown a steady increase so that during five months January to May it was 4.5 lakh bicycles as against 3.8 lakhs during the corresponding five months of 1959. One striking feature of the industry's development is that it is rapidly becoming self-sufficient, so that nearly 97.5 per cent of components are of indigenous production.

The Union Minister for Industry appreciated steps taken by the Association for export promotion on a voluntary basis. He was hopeful that the export drive through the co-operation of the Association would be successful. During 1959, out of the target for export of 10,000 bicycles, about 7,500 were exported to the neighbouring countries in the East as well as in West Asia. It may be added that the finish of Indian cycles was considerably improved and Indian bicycles were comparable in quality to those of a foreign make. The Union Minister pointed out that in a few years the industry may export one lakh bicycles thereby earning more than Rs. 1 crore. The president of the Association, however, pointed out that considerable difficulty was being experienced in respect of non-availability of standard quality of consumable stores such as electroplating salts, nickel anodes, polishing bobs, etc. Since these items are not locally available in adequate quantity, the Government, in the interest of larger exports, should allow the industry to import them on a more liberal basis. If proper attention is paid to these minor inconveniences of the industry, there is no reason why it should not be able to achieve the above mentioned export target as well as the output target of 20 lakh bicycles as proposed in the Draft Outline of the Third Five-Year Plan.

Rubber

RUBY RUBBER'S NEW ISSUES

RUBY RUBBER WORKS LTD. has been carrying on the manufacture of rubber goods and selling the same directly and through various depots. The factory situated at Changanacherry is at present producing cycle tyres and tubes, cycle rubber parts, automobile parts, hose pipes of all varieties, industrial sheetings and all types of moulded goods required for various industries. It has been responsible for supplying goods in large quantities to the Director General, Supplies and Disposals, and to various other departments of the Government of India. In view of the steady rise in the demand for the rubber goods being manufactured by the Company, the Board of Directors have decided to establish and operate a branch factory at Bangalore. The Company has obtained sanction from the Government of India to produce at the Bangalore factory 9 lakhs lbs. of tyre retreading material, like tread rubber, camel back, cushion compound, etc. Land for the factory has already been purchased and the office building is nearing completion.

The cost of the machinery and building for the proposed factory at Bangalore may be anything like Rs. 2 lakhs. To meet this cost and a part of the working capital, the Company has decided to issue 25,000 preference shares, 10 per cent (subject to deduction of tax) of Rs. 10 each, which will raise a sum of Rs. 2.5 lakhs. The details of the notice regarding the prospectus of the Company can be found elsewhere in this issue. Considering the market reputation of the Company, the soundness of the proposal and the steadily rising demand for rubber goods, the share issue is bound to have a good response.

RAW MATERIAL SHORTAGE

RUBBER MANUFACTURERS in the country would appear to be agitated over the present situation of raw rubber. Consequent upon insufficient domestic production and the non-utilisation of their import licences by a number of producers by reason of the world prices being higher than the Indian controlled prices, an acute shortage of raw rubber has developed. It is also said that there is an inclination on the part of the planters to hold up the supplies of raw rubber in anticipation of their getting a higher price following the Tariff Commission's recommendation. This factor has also contributed to the prevailing shortage of raw rubber. The Tariff Commission, it is known has already submitted its report to the Government, but the Government has not yet made known its decision thereon, though it is expected to do so shortly. It is, however, felt — perhaps rightly — that a mere announcement of price will not solve satisfactorily the serious problem of shortage of raw rubber. Not until an adequate supply of the commodity, commensurate with the demand is assured can this situation be remedied. As Mr. L. M. Jamnadas, Chairman of the Indian Rubber Industries' Association said, "high prices and black market in rubber will continue, unless there is an effective distribution control on raw rubber, so

that the licences by the Rubber Board are issued for a quantity which is available in the country. The manufacturers should also import adequate quantities of rubber even at higher prices, so that the industry is assured of adequate stocks of raw rubber in the country at Indian controlled prices." After substantiating his argument with some facts and figures the I.R.I.A. chief asserted that "this is the only solution which in my opinion will solve the present problem of the availability of raw rubber and its unlawful high prices."

Road Transport

KEY ROLE OF AUTOMOBILES

ALTHOUGH THE role of transportation as an initiator of growth has been generally accepted, nothing substantial has been done by the authorities concerned to get over the transport bottleneck. While the railways have been experiencing a very severe strain during the past few years, particularly after the commencement of the Second Five-Year Plan, congestion at ports has become more or less a permanent feature. With the allocation made to Transport and Communications in the draft outline of the Third Plan, this situation is bound to assume serious proportions in the next few years, if alternative modes of transport, especially road transport, are not developed adequately. Despite repeated pleas that road transport should be allowed to grow without any inhibitory conditions being imposed on it, the authorities have been displaying an attitude of lofty indifference. This is most regrettable, to say the least. The experience of our own country, since the beginning of the planning era and the experience of other industrially advanced countries, particularly the U.S.A. and the U.K. suggests that such indifference on the part of the Government towards road transport is most unimaginative. Even a cursory scrutiny of the transport requirements of the country and the available facilities brings out this point clearly. The annual production of the country, expected to go up to 245 million tons at the end of the Second Five-Year Plan, has been estimated to increase further to about 370 million tons by the end of the Third Plan. If we add to this the annual imports of about 20 to 30 million tons, the total tonnage required to be transported would be of the order of 400 million tons. The railways, the waterways and the bullock carts are together expected to carry towards the end of the Third Plan about 220, 20 and 80 million tons, respectively. Leaving a balance of about 80 million tons still to be carried by road transport. It is thus clear that there is more traffic available than what the railways can carry. In the circumstances, one finds it very difficult to understand Government's apathy, if not the Railways' attitude of a rival, towards road transport.

By far the most important impediment in the way of a rapid growth of road transport in India, apart from the Government's irksome and unnecessary fiscal and other regulatory measures, is the inadequate expansion of automobile industry, brought about, among others, by the foreign exchange shortage which has prevented the import of sufficient quantities of components or raw materials for building up complete vehicles. But "the expansion of commercial road transport in the Third Plan will depend," as the draft outline of the Third Plan says, "on the manufacturing capacity of the automobile industry in the country". The problems of the automobile industry should, therefore, be considered more realistically. The pertinent plea of Mr. P. L. Kumar, the new President of the Madras branch of the Indian Roads and Transport Development Association, in the course of his address at the recent annual general meeting of that body, to allot more foreign exchange to the automobile industry so that it may meet its requirements fully is unexceptionable and deserves careful consideration in official quarters.

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A DELHI NOTEBOOK

TRACTOR MANUFACTURING PROGRAMME

THE policy of the Government of India in regard to tractor manufacturing programme, it is learnt, has undergone some change recently. Previously only tractors in the range of 12 to 18 Draw Bar HP were considered sufficient for the country's immediate requirements. It is now felt that substantial capacity in the ranges 20 to 30 and 35 to 45 Draw Bar HP will also have to be installed. The Government, it is understood, has invited proposals, both from newcomers and those who already hold licences for manufacturing light tractors, for the production of tractors in these ranges. Newcomers will not be allowed to manufacture light tractors in the range 12 to 18 Draw Bar HP.

There are two industrial units—David Brown/Mahindra and Mahindra and Eichers of West Germany—which at present hold licences to manufacture tractors in the lower range. The former have already applied for a licence for the manufacture of tractors in the uppper ranges. Eichers of West Germany too are expected to follow suit. Two more manufacturers are also said to be interested in making medium and heavy tractors in this country. The application for a licence from one of them—Massey Ferguson Amalgamated (Private) Ltd. (Masseys and Simpsons)—it is reported, is already with the Government of India. The other interested party, Zetors of Czechoslovakia, is expected to submit its proposals shortly.

It is not known whether the Fords would renew their offer to set up a plant to manufacture heavy tractors in India. Some time ago they had proposed to erect a factory the whole cost of which was to be borne by them. They had also suggested that they would arrange for all foreign exchange involved in the import of components from abroad till the time production here became 100 per cent indigenous. This offer was not accepted by the Government of India as it envisaged 100 per cent capital control by the Fords and because they wanted a monopoly in the field.

UNFAIR ON THE PART OF INDIAN SHIPPERS?

The Indian shipping companies, it is alleged, are not playing fair to the country. Under the recent Indo-US food deal, India will be importing 17 million metric tons of food grains which will be unloaded at various ports. As Calcutta is already a congested port, food grains meant to be stored in West Bengal will be unloaded at Visakhapatnam from where this cargo will be carried to Calcutta by Indian ships. The Coastal Shipping Conference rate for carrying food grains cargo between Visakhapatnam and Calcutta is Rs. 20 per ton. But some shippers are said to be demanding as high a rate as Rs. 24 per ton; they claim that the Conference rate is only a paper rate. This increase in freight charges will obviously hit the consumer.

WHOLE-TIME DIRECTORS' INCOME

The Company Law Administration, it is understood, is dealing with two important problems at the moment. One relates to the remuneration and the commission of whole-time directors in private sector companies and the other to public participation in the capital of State enterprises.

Earlier this year, a tentative ceiling of Rs. 1.20 lakhs per annum was fixed for the remuneration and commission of some whole-time directors. But as this was not a Cabinet decision, this ceiling has varied in the recent past. Some cases are now pending before the Company Law Administration where a demand has been made that whole-time directors of some companies should be allowed a total income up to Rs. 7 lakhs per year. Another aspect of this problem is that since the same person can be a whole-time director of two companies, what should be the ceiling on income in such cases? The Government of India, it is expected, will take a decision on this issue in the near future.

In regard to the second issue—public participation in the capital of State enterprises—two proposals are said to be under examination. One suggestion is to offer to the public part of the capital of these enterprises in the form of ordinary shares, the rate of dividend being determined by the progress of the undertaking just as in the private sector. The other proposal envisages issue of preference shares or debentures.

The main question to be solved if the latter proposal finds acceptance is what should be the rate of interest or dividend that is to be allowed on the debentures or preference shares of the State undertakings offered to the public? Since these debentures and preference shares will be directly competing with the floatation of Government loans, the rate of return on them cannot be made more attractive than that of the gilt-edged securities, for in that event Government's borrowing programme will receive a setback. On the other hand, no worthwhile subscriptions may be forthcoming from the public if the debentures and the preference shares of the State enterprises do not yield a return in tune with those of private sector undertakings.

Another point to be considered in this connection is whether public participation in the capital of State enterprises would adversely affect the resources for the private sector. There is a feeling—and this is borne out by the experience of the private sector company floatations in the recent past—that there is a good amount of idle money in the country which can be channelised into safe investment avenues. Public sector can well make use of this.

EFFECT OF PAY COMMISSION'S REPORT

With the finalisation of the Government decisions on the Central Employees Pay Commission's recommendations, a clear picture is now available of the financial burden that will have to be borne by the nation consequent upon the implementation of the Pay Commission's report. The immediate incidence is estimated around Rs. 44 crores per year, while ultimately the burden will be of the order of Rs. 55 crores. The following is a rough break-up of this additional expenditure:

IMMEDIATE INCIDENCE

(Rs. crores)

Interim relief given on Pay Commission's recommendation in 1957	12.00
Immediate effect of recommendations regarding pay, allowances and pension already accepted (excluding Defence personnel)	20.00
Improvement in Family Pension Scheme, Contributory Health Service Scheme, and educational and canteen facilities ,if accepted by Government—Decision has not been taken yet	4.70
Immediate effect of extension of the benefit to Defence Services personnel	7.00
TOTAL	43.70

ULTIMATE EFFECT

Increase in pay and allowances	25.00
Retirement benefits	6.00
Interim relief	12.00
Improved Family Pension Scheme	1.00
Extension of Contributory Health Service Scheme	3.00
Educational and Canteen facilities	0.70
Extension of benefit to Defence Personnel	7.00
TOTAL	54.70

WORLDGRAM

India

Manufacture of Motor Vehicles: Production figures of motor vehicles in the first half of 1960, which have now become available, indicate that the output this year will be about 40 per cent than last year. During January-June 1960, production of motor vehicles totalled 32,247 as compared to 19,025 during the corresponding period last year. A break up of the January-June production figures shows that the rise has been particularly striking in respect of cars, commercial vehicles and scooters. The output of cars at 9.218 was almost double that during the first half of last year. In the case of commercial vehicles, production of January-June 1960 amounted to 12,213, about 50 per cent higher than during the corresponding period last year. Scooter production amounted to 5,838, as against only 2,008 in January-June last year. The production of jeeps and motor cycles also was much higher than during the last year. Half-yearly production of these totalled 3,045 and 1,933 respectively as against 2,628 and 1,363 last year.

*

Manufacture of Gas Cylinders: The Government of India have decided to permit the setting up of units for the manufacture of gas cylinders in the country. The decision has been taken in view of the large-scale expansion in the production of various industrial gases likely in the next few years and the corresponding rise in tne domestic demand of cylinders for bottling and transporting these gases. While the sizes and specifications of the cylinders vary according to the nature of the gases, it has been estimated that by the end of the Third Plan, about a lakh of cylinders would be required. By the end of the Fourth Plan the domestic requirement would be double this number.

In forwarding their proposals for Government approval, intending entrepreneurs have been asked to indicate particularly what arrangements they have made for importing the required capital equipment. The Government would prefer import of capital equipment through the utilisation of the share of the foreign collaborator in the capital structure of the scheme. Import of capital machinery and equipment required for the project under long-term credit arrangements or long-term deferred payments acceptable to Government or through Rupee Payment Arrangements will also be considered. The applicants should also indicate the terms of royalty and other technical fee which involves payment in foreign exchange. Details regarding the manufacturing process, arrangements for securing necessary raw materials etc. should also be furnished. The proposals may be forwarded to the Union Ministry of Commerce and Industry as early as possible before the close of this year.

*

Central Excise Revenue: According to a review of the Central Excise Administration in India published by the Central Board of Revenue, the cost of collecting the Central Board of Revenue of Rs. 312.5 crores in 1958-59 was only 1.6 per cent as against 1.8 per cent in the preceding year. The revenue realised in 1958-59 exceeded the revenue realised during any of the previous years—the gross revenue being 14 per cent higher than the amount realised in the previous year. The increase in the net revenue collection of 1958-59 over the previous year was contributed by almost all excisable commodities except cigars and cheroots, cotton fabrics, vegetable non-essential oils and motor spirit. Cotton fabrics yielded the highest excise revenue in 1958-59, amounting to Rs. 62.09 crores, followed, among others, by sugar which yielded Rs. 59.71 crores, unmanufactured tobacco Rs. 34.47 crores, motor spirit Rs. 33.48 crores, matches Rs. 19.11 crores, cement Rs. 14.1 crores and refined diesel oils and vaporising oils Rs. 11.27 crores. In all these cases except cotton fabrics, revenue was higher than in the previous year. Total gross collections were the highest in Bombay amounting to Rs. 114.91 crores.

*

Fountain Pen Industry: V.J. heads the pioneering, fully mechanised, complete fountain pen manufacturing unit, the Dhiraj Pen Manufacturing Co. Private Ltd., Andheri, Bombay. It is reported, Dhiraj Pen Mfg. Co. Private Ltd. will now soon have Ball Point Pen Refil Plant, Ink Mfg. Plant, Rolled Gold and Gold filling machinery. In general, it may be mentioned about the pen industry that it is planning expansion and more production to meet the increasing demand for exports. Encouragement from the Government is also forthcoming.

*

Nangal Project to Start Production This Year: The Nangal Fertiliser Project, which is nearing completion, will go into production towards the end of this year. It is expected by that time electric power from the Bhakra Hydro-electric System will become available in bulk for the project. The fertiliser factories at Rourkela and Neyveli are scheduled to commence production in 1962 and 1963 respectively.

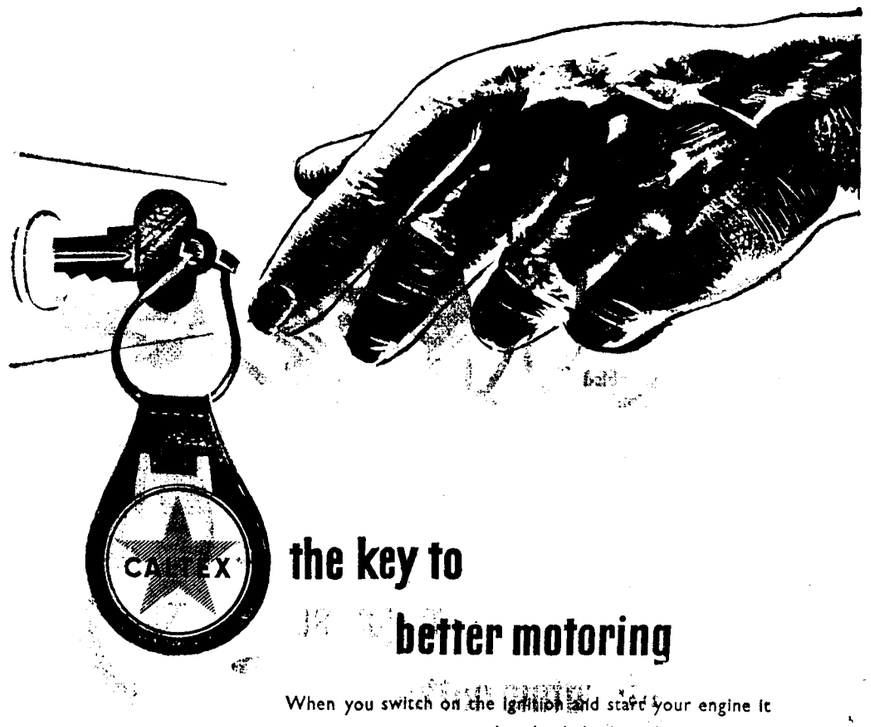
U.S.A.

Legislation Authorising US Participation in IDA: President Eisenhower signed recently new legislation authorising United States participation in the international development association (IDA). The measure signed, authorises a United States subscription of $320,290,000 to IDA over a five year period, with an initial payment of about $74 million and the balance paid during the remaining period. The industrial nations would contribute approximately $763 million of IDA's original capital, with the remaining nations contributing approximately $837 million.

United Kingdom

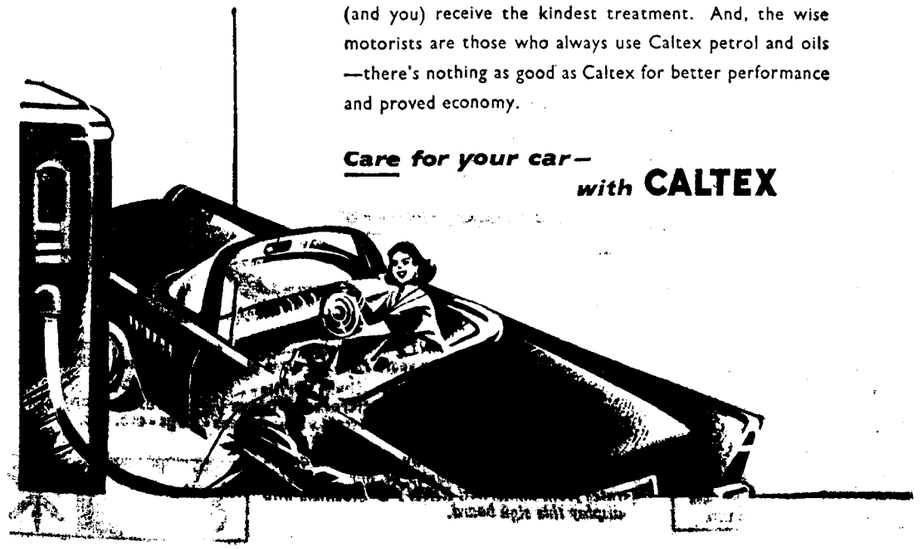
Steel Production: Steel production in Britain last year totalled 20,200,000 tons, about 5 per cent higher than in 1958, states the annual report of the Iron and Steel Board issued in London recently. From the second quarter onward, output rose as general production increased, first in the consumer goods industries and later in constructional, mechanical and electrical engineering. The Government's stimulus to investment in the public sector resulted, in the later part of 1959, in increased demand from the building and engineering trades; in contrast, demand from mines, railways and shipyards remained depressed. Imports again declined in 1959. Sheet steel accounted for three-quarters of the total. Exports revived markedly in the second half of the year, and in the year as a whole were nearly 10

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per cent above 1958. The increase was mainly in plate, sections and tinplate.

*

New Teleprinter: A striking feature of the new teleprinter machine which was displayed at the British Exhibition at New York recently in its size is 15" wide, 13" deep and 11" high, the same size as an ordinary typewriter, and the weight is 35 lb., about half that of earlier machines. Speeds of 100 words a minute can be transmitted, but a simple gear change will adapt it to the more commonly used speeds of 60, 66 or 75 words a minute. Attention has been paid to reducing maintenance costs and lubricating intervals have been extended by the use of self-lubricating bearings in the machine. Another major feature is the exceptional versatility. Incorporating numerous technical innovations the machine provides facilities which are of special interest in processing data.

Germany

Oil Output: The oil output of the Federal Republic of Germany has been expanding steadily. It exceeded 5 million tons in 1959, that figure itself representing a 15.1 per cent increase over the production during the previous year. This expansion continues smoothly. Of last year's 99 exploratory drillings, 21 resulted in finding oil or gas. The year before there had been 123 such drillings, but only 19 of them had been successful. The total of metres drilled was 782,000 as against 753,000 the previous year, which reflects some decrease in exploratory and expansion drilling, while production drilling increased from 410,000 to 428,000 metres. Of production drillings, 84 per cent were successful. The rate of growth was relatively stronger in the pre-Alpine country, the latest German Oil region near Munich. Output grew by 85 per cent in this province, mainly due to the satisfactory development of the new fields of Ampfing, Moenchsrot and Lauben. In absolute figures, production is not large here as yet. It reached 113,000 tons as against 61,000 the year before. In other districts of the Alpine foothills oleiferous structures were found, but there is no production yet.

Austria

Consumption of Cotton: On a per capita basis, Austria stands second to last as a consumer of raw cotton among the EFTA countries, International statistical studies (based on yarn production in 1957) record the amounts of cotton processed per capita as 7.9 pounds in Austria, 5.9 in Portugal, 10.1 in Denmark, 10.3 in Norway, 13.4 in Sweden, 14.1 in England and 16.5 in Switzerland. Among EEC countries the corresponding poundages vary from 7.5 in Italy to 12.8 in the Federal Republic of Germany and 15.4 in the Netherlands. In Eastern Europe (including the USSR) the amount averaged 10.6 pounds per head, and in the USA and Canada 21.8 pounds. Yarns produced for export are included in all of the foregoing figures. The statistics provide a measure therefore of the extent of cotton spinning facilities per head rather than of the consumption of cotton by the population.

Ceylon

Employment Opportunities: In order to provide more employment opportunities, the Government of Ceylon has decided to give top priority to development works in next years budget which will be presented in late August. The Ministry of Labour, Industries, and Fisheries have established a committee to investigate the possibilities of setting up vocational training centres and the feasibility of establishing industries, on a co-operative basis, for the manufacture of electrical goods, garments, concrete products, enamel ware and agricultural implements.

Nigeria

Oil Production and Exports: Nigerian oil, the search for which was initiated in 1937 and resumed in 1946 after the interruption caused by World War II, was exported for the first time in 1958. In that year, oil deliveries amounted to approximately 230,000 long tons, worth nearly £1 million. In the first 11 months of 1959, the value of oil exprots was £2.3 million. Present daily production of crude oil is about 15,000 barrels (corresponding to approximately 2,000—2,000 long tons), but it is expected to rise to 30,000 barrels by the end of 1960 and to 50,000 barrels by 1961. If development continues at the present rate, production should rise to ten million tons within the next decade, which would place Nigeria among the first 10 world oil producers, according to the Managing Director of Shell—B.P (Nigeria) Ltd.

Australia

Comprehensive Coal Preparation Plant: In one of the largest collieries in the Southern Hemisphere at Clifton,NSW—a most comprehensive coal preparation plant is used. Built by the Australian Engineering firm of A.E. Goodwin Ltd. at a cost of £A1,000,000, this plant has the capacity to wash and size up to 400 tons of coal per hour. In order to produce a wide variety of coal with a low ash content for various purposes, the plant has three types of separation machines and an array of crushers. Major point of interest, apart from the size of the plant, is the first use in Australia of fine coal washers to clean the fine material.

U.N.

Conference on Problems of Paper Industry: Ways of developing the pulp and paper industry in the countries of Asia and the far East will be considered this autumn, at a United Nation Conference to be held in Tokyo from 17 to 31 October. The Conference will bring together government representatives, industrialists, research specialists, forest experts and equipment manufacturers. It will concentrate on the problem of overcoming obstacles preventing the establishment of economically sound paper mills in the region, where paper consumption is far below the world average. Although forests cover about a fifth of the total land area, recent statistics place average annual per capita consumption at less than one and a half kilogrammes, compared with the world average of 22 kilogrammes. The figures do not include Japan, mainland China, and Oceania. The conference will be sponsored by the United Nations Economic Commission for Asia and the Far East, the UN Bureau of Technical Assistance Operations and the Food and Agriculture Organisation. Tokyo was chosen as the site at the invitation of the Japanese Government.

I.F.C.

First Investment in Argentina: Robert L. Garner, President of the International Finance Corporation (IFC), announced recently the corporation's first commitment to invest in an Argentina enterprise. The Company is Papelera Rio Parana S.A., a pulp and paper enterprise whose share are listed on the Buenos Aires stock exchange. Its plant in Campana, Buenos Aires Province, has been in operation since 1950. IFC's commitment is for US $3 million to help finance the new sulphite mill to produce dissolving pulp for rayon and cellophane manufacture, and bleached sulphite pulp for paper production. The company's own plantations in Entre Rios Province will supply an increasing part of the pulping wood required for a new mill.

NEWS IN BRIEF

INDIAN

The Government of India have assumed control of the India Electric Works Limited, Calcutta, under Section 18A of the Industries (Development and Regulation) Act, and have appointed Mr. S. C. Banerji, Development Officer, Ministry of Commerce and Industry, to take over the management of the undertaking.

*

Production in the Government-owned D.D.T. factories at Delhi and Alwaye reached a record level in May 1960. The production of formulated D.D.T. during 1959-60 amounted to 2,252.50 tonnes, against 693.66 tonnes in the previous year.

*

The Government of India has sanctioned the Khaperkheda thermal station extension scheme, under which a third generating set, having a capacity of 200,000 k.w. will be erected at Khaperkheda in the Vidharbha area of Maharashtra.

*

The first consignment of billets was despatched by railways from the Durgapur steel works recently. The billets were sent to re-rolling mills in East Punjab and West Bengal. Production of billets started on a trial basis at Durgapur on June 17.

*

Soil engineers from India and abroad will participate in a symposium on load bearing capacity of soils scheduled to be held in New Delhi during January 1961.

*

An agreement was signed recently between the Government of India and the United States Technical Co-operation Mission for further aid to India's Malaria Eradication Programme.

*

The Indian Standards Institution has recently prepared draft specifications for toffees and lozenges covering their ingredients, physical characteristics and chemical requirements.

*

Legislation has now been enacted in all States and Union Territories for enforcing the metric system of weights and measures in trade and industry.

*

In 1950-51, there were 1.15 lakhs primary credit societies with a membership of over 51 lakhs, in 1957-58, the number rose to 1.67 lakhs and over 102 lakhs respectively. The actual figures for 1958-59 are not available, but it is estimated that the societies have increased to about 1.75 lakhs and membership to about 120 lakhs.

*

The Government of India has prescribed tariff values for certain types of commercial vehicles in order to eliminate day-to-day disputes that might arise in the determination of value, while making assessment of Central excise duty on such vehicles, as well as for administrative convenience. The tariff values range from Rs. 24,350 to Rs. 53,850.

*

India's, export earnings in the financal year 1959-60 were the highest on record except for 1951-52 which was a boom year for exports because of the Korean war. The value of exports in 1959-60 which amounted to Rs. 641 crores, was higher by about Rs. 83 crores or 15 per cent over the previous year.

FOREIGN

Yugoslav exports to Brazil in 1959 were increased by 100 per cent as compared to 1958 and 200 per cent as compared to 1957. Although this increase is considerable in absolute figures it does not reach the 1955-56 level of exports.

*

Austrian imports in the first quarter of 1960 rose 32 per cent as against the same period of 1959, to reach 8,621 million schillings. Exports, on the other hand, increased 19 per cent to 6,694 million schillings.

*

U.S. production of cars and trucks in the week ended June 24 is estimated by Ward's Automative Agency at 175,815 units, compared with 173,574 revised in the previous week and 164,608 units in the same week last year.

*

Concordia, of West Germany, which has been exploring for oil in North Syria for four years, has struck oil in the second well in the Suwaidiyah district in the Gezira province at a depth of 1,630 metres, the Industry Minister in the Syrian region of the U.A.R. has announced.

*

Progress in reducing or eliminating exchange restrictions was substantial and made on a wide front during 1959 and the first four months of 1960, according to the eleventh annual report on exchange restrictions published by the International Monetary Fund.

*

Close co-operation in the Congo between the Rockefeller group and the Societe General de Belgique was announced recently. The Rockefeller transaction will take the form of allotment of shares in the Societe Generale Congo holding company, Commerce et l' Industries (C. C. C. I.).

*

Northern Ireland has five new factories ready for occupation and five more nearing completion. The five nearing completion were in the vicinity of Belfast. One of these was capable of division into three small productive units.

*

Bromine production in Israel is expected to be more than double in the coming year. Whereas annual output was 2,000 tons in 1959, it is expected to reach 4,500 tons by March, 1961. Israel is the third largest exporter of bromine in the world, and the bromine concentrations in the Dead Sea are the richest to be found anywhere.

*

Japan has agreed in principle to supply Iran with a $30 million credit in the form of a deferred payment limit to finance imports of Japanese goods, the Japanese Ministry of Finance announced recently.

*

Nepal will depend on foreign aid for 88 per cent of her development Budget in the coming year. General Subarna Shamsher told the House of Representatives recently. Nepal's Budget showed a deficit of Rs. 17.5 million.

*

West Germany imported more than 7,000 tractors from Britain in the first five months of this year, according to the West German economic news agency VWD. This was 68 per cent more than in the corresponding period of 1959.



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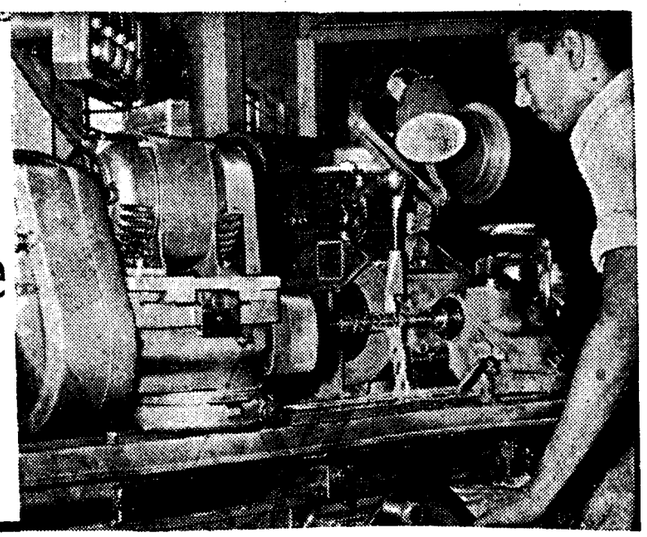
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COMMODITY NEWS AND NOTES

INTERNATIONAL TIN AGREEMENT

The text of a new five-year international tin agreement which enters into force on July 1, 1961, has been negotiated by the representatives of 35 producer and consumer countries and territories. It was approved at the close of the United Nations Tin Conference which had been meeting, mostly in private session, since May 23. The new agreement, which requires minimum of 15 ratifications, would replace the present agreement which has worked satisfactorily since it came into effect for a five year period on July 1, 1956. The operational mechanism (buffer stock export control) remains in the new agreement the same as in the present agreement and the International Tin Council, a 19-nation inter-governmental organisation outside the United Nations with head-quarters in London, will continue to administer the provisions of the agreements and operate the buffer stocks.

Certain changes are also proposed in the fixing of the control periods, that is the periods which the Tin Council fixes from time to time to determine the quantities of tin which may be exported. The new agreement provides for most decisions of the International Tin Council to be taken by simple "distributed" majority, that is majority of the votes cast by the producing countries and a majority of the votes of the consuming countries, counted separately. The present agreement provides generally for voting by simple majority.

PAKISTAN IMPOSES TEA CONTROL

The Pakistan Government promulgated recently an ordinance imposing strict control on the price movement and distribution of tea. All forms of forward speculative transactions in tea at the internal auctions have been banned. The announcement added that any forward transactions outstanding immediately before promulgation of the ordinance should be considered void. The ordinance empowers the Controller-General of prices to maintain separate registers for the registration of bidders, importers, wholesalers and retailers of tea. It authorizes him to fix maximum prices of tea at all stages and lays down that no person shall be allowed to sell or resell tea in excess of the fixed prices.

WOOL CONSUMPTION IN U.K.

In May the rate of consumption of wool and the rate of production of wool tops was slightly lower in U.K. than in April, according to the Wool Industry Bureau. At 45.12 million lbs the rate of total consumption of wool during May (allowing for a larger number of working days) was 2 per cent lower than in April, and 6 per cent lower than a year ago. The figure for the rate of topmaking consumption in May was also 2 per cent lower than in April.

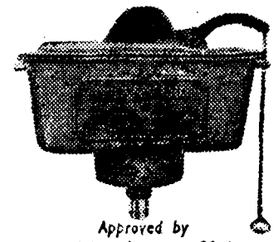
SUGAR DEVELOPMENT IN GHANA

The Ghana Industrial Development Corporation and the Agricultural Development Corporation have jointly embarked on £3½ million sugar plantation scheme at Kemenda, in the Western Region, according to Barclays Bank, D.C.O. A representative of a Dutch company of sugar consultants has said that eight varieties of sugar cane had been planted for experimental purposes. He anticipated that when the new factory was in production it would produce about 20,000 tons a year. The current rate of sugar consumption in Ghana is about 40,000 tons a year.

PROTECTION OF METALS FROM CORROSION

Studies conducted at the Central Electro-Chemical Research Institute, Karaikudi, have shown that two inexpensive organic chemicals, 'meta-dinitrobenzene' and 'beta-naphthol' afford adequate protection to metals against corrosion if they are kept enveloped by the vapour of these chemicals. This newly-developed method of corrosion prevention, named vapour phase inhibition, eliminates the need for applying grease or oil on the metal surface. The chemicals so modify the atmosphere that corrosion ceases to take place.

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COMPANY AFFAIRS

NIZAM SUGAR MAINTAINS DIVIDENDS

The Directors of the Nizam Sugar Factory Ltd. have decided to pay dividends on ordinary shares for the year to June 30, 1959, at the rate of Rs. 5.40 per share of Rs. 25 each subject to deduction of tax which will absorb a sum of Rs. 23.85 lakhs. This compares quite favourably with the amount of Rs. 19.87 lakhs paid during the previous year. In view of the fact that the conditions prevailing during the current season were quite unfavourable, the Directors took timely action and necessary steps to retrieve the position to the maximum extent so that the Company has reported a gross profit of Rs. 56.97 lakhs and a net profit of Rs. 24.67 lakhs after making provisions for depreciation, bonus to employees, taxation, etc.

Draught conditions in the area caused severe damage to the sugarcane crop. Rains set in late and there was not enough water in the Nizam Sagar Canal for irrigation so that both the yield and the quality of cane suffered. During the year 4.43 lakh tons of cane was crushed and 44,336 tons of sugar produced, giving a recovery of 10 per cent. During the previous year, 5.25 lakh tons of cane were crushed and 55,987 tons of sugar were produced, with a recovery of 10.66 per cent. The lower recovery was due to less sucrose content in the cane on account of the draught. The factory farms produced 1,87,513 tons at an average of 35.95 tons per acre; corresponding figures for the previous year were 2,44,803 tons and 46.94 tons per acre respectively.

An amount of Rs. 26,96,509 has been provided for the 'extra cane price' in this year's Profit and Loss Account as compared to Rs. 25,50,499 of the previous year, on the basis of the Profit-sharing Formula of the Government of India adopted by the Company for the year 1957-58. The 'X' Factor of the Formula for 1958-59 has not yet been announced by the Government of India. The auditors have pointed out that 'X' Factor is under revision by the Tariff Commission, and liability may extend to Rs. 9 lakhs. They have objected that no provision has been made towards this liability. The Directors have, however, explained that the liability cannot be determined unless the 'X' Factor in the revised formula is officially published by the Government of India.

The Managing Agents of the Company, Industries (I.F.) Department, Government of Andhra Pradesh, have informed the Company that they will be relinquishing the Managing Agency of the Company with effect from August 15, 1960.

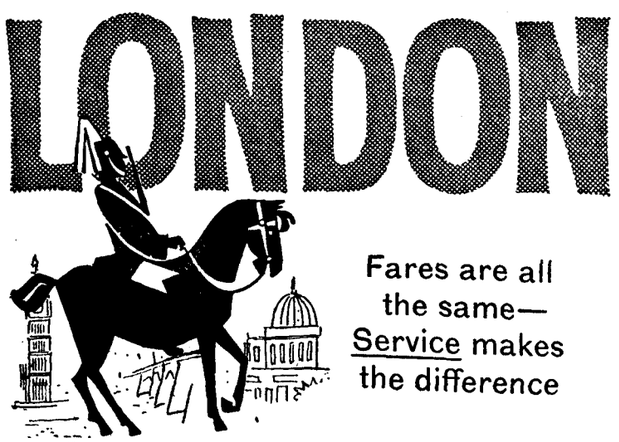
BENGAL PAPER: HIGHER SALES

The Bengal Paper Mills Co. Ltd. closed down partially for one and a half months due to a major breakdown in the turbine which resulted in a loss of production. The results for the year to December 31, 1959, nevertheless, are better than those for the previous year. Production during the year was 15,927 tons against 14,826 tons during 1958. In line with production the sales too have registered a significant increase at Rs. 3.08 crores as against Rs. 2.66 crores during the previous year. In a way, it shows the capacity of the Company to withstand such minor crises.

Net profit for the year to December 31, 1959, comes to Rs. 25.73 lakhs which is over 50 per cent higher than the previous year. The Board of Directors paid an interim dividend of Rs. 6.3 lakhs (Rs. 5.4 lakhs on ordinary shares) on January 11, 1960, and have now recommended the payment of Rs. 9 lakhs as final dividend (20 per cent) on ordinary shares.

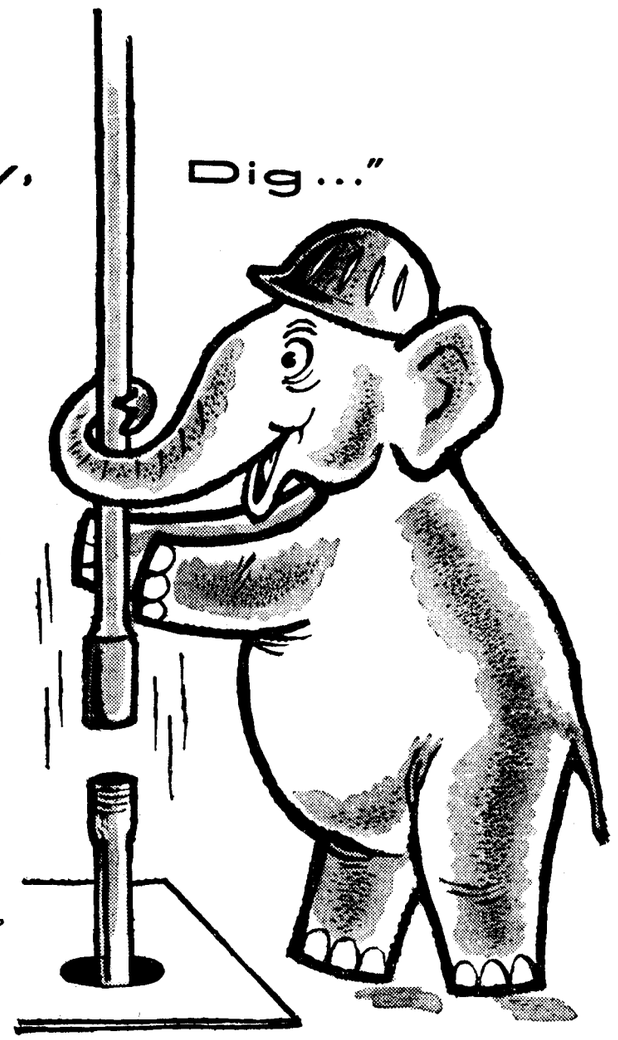
As a result of the recommendations of the Tariff Commission accepted by the Central Governmennt in December 1959, with effect from January 1, 1960, the selling price of paper was substantially reduced. This will affect the profit of the industry in the coming years. A memorandum on revision of prices has been submitted to the Government by the Paper Manufacturers' Association on behalf of the industry. It is expected that the Company will be able to meet the effects of the Tariff Commission during the current year by modernisation and more production.

The Company has formulated a scheme to expand and modernise its existing plant for increasing the daily production capacity to 100 tons. The scheme has already been approved by the Central Government and the necessary expansion licence has also been obtained. Steps are being taken to finalise orders for plant and machinery.



Memoirs of an Elephant—2

"Dig Boy, Dig..."



As I told you before—in the 1880s I made a great discovery by stepping into a pool of oil. Soon, these human beings started drilling holes into the earth to try and find more of this precious fluid.

Very hardworking men they were. All the time, day and night, they used to be at this drilling job. When the first well was being drilled I used to see one Willie Leova Lake stand at the well site and shout "Dig Boy, Dig"—I think he was trying to encourage the workmen. "Dig Boy, Dig" became such a familiar phrase in the locality, that I believe the place eventually came to be known as "Digboi".

Work on this first oil well was started, I remember, in 1889. When they completed it they had taken 14 months—and they had drilled to a depth of 662 feet. Today, things have changed completely. The AOC can drill a 10,000-foot well in less than 10 days. When I asked one of the AOC men how they are able to do this he tells me it is "experience", "know-how", "technical development" and a few other things.

One thing more. I think the AOC took the clue from the words "Dig Boy, Dig" because they have been digging ever since. Today, about 1000 wells have been drilled by them in this area—all, they say, to unearth that precious fluid oil for the Nation's use.

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And your Firestone tyres will *stay* safer LONGER because of their unsurpassed, skid-resistant tread—an EXCLUSIVE product of Firestone Research.

FIT

Firestone

BEST IN RUBBER

I. 49 B

This is only an Announcement and not a Prospectus. A copy of the Prospectus having attached to it the documents required by section 60 of the Companies Act, 1956 has been delivered for registration to the Registrar of Companies Kerala, Ernakulam. The subscription list will open at 10 a.m. on the 25th of July 1960, and will remain open at least for 15 days and thereafter will be closed at the discretion of the Directors.

The Shares of the Company previously issued are dealt in and officially quoted on the Madras Stock Exchange. Application will be made forthwith to the Madras Stock Exchange to include the shares of the present issue also for being dealt in and officially quoted on the Madras Stock Exchange.

RUBY RUBBER WORKS LIMITED, CHANGANACHERRY

(Incorporated on 7th September, 1955 under the Companies Act, 1913)

CAPITAL PREVIOUSLY PAID-UP

Rs. 11,42,855.

PRESENT ISSUE

Rs. 2,50,000 divided into 25,000-10 per cent (subject to deduction of income-tax) Cumulative Preference Shares of Rs. 10 each. The amount payable in respect of each share is Rs. 5.00 on application and Rs. 5.00 on allotment.

The present issue of 10 per cent Preference Shares were first offered to the existing Equity shareholders in proportion to their current holdings i.e. 10 Preference shares for every 36 Equity shares and applications in terms of the Prospectus are now invited from the Public for shares not taken up by the existing shareholders.

BOARD OF DIRECTORS

Sri V. O. Markos, Kottayam; Sri P. R. Subramanyam, Bombay; Sri M. G. Achuthan Nair, Trivandrum; Sri Jose A. Kallivayalil, Bangalore; Sri A. K. Thampy, Madras; Sri Kuncheria T. Marattukalam, Changanacherry; Sri Thomas T. Marattukalam, Madras, and Sri Mathew T. Marattukalam, Changanacherry.

MANAGING AGENTS

Ruby Industries (Private) Ltd., Changanacherry.

BANKERS

(1) State Bank of Travancore, Changanacherry, (2) Indian Overseas Bank Ltd., Kottayam, (3) The Catholic Bank of India Ltd., Changanacherry, (4) The Palai Central Bank Ltd., Changanacherry.

LEGAL ADVISERS

Messrs. Joseph & Markos, Lawyers, Kottayam.

AUDITORS

(1) M/s. Hariharan & Co., Chartered Accountants, Bombay. (2) M/s. Sri O. Thomas, Chartered Accountant, Kottayam.

MANAGING BROKERS

(1) M/s. P. R. Subramanyam, 70-A, Stock Exchange Building, Apollo St., Fort, Bombay-1. (2) M/s. G. M. Pyne, 14-India Exchange Place, Allahabad Bank Bldg., Calcutta. (3) M/s. Maconochie & Co., P.B. No: 291, Mercantile Bank Building, Madras-1.

UNDERWRITERS

M/s. P. R. Subramanyam, 70-A, Stock Exchange Building, Apollo Street, Fort, Bombay-1.

REGISTERED OFFICE

Rubynagar Post, Changanacherry, Kerala State.

OBJECTS, HISTORY & BUSINESS

The Company was incorporated on 7th September, 1955, to acquire and take over the lands, buildings, machinery, equipments etc. of the Concern known as "Ruby Rubber Works" situated at Changanacherry with its goodwill and the various sales depots situated throughout India. The Company obtained its Certificate of Commencement of Business on 9th January, 1956 and acquired the above-mentioned "Ruby Rubber Works" and has been carrying on the business of manufacturers of rubber goods and selling the same directly and through various depots. The Factory is at present producing cycle tyres and tubes, tyre retreading materials, hose pipes of all varieties (plain, delivery, armoured suction pressure, pneumatic, tool hoses etc.) industrial sheetings, car materials, automobile parts, cycle rubber parts, all varieties of moulded goods required for various industries, rice polishers, ebonite goods, all varieties of extruded goods etc. Ruby's extruded quality tread rubber (tyre retreading compound) enjoys a wide Director, General Supplies and Disposal, Delhi, and is supplying various rubber products to various Government Departments, Central as well as States, various Railways, semi-Government Firms and automobile and cycle manufacturers throughout India.

EXPANSION

With a view to more efficiently serve the large volume of customers in the States of Mysore and Andhra and in view of the steady rise in the demand for the rubber goods being manufactured by the Company, the Board of Directors of the Company have decided to establish and operate a branch factory at Bangalore. Sanction has been received from the Government of India as per Licence No. L/30-4/N-23/60 of 24th February, 1960, authorising the Company to produce at the Bangalore Factory 9,00,000 lbs. of tyre retreading materials like tread rubber, camel back, cushion compound etc. The requisite land for the Bangalore Factory measuring 8 acres has been purchased for Rs. 20,000 and is situated on the Bangalore-Bannerghatta Road about 1½ miles outside the city boundary. Construction of office premises costing about Rs. 25,000 is nearing completion and the factory buildings and godowns to be constructed are estimated to cost about Rs. 75,000. For the requisite machinery, viz., two mixing mills, two extruders, one small size three Bowl Calendar Machine and one Solution Mill orders have already been placed with Fabricators in India and together with other machinery under fabrication in the Company's Workshop at Changanacherry, the total cost of machinery for the Bangalore Factory is estimated to cost round about Rs. 75,000.

OBJECTS OF THE ISSUE

To meet the cost of the machinery, buildings and land referred to above estimated to cost in the aggregate to Rs. 2,00,000 and to provide for a portion of the working capital required to the extent of Rs. 50,000 the present issue is made. For further working capital estimated at Rs. 1,00,000 the same could be covered by borrowing facilities from Commercial Banks.

PAST WORKING

Year Ended 30th June	Capital Paid-up	Turn-over	Net Profit before Depreciation & Taxation	Depreciation
	Rs.	Rs.	Rs.	Rs.
1956 (6 months working)	6,47,720	6,53,619	91,757	32,637
1957	8,97,280	15,36,625	1,99,236	71,831
1958	10,92,985	17,42,532	2,30,235	70,259
1959	11,36,230	25,87,667	2,65,407	1,11,865
1960	11,42,855	31,00,000	—	—

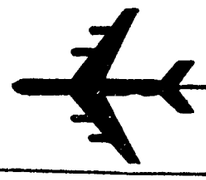
RECORD OF DIVIDENDS

Year ended	Dividends on Equity Shares	Dividends on Preference Shares
30-6-56	7½% tax free	6½% tax free
30-6-57	9 % „ „	6½% „ „
30-6-58	9 % „ „	6½% „ „
30-6-59	6 % taxable	6½% „ „
30-6-60	Not yet declared	Declared 9.3% taxable (6½% tax free) for half-year ended 31st Dec.'59 and 10% taxable (7% tax-free) for half-year ended 30th June, 1960 to holders of record 30-6-60.

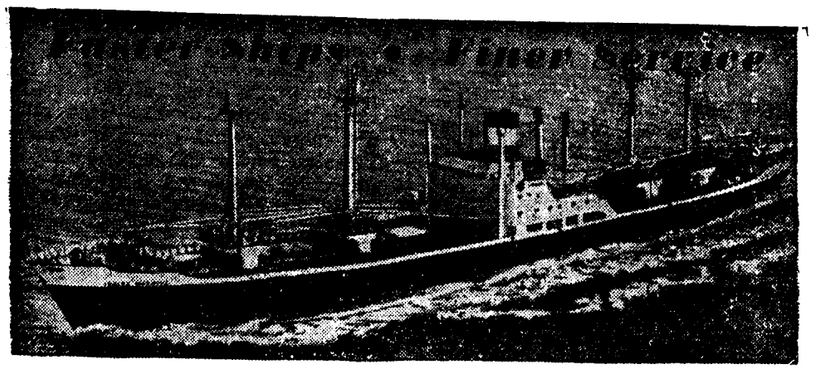
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- In 38 intermixable colours.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months / Average of weeks ended Saturdays			Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54		..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55			94.6	90.6	87.1	101.9	97.4	101.1	100.6	97.4
1955-56			86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57			102.3	84 3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58			106.4	94.0	113.5	116.5	107.3	108 2	108.1	108.4
1958-59		..	115 2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60		..	119 0	99.5	116.5	123 7	113.3	111.3	111.6	117.1
April	1959	..	113.1	97.5	116.2	116 2	108.4	107.9	108.0	111.9
May	,,	..	116.1	98.6	115.8	119.5	108.1	108.5	108.4	114.0
June	,,	..	118.7	97.6	115.9	120.3	108.2	109.3	109 1	115.6
April	1960	..	118.6	103 1	118.7	134.2	123.2	116.9	117.8	120.5
May	,,	..	119.9	107 3	118.6	140.1	125.4	118 9	119 8	122.7
June	,,	..	120.4	109.5	118.5	139.6	127 2	118.6	119.8	122.9
4-6-1960		..	120.4	109.8	118.4	142.0	126.3	118.2	119 3	123.1
11-6-1960		..	120.6	109.2	118.5	138.5	126.5	118.5	119.6	122.8
18-6-1960		..	120 0*	108 5	118 6	139.0	127.0	119.2	120.3	122.8*
25-6-1960		..	120.4	110.5	118.6	138.9	129 0	118.5	120.0	122.9

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1336 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103					105	104		106		—	—
1952												
1953	321	337	250	143	351	441	380	150	330	151	154	141
1954	346	363	275	140	349	453	387	151	351	147	156	145
	342	359	244	138	327	408	373	139	341	148	140	138
1955												
1956	322	338	218	130	321	371	364	133	321	134	135	132
1957	336	352	244	142	347	424	397	151	358	152	146	145
1958	352	368	259	150	364	448	422	162	374	157	158	152
	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165	433	164	178	173
September	403	422	319	156	399	465	510	162	434	162	179	173
October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164*	173*	168*
February	399	418	294	161	389	468	511	165	448	167*	167*	168*
March	395	414	287	157	392	464*	510	165	446	166	168*	168*
April	402	421	—	155	392	463*	511	—	446	—	—	—
May	—	—	—	153	396	459*	—	—	452	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED: 8-7-1960 High	8-7-1960 Low	8-7-1960 Average	1-7-1960 High	1-7-1960 Low	1-7-1960 Average	24-6-1960 High	24-6-1960 Low	24-6-1960 Average	17-6-1960 High	17-6-1960 Low	17-6-1960 Average
Gold (per fine tola) ..	129 84	128.50	129.07	128.31	125 78	127.35	126.75	125 50	125.86	126.31	125.00	125.74
Silver (per 100 fine tolas)	217.56	216.06	217 02	216.69	214 06	215.61	214.37	212.37	213.32	212.87	211.31	212.22

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855 00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	559,62	351,66	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167.32†	66.77	385,54
1958-59 ..	735,93	860,33	1,596,26	40.30	83.99	7.74	766,56	133 27†	56.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
Average of Fridays										
January 1960 ..	754,54	1131,99	1,886,54	46,23	78,23	6.59	841,75	158,76†	53.03	773,37
February ,, ..	748,29	1149.47	1,897,76	45.11	72,06	6.17	889,52	159,19†	55.26	767,23
March ,, ..	768,84	1154.11	1,922,96	56,88	79,67	7.10	930,20	166 32†	57.02	749 40
April	800.17	1162.83	1,963 01	51,40	89 55	7.18	950.14	177,77†	57.46	729 23
May ,, ..	785,27	1193,71	1,978.98	48,84	90,72	7.05	964.21	167.88†	57.21	744,91
June ,, ..	790 17	1202 95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
Week Ending										
3-6-1960 ..	790,29	1198,13	1,988,42	47.50	95 61	7.19	971,37	161,28†	56.96	755 05
10-6-1960 ..	786,79	1198,29	1,985,08	48,48	103,02	7.63	974,85	158,61†	57.10	740,54
17-6-1960 ..	796 81	1199,06	1,995 87	46,97	104,24	7.58	979,99	153 84†	56.81	740,43
24-6-1960 ..	786,80	1216 31	2 003,11	46,57	107.34	7.68	976,31	149 56†	56.21	739,72
1-7-1960 ..	790.28	1218,40	2,008,68	48,67	107,08	7.75	978,32	149,34†	56.14	744 47

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+29,26
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+126.65
						+263,69
1956-57 ..	2,312,89	1,556,50	756 39	744,74	11.65	
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+128,57
1958-59 ..	2,498,75	1 724,53	774,23	754,98	19,25	+75 94
						+109,92
1959-60 ..	2,697,57*	1,858,08*	839,49*	817,70*	21,29	+98,82*
December 1959 ..	2,519,56	1,752,73	766,84	752,06	14,77	+47,27
January 1960 ..	2,589,94	1,793,78	796,16	778,08	18 08	+70,38
Fe ruary ,, ..	2,619 71	1,825,55	794 16	778,57	15,59	+29,77
March ,, ..	2, 00,41	1,861 43	838,98	817,19	21 79	+80,70
April	2 747 41*	1,916 59*	830 83*	810 24*	20 58	+47.00*
May ,, ..	2,724 70*	1,897,73*	826,97*	807,87*	19,11	+22,71*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1952-53=100)

Average of weeks ended Saturday	Govt. & Semi-Govt.	Deben-tures	Prefe-rence shares	Variable Dividend Industrial Securities						
				Total	Tea	Coal	Sugar	Cotton Tex-tiles	Jute Tex-tiles	Cement	Paper
1957-58†	98.3	99.6	88.0	125.4	143.5	89.1	159.7	119.9	63.4	125.2	159.6
1958-59	99.9	100.1	87.2	137.3	145.2	107.1	163.9	113.6	80.2	129.0	184.8
1959-60	101.2	101.8	92.2	155.3	160.1	113.7	178.6	129.2	96.6	136.0	208.9
April 1959 ..	100.7	101.7	91.0	149.0	153.8	120.0	170.5	114.5	97.6	134.8	206.5
May ,, ..	100.7	101.8	92.2	150.8	160.8	118.7	172.5	120.6	94.6	134.6	199.9
June ,, ..	100.8	101.8	92.1	149.8	160.5	115.7	168.7	118.7	94.6	135.6	196.8
July ,, ..	101.0	101.8	92.1	154.1	159.7	118.5	176.6	121.1	98.7	139.9	204.2
August ,, ..	101.2	102.1	93.2	153.9	157.7	116.2	176.7	123.9	98.9	137.3	207.1
Sept. ,, ..	101.4	102.1	93.6	153.1	150.8	113.0	177.3	125.0	97.7	135.5	212.2
October ,, ..	101.7	102.1	93.4	156.1	148.5	111.7	184.0	131.9	98.8	135.9	214.2
Nov. ,, ..	101.6	101.9	92.6	157.2	162.1	109.6	186.7	133.6	99.8	134.7	223.4
Dec. ,, ..	101.5	101.7	91.7	157.6	166.0	105.4	185.0	134.6	95.1	132.1	213.0
January 1960 ..	101.5	101.7	91.3	158.7	167.4	107.5	183.2	141.5	94.5	135.1	209.2
February ,, ..	101.4	101.7	91.2	158.3	165.7	111.2	178.9	139.9	92.9	134.7	206.9
March ,, ..	101.3	101.5	91.1	165.0	169.9	117.4	182.9	144.6	96.0	141.9	215.2
April ,, ..	101.3	101.3	90.8	166.5	168.4	119.5	184.9	144.5	95.1	142.8	222.6
May ,, ..	101.2	101.1	90.1	173.4	169.4	124.0	190.1	148.4	94.0	146.2	233.5
June ,, ..	101.1	101.0	89.4	175.3	172.9	122.9	195.4	152.2	94.7	146.1	234.6
11-6-1960	101.1	101.0	89.5	174.8	173.0	122.8	196.6	151.1	95.5	146.1	234.7
18-6-1960	101.1	101.0	89.4	174.9	172.4	121.7	195.9	152.8	94.2	145.2	233.6
25-6-1960	101.1	101.1	88.7	175.4	171.9	122.9	194.2	153.7	92.7	146.8	233.8
2-7-1960	101.2	101.0	88.3	175.8	170.3	123.2	193.2	155.5	92.1	148.9	232.8

†Average of 40 weeks.

Treasury Bills

GOVERNMENT OF INDIA TREASURY BILLS

(In lakhs of rupees)

Period	Transactions with the Public			Amt. sold by tender		Sales of Intermediate Treasury Bills	Amt. discharged	Sold in favour of Reserve Bank	Total Amount outstanding*
	Amt. offered	Amt. tendered	Total Sales (4+5+6)	Against maturing Treasury Bills	Against Cash				
..	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951-52 ..	—	—	—	—	—		—	1,335,50	314,34
1952-53 ..	42,00	65,60	42,00	1,17	40,83		30,00	1.233,09	315,29
1953-54 ..	56,50	91,38	56,50	3,46	53,04		56,50	1,309,06	334,95
1954-55 ..	23,50	37,97	23,50	38	23,12		23,50	1,523,81	471,87
1955-56 ..	55,50	86,25	55,50	2,60	52,91		54,50	1,994,09	595,25
1956-57 ..	1,00	1,03	1,00	—	1,00		14,00	2,737,58	835,70
1957-58 ..	—	—	—	—	—		—	4,236,65	1,295,12
1958-59 ..	81,00	122,06	86,79	4,01	76,99	5,79	61,29	4,644,56	1,225,32
1959-60 ..	102,00	122,40	139,25	32	101,68	37,25	138,52	5,011,87	1,297,60
Jan. 1959 ..	9,00	9,20	9,00	—	9,00	—	9,00	718,20	1,183,54
Feb. ,, ..	8,00	10,99	8,50	1,96	6,04	50	19,64	106,94	1,172,86
March ,, ..	8,00	8,10	8,00	—	8,00	—	9,65	383,69	1,225,32
April ,, ..	8,00	8,00	8,00	—	8,00	—	7,00	490,91	1,273,62
May ,, ..	10,00	10,85	10,00	—	10,00	—	10,50	417.28	1,317,88
June ,, ..	8,00	9,33	8,24	—	8,00	24	8,00	396,28	1,330,71
July ,, ..	9,00	13,90	18,20	—	9,00	9,20	10,00	726,44	1,305,32
August ,, ..	8,00	9,05	10,36	—	8,00	2,36	8,00	241,38	1,330,28
Sept. ,, ..	9,00	10,19	14,14	—	9,00	5,14	8,24	329,97	1,325,14
Oct. ,, ..	10,00	13,66	20,30	—	10,00	10,30	18,20	666.92	1,283,08
Nov. ,, ..	8,00	14,95	15,50	—	8,00	7,50	10,36	273,40	1,320,23
Dec. ,, ..	8,00	8,40	8,28	32	7,68	28	16,14	193,92	1,176,13
Jan. 1960 ..	8,00	8,07	10,06	—	8,00	2,06	18,30	727,72	1,228,87
Feb. ,, ..	8,00	8,00	8,12	—	8,00	12	15,50	247,42	1,195,51
March ,, ..	8,00	8,00	8,05	—	8,00	5	8,28	300.24	1,297,60
April ,, ..	10,00	10,79	12,01	—	10,00	2,01	10,06	696,24	1,262,08
May ,, ..	8,00	9,12	9,30	—	8,00	1,30	8,00	277,72	1,293,56

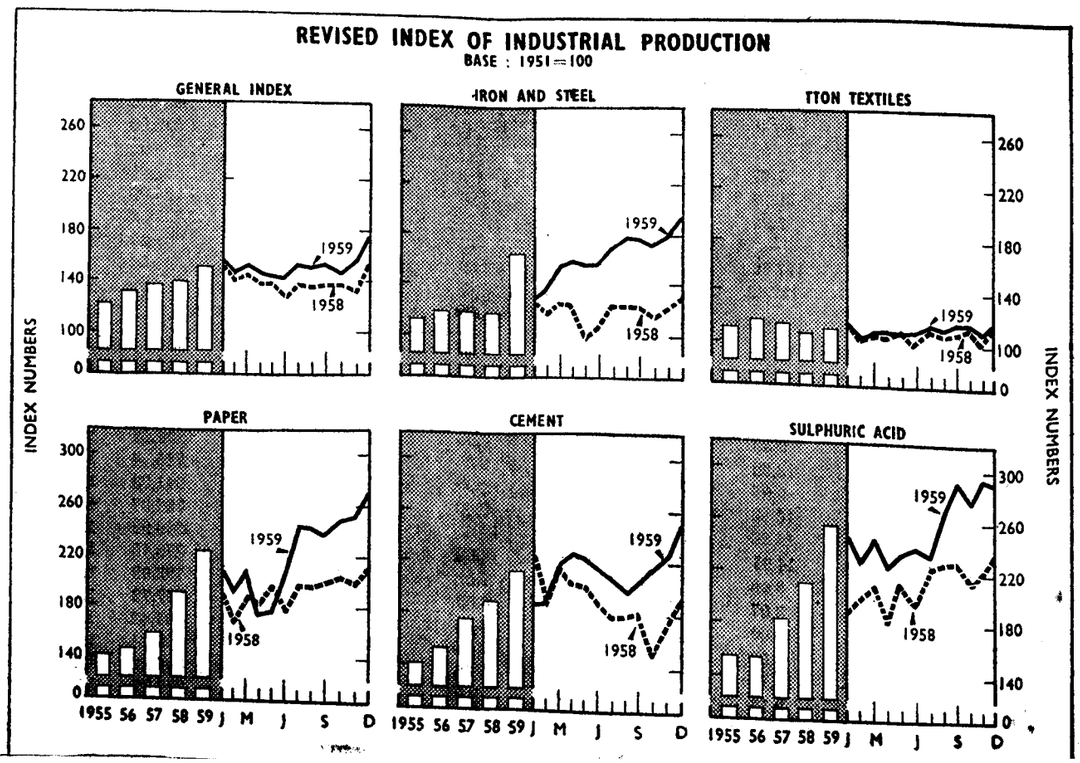
* At the end of the period.

THE REVISED INDEX OF INDUSTRIAL PRODUCTION

(Base 1951 = 100)

Year and month	Index General	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen.* Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1952 ...	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.5
1953 ...	105.6	104.5	109.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.9	115.8	96.7	113.1
1954 ...	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.0	127.0
1955 ...	122.4	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	106.2	144.5
1956 ...	132.6	114.9	117.5	122.0	115.2	127.3	171.1	154.2	119.4	218.1	146.6	166.5	106.0	164.1
1957 ...	137.3	126.8	115.6	127.5	109.7	120.5	181.3	175.3	119.3	241.3	159.3	185.5	106.9	184.9
1958 ...	139.7	132.2	108.9	123.1	101.8	123.9	206.2	189.9	119.1	254.1	191.8	175.5	113.8	209.0
1959 ..	151.0	137.1	111.5	128.2	103.1	125.4	214.3	213.6	163.1	282.6	222.9	186.8	112.6	248.5
August 1958 ..	135.3	123.8	108.7	124.2	100.9	119.9	206.8	179.3	121.9	248.7	195.1	7.8	199.0	212.7
September ...	137.9	134.6	110.2	126.5	102.1	122.8	211.0	181.4	120.8	252.9	199.9	11.4	191.6	215 3
October ...	137.5	131.1	113.4	129.7	105.3	115.1	218.6	154.4	116.9	240.3	204.4	19.4	225.2	219.2
November ...	132.4	129.0	101.5	117.0	93.8	122.9	207.9	171.5	122.1	249.0	199.0	96.7	133.0	209.5
December ...	155.1	145.1	117.5	135.8	108.4	136.6	222.1	196.1	131.7	291.4	210.6	382.3	42.4	229.5
January 1959	155.7	142.9	114.8	131.9	106.3	129.3	220.4	187.6	130.3	265.3	207.7	478.6	19.7	236.8
February ...	145.8	137.8	104.7	120.7	96.7	119.7	211.3	188.1	135.1	250.7	191.0	442.6	17.0	220.1
March ...	151.2	138.3	109.2	126.3	100.7	120.4	218.8	219.8	154.3	264.6	210.9	394.5	19.5	239.9
April ...	145.2	139.3	109.3	125.0	101.5	122.0	195.7	226.1	158.0	294.6	173.9	187.6	56.1	241.1
May ...	143.3	140.4	108.6	123.5	101.1	126.0	229.0	222.6	154.5	279.5	177.7	34.8	109.4	254.3
June ...	142.2	133.4	108.7	122.7	101.8	120.3	223.9	215.0	155.1	271.9	206.0	0.2	140.1	245.9
July ...	153.9	135.0	115.3	131.6	107.1	129.7	236.9	207.7	168.5	293.7	245.9	4.8	184.0	256.2
August ...	150.8	131.2	111.5	128.2	103.1	124.2	230.0	197.8	179.2	288.1	242.1	10.0	207.6	254.8
September ...	153.1	137.7	114.6	131.7	106.1	130.3	230.4	206.8	176.3	292.2	239.5	11.1	213.4	253.4
October ..	146.5	126.2	114.3	131.1	106.0	123.6	236.3	215.0	172.0	242.4	248.1	21.5	201.9	259.4
November ..	155.1	132.5	107.6	126.4	98.2	123.9	232.2	226.7	178.0	309.8	252.2	193.0	136.8	253.1
December ..	175.0	150.2	119.0	139.3	108.8	132.4	247.7	250.2	196.6	342.7	273.8	463.7	47.1	266.6
January 1960 —	169.6	144.0	114.2	131.8	105.4	123.7	240.3	244.0	204.0	205.1	287.2	536.4	19.8	265.8
Feb. „ ..	168.1	150.3	111.1	128.3	102.5	123.5	—	222.0	192.6	—	255.1	509.7	16.8	256.5

* General Engineering including Electrical Engineering. **Source:** Directorate of Industrial Statistics, Calcutta.





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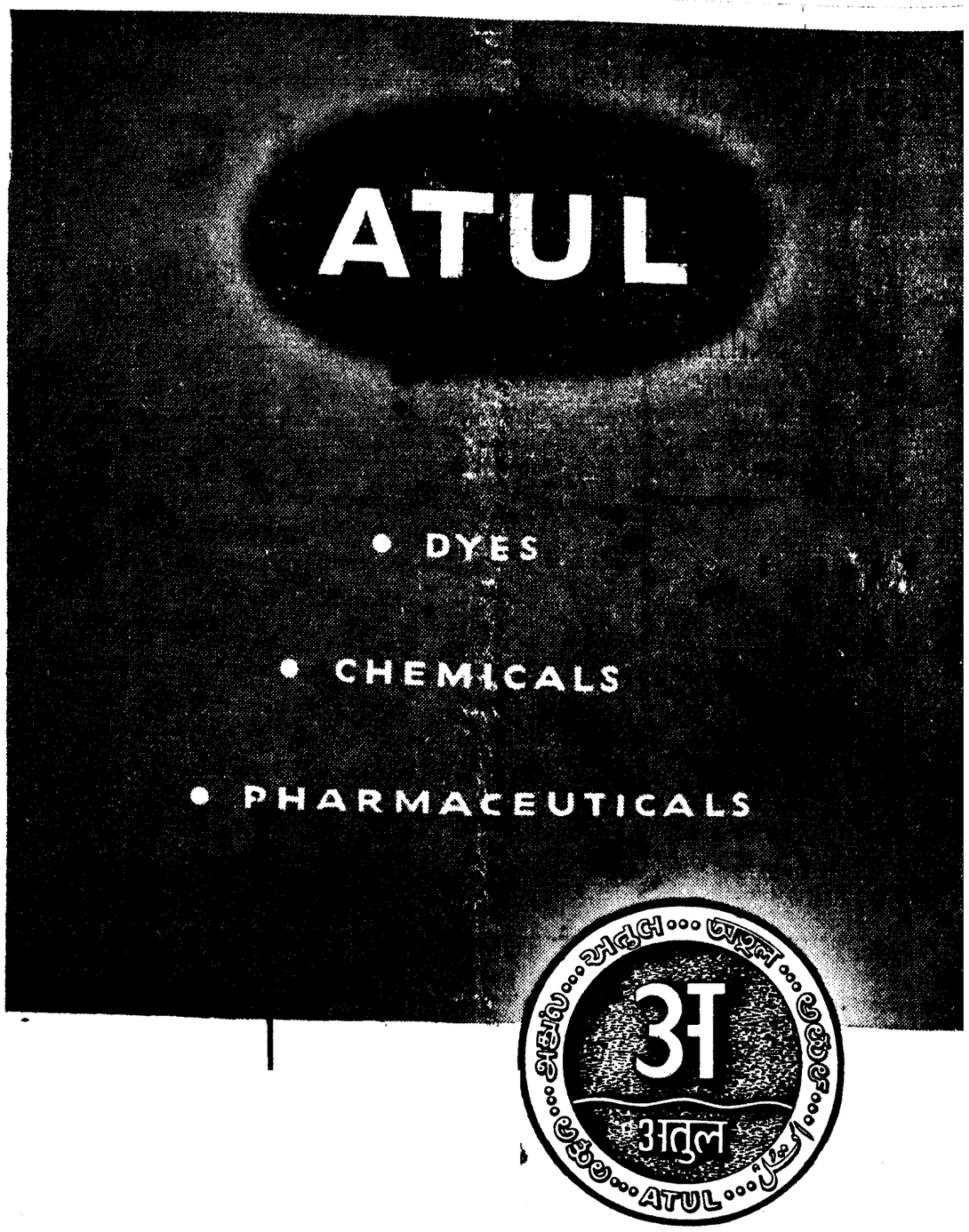
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After the Storm

THE strike of Central Government employees was called off dramatically at midnight last Saturday. It had lasted exactly five days and, it is believed to have cost the country Rs. 25 crores in loss of production and additional expenditure. It has cost about 3,000 Central Government employees their jobs, and it has involved some hundreds of cases in law courts, and some thousands in departmental enquiries. Everyone has lost and no one has gained unless it be in terms of prestige—that great intangible which, in the Indian Union, as elsewhere in the East, is a great maker of destiny. Certainly, the stature of the Congress organisation, and in particular of the Central Government, has reached an all-time peak. By contrast, the Praja Socialist and the Communist Parties have sunk even lower in public estimation, and thus the monolithic character of the Indian State has been further emphasized. Whether this is a good or a bad thing the future will need to decide in terms of the coming Congress leadership. For the moment the country will heave a sigh of relief that there is a strong Government even if it is monolithic.

Much of the discussion following the strike has been concerned with problems of discipline. Practically everyone who is responsible has expressed the hope that the will of the Government exhibited during the period of strike will carry over and maintain discipline in the execution of the projects of the Plans. The anxiety to be

lenient can easily be overdone. The idea that those who went on strike can be forgiven by a mere act of regret is bad both for the strikers and for the country, since it will breed irresponsibility in that the consequences of highly anti-national action will not be brought home to those who err. On the whole, the Government's proposals, which seek to maintain action against all those guilty of violence and against those who have taken a leading part in the strike but to review cases where moderately good excuses can be found for absence, are fairly sound. But one can only wonder how the leaders of the strike, particularly Mr. S. M. Joshi, Mr. Peter Alvares and Mr. Nath Pai, have got off so lightly. It is obviously here that leniency has been misdirected. These leaders, whose vanity and irresponsibility were huge, should never have been allowed to escape without prosecution.

For the future, the country needs to consider not merely the need for strong Government, but the need for wisdom in the execution of wage policies. For this purpose, the long debate, which is now arising, as to the progress towards a "needs" norm and holding the price line, or in the alternative an assurance in regard to the order of uncompensated rises needs to be driven to a rapid conclusion. It is probable bad public relations was an important factor in the timing of the strike, but bad public relations cannot bear the brunt of the blame. Surely, grievances spring from much deeper causes than the absence of goodwill.

All in all, a pretty collection of problems lies before the Government and the country as a result of the experience of the last unhappy week. But at least the problems are not new; they have risen to the surface by the force of events which, rightly understood and rightly treated, might be deemed to contain winds of a good augury. The country has now come face to face with itself and with challenges on its character and energy which the future will soon exhibit in full measure. If we can carry over first to a full year, and then to five, the power of decision and organisation exhibited in the last week, there is no limit to the hurdles which cannot, in time, be overcome.

The Concentration of Power in Trade Unions

THE Prime Minister was not indulging in rhetoric when he told the Congress Parliamentary Party meeting on the eve of the strike that it was a "civilian rebellion" and "if it succeeds, the Government goes." It was a measure of the great concentration of power in the trade unions, which, in the name of fighting for a trade union objective, posed a challenge to the civilian authority established by constitutional means. This is a portent whose warning cannot be missed and unless a searching analysis is made of this whole phenomenon and adequate steps taken to forestall it, there is no knowing when it will again rear its ugly head, thereby setting at nought not only the development programmes of this country, but the very future of the democratic framework and its ordered progress.

It is a fallacy to believe that the ultimate weapon of the trade union official is the strike. The ultimate weapon is coercion. Acts of sabotage, which fortunately were few and far between during the strike, were its most dangerous symptoms. Nobody would deny that in the imperfect labour market of today, labour can assert itself against the employer only with collective bargaining made possible by the trade unions. The essence of collective bargaining lies in the resolution of conflicting views into a workable compromise, with the power of the two parties in relative balance. What are the permissible limits of union action and how should workers' organisations develop so that collective bargaining may acquire its legitimate place in industrial relations? These are issues to be squarely faced.

According to the 1951 census, organised industrial labour constitutes only about 6 million of the total working force of about 142 million. Of the 6 million, the effective subscription-paying membership of trade unions is just between 2 and 2½ million. In spite of the fact that it is numerically small, the trade union movement has grown into powerful dimensions because of three principal reasons. Firstly, it is concentrated in cities and urban areas and, therefore, can be mobilised more easily to take on an aggressive form. Secondly, it is concentrated in the key sectors of the economy like transport and industry and thirdly, its growth was throughout taken care of by political parties who conceived it as part of an essential element for buttressing their own evolution. Thus it has come about that political parties proclaiming different ideologies have parcelled out among themselves the organised labour force.

This last aspect is particularly important because it is germane to a consideration of the power of the trade unions. The central fact of trade union organisation today in this country is the supply of outside leadership which takes two different forms to make it effective. One is the executive offices in the unions are occupied by men who do not belong to it. The other is the influence the political parties wield directly at the level of policy-making in the unions. The result is often issues relating to industrial relations are not considered on merits but on considerations of political strategy for feathering the nests of political parties. It also happens that union officials sometimes pursue their own political interests that may even be opposed to the interests of the members. Last week's strike was proof of this tendency and it was patent that the Joint Council of Action did not advance the well-being of those whom it was supposed to represent by the course it adopted.

It has been a fashionable slogan to proclaim the concentration of economic power in management as an endemic danger in the capitalist system. In his book on American Capitalism written as early as 1952, Prof. J. K. Galbraith examined this problem and pointed out how in the United States, with the widespread disappearance of competition, new restraints on private power appeared in what he termed "countervailing power". The operation of the countervailing power has kept managerial excesses in check. But class consciousness has meant that labour is much less divided amongst itself and there are no countervailing checks in trade unionism as now practised.

In India, emphasis has generally been on the concentration of power in management and the need for breaking it. Government's intervention by way of statutory regulations governing industrial labour has all along been pervaded by a sense of 'social justice'. Nobody imagined the potential mischief of the concentration of power in irresponsible trade unions. This was revealed in all its nakedness during the last strike. It is also doubtful whether the present outside leadership of trade unions will restrain intemperate unions. The concentration of power can be minimised only if the outside leadership is curbed by statutory control on union excesses. Then only will the present angry and militant mood of the trade unions lead to a moderation of purpose which will engender the feeling that it is better to negotiate and get something than to strike and lose all.

Oil Prices

OIL has captured the spotlight again and this is not in the least surprising because, for a considerable time past the problem of procuring oil supplies in the face of stringent foreign exchange shortages has been engaging the anxious attention of the Government. Expansion of petroleum production capacity at home is limited partly by the results of the exploration activity undertaken in the recent past. The Draft Outline of the Third Plan has placed installed capacity in March 1966, including that of the two refineries in the public sector at Nunmati and Barauni, at 8 million tons in terms of crude oil. Production has been estimated at 7.4 million tons in terms of petroleum products. As against this, the Ministry of Mines and Oil has placed overall consumption requirements at the end of the Third Plan at 14 million tons per annum. This would mean that imports will rise progressively, reaching the level of 6.6 million tons in the final year. Any estimate of foreign exchange involved in it is a pure academic exercise because whether the target will be pitched at 14 million tons or below is uncertain. This is the meaning of the Planning Commission's silence in the Draft Outline on this crucial point.

At the present time there is one happy circumstance which indicates that India's problem may be eased partially. There is an excess of oil supplies leading to a glut in the world markets. The major limiting factor on the capacity of many importing countries, like India, to buy from abroad all the requirements is their foreign exchange position. To them the pressure of excess supply is a boon; it has brought about a decline in the prices of both crude and petroleum products. Burmah-Shell has announced a reduction of 7.5 per cent in the cost of the crude which it will import for its refinery and Stanvac soon after declared that it had similarly negotiated a reduction in the cost of its crude oil which works marginally higher than Burmah-Shell's. No changes in ex-refinery prices to the distributing companies are contemplated. The refineries are prepared to pass on the total saving to the Government as has been the case with the reductions in their retail prices. Caltex will necessarily soon follow suit. While it is undoubtedly true that the world perspective has influenced this reduction, the timing of its announcement is not unconnected with another important development.

This is the conclusion of an agreement between the Governments of the USSR and India for the purchase by the latter of oil products from the former. The full terms of the agreement are not yet known, but during the next 3½ years India will receive supplies of petroleum products to the tune of 1.5 million tons. The prices of these products are stated to be considerably below global prices and furthermore payment is to be made in non-convertible rupees. The gain on these two counts is impressive.

There is an offer from the USSR of supply of crude oil to India. But it does not form any part of the agreement signed recently. There are some, but perhaps exaggerated, advantages in Russian crude on the scores of price and mode of payment. But there are also inconveniences of possible unbalanced trade and, further, the political uncertainties involved should not be ignored. Since the capacity of the two projected refineries at Nunmati and Barauni will be fully occupied by indigenous crude, it will be open to us to import Russian crude only if there is a prior understanding with the three foreign refineries that they will use it in part substitution of their conventional imports from the Middle East. Such an understanding would go to relieve the strain on India's balance of payments. Until the present moment, the oil companies have been unwilling to process Russian crude.

This, however, is a complex question into which various considerations enter. And in any event its political overtones are sufficiently powerful. The refineries appear to have explained their position in the long-term perspective. Their commitments over time with the supplying areas in the Middle East are based on firm minimum prices. These can be varied only with the consent of the ruling authorities who are understandably averse to forgoing their assured royalties—the mainstay of their external payments.

Quite apart from these factors, that there will be a continuity of supplies of crude from the USSR need not necessarily be taken for granted. Out of its total exports last year of about 24 million tons of crude and processed products, two-thirds entered the non-Communist world accounting for a share of a mere 3 per cent or less in its export market. This fractional share is unlikely to increase rapidly in the near future. India could not tie herself permanently to a source of crude which is at least 1,000 miles further away than the Persian Gulf and the supply line for which has to pass through highly vulnerable strategic areas such as the Dardanelles and the Suez Canal. In addition, it is unlikely that India would wish to antagonize the Arab States by depriving them of this increasingly important outlet for their crude.

The agreements with the three refineries stipulate that, without prejudice to their right to fix the prices of their products in parity with or below prices of imported products, any proposed changes in prices should be made after consultation with the Government of India. This stipulation has provided ample scope for mutual understanding based on a spirit of accommodation. The Government of India has succeeded in persuading the distributing companies to reduce the prices of their products. Mr. K. D. Malaviya has stated that the prices of Russian petroleum products are highly competitive, but how high has been naturally not disclosed while consultation on price changes with the refineries is in sight. It would be wisdom, in view of the large political implications involved, to keep both sources of supply in competition on terms which would bring a gain to the national interest. This implies, without doubt, the honouring of agreements already signed.

A DELHI DIARY

TO ERR IS HUMAN

I DEALT last week with erring astrologers. I have decided this week to comment on a genus of the same species, though they are often called social scientists, and carry remarkable prestige in our modern pseudo-scientific society. They predict "correct" courses of action, without consulting the stars, though they are often starry-eyed. A great debate has been going on in Delhi as to whether or not the "proper" course after the strike is to be firm and unrelenting or to be gentle and mild. Mr. Asoka Mehta, who has been very much in evidence in the week, moving from one Minister to another (and surrounded not a little by anxious and admiring Pressmen) has been unfolding the doctrine that the best way in which to heal the wounds of war is to be generous. This is sound practice at the end of a killing war. But I wonder whether the quality of mercy is not strained when it is applied indiscriminately in peace time.

SOCIAL SCIENTISTS

Social scientists of a different category argue—in my own opinion, rightly—that whereas in peace, following war, the "prevailing" philosophy changes and mercy is appropriate to peace as killing was to war, this cannot apply to internal revolt. If the bulwarks of a society are maintained by the Rule of Law—in the piping times of peace—anything which undermines the respect for law cannot be extolled. The "prevailing" philosophy does not change because of a strike; for strikes are, or should be, consistent with the Rule of Law. I think it should be driven into the minds of all law breakers that, irrespective of the nature of the constitutional authority that has enacted a Law, obedience to the law is a continuous duty. The analogy to generosity, when the ruling tenets of a society have changed after war, is a totally misleading one. In this particular case the Government of India, after much deliberation, has decided on categories, and I was sorely tempted to expect something like our Industrial Policy Resolution when I was told of the three categories which had been chosen. (Happily these categories do not have the same chilly note that appears in Industrial Policy Resolutions). But why must we continue to talk about categories instead of classes? Perhaps in the Socialist Pattern of Society it is unprogressive to have classes whereas it is progressive—very progressive—to have categories. It is also very progressive to be wishy-washy after a strike; for to err is human, to forgive Divine. There is much room here for that other brand of the social scientist called the social psychologist who thinks we must avoid group tyranny. I can make nothing of it all; can you?

IT WAS A GLORIOUS VICTORY

Consider, for example, Mr. Nath Pai's cryptic remark on emergence from prison that this strike constituted "an epic fight" and such epic fights cannot be in vain. The epic quality cannot, of course, be measured by duration or endurance; but will the aforesaid social scientists agree that Mr. Nath Pai must be speaking with his tongue in his cheek? One comment was to the effect that there was plenty of cheek!

The strike as a whole has been a good instrument of diagnosis of what is wrong with the political anatomy of the nation; perhaps a stethoscope applied to its heart. The beat is sound enough and one of the great surprises has been the remarkable performance of the Indian Territorial Army which many of us have been inclined not to take too seriously. Over the whole of India, except West Bengal, the Territorial Army stayed as firm as a rock; in the conflict of loyalties between trade unionism and the national discipline, national discipline seems to have come out very well particularly on the Railways. In West Bengal where the defection figure cannot be deemed very high, it was still equal to that over the whole of the rest of India. It is clear that something drastic has to be done in regard to defections in the Territorial Army and I hope my friends who are advocating meek and mild policies would not suggest that even in cases of failure of military discipline, the blind eye — or to use a better metaphor, the Nelson touch — is to be applied. Nothing would be more disastrous than to suggest that defections in the Territorial Army are similar to lapses from civilian duties. It is sincerely to be hoped that the military authorities will under no circumstances take a lenient view of the few failures that there have been.

Not much below the display of national discipline in the Territorial Army comes the extraordinary cohesion of public sentiment, and the willingness of a large number of people to face even personal danger in order to deliver mail or to carry out various duties which might be construed as strike breaking. The case of the millionaire in Jodhpur who delivered mail in a magnificent (Cadillac?) car, is, of course, an exception. Much the greater portion of the solid work was done by people who might easily have incurred personal risks to themselves or to members of their families. Last, but perhaps not least, one must record that the sensitive instrument of the stock exchanges refused from the very first day to be depressed, and, I am told, that it continues to bull now without understanding exactly why it is in this remarkably cheerful mood. It is conceivable that, since the Government has had a taste of the medicine it so often gives to the private sector, private industrialists are feeling that, for some time, Mr. Gulzari Lal Nanda need not weigh heavily on their minds. Thus has a new personal equation entered into the heart of the Indian business. But has Mr. Nanda also had a change of heart?

MRS. SIRIMAVO BANDARANAIKE

I have just time joyfully to record, with a genuine display of romantic gallantry, the arrival of the first woman Prime Minister of the world, Mrs. Sirimavo Bandaranaike. She was sworn in as the Prime Minister of Ceylon at 1-30 p.m. on Thursday amidst rejoicings which, I suppose, are both tributes to her husband and to womanhood in general. Perhaps her arrival as Prime Minister will be reckoned a spiritual return of Mr. Solomon Bandaranaike, who thus obtains continuity of residence in Rosmead Place, the residence of the Prime Ministers of Ceylon. I see that the Praja Socialist Party in India, much in need of encouragement at this time, has hailed her victory as its own. Thus is a new world abroad being called in to redress the balance at home. Only it is not Mr. Canning that is calling in the new world to redress the balance of the old, but Mr. Asoka Mehta. Has the balance been truly redressed?

MIRANDA HOUSE

In Delhi too, the fair sex has had its due share of attention. There is tension, and not for the first time, in Miranda House, a girls' college in Delhi University. On Tuesday, 200 girls seem to have broken the lock of the gate which was duly designed to restrict their movements to a Coffee House which exists in the neighbourhood. Constables — of both sexes — have been seen both inside and outside the College gates. Meanwhile, behind closed doors what are described as "agitated" discussions are proceeding, and it is greatly to be feared that attention to academic work will descend as much as the other agitation rises: the breakeven point has been passed, and a breaking point is soon to be reached. But here, happily, one can recall that, except possibly for some gallant gentlemen in the Coffee House who seem to exhibit remote control over inmates of Miranda House, the hand of man has been conspicuous by its absence!

ARGUS

THE WEEK'S NOTES

Second Plan

TARGETS AND ACHIEVEMENTS

THE PROGRESS REPORT of the Second Five-Year Plan, issued covering the first three years of the Plan is a revealing document. It shows that Rs. 2,519 crores or over 55 per cent of the revised outlay of Rs. 4,500 crores have been spent during the first three years. The following table gives the breakdown of the expenditure under different heads and also the targeted outlay.

(Rs. crores)

Head of Development	Revised Total Outlay	Expenditure 1956-59	Percentage of (2) to (1)
I. Agriculture and Community Development	510.0	264.0	51.76
II. Irrigation & Power ..	820.0	488.2	59.54
III. Industry & Mining ..	950.0	588.1	61.91
IV. Transport & Communications	1,340.0	788.1	58.81
V. Social Services ..	810.0	338.3	41.77
VI. Miscellaneous	70.0	52.3	74.71
TOTAL	4,500.0	2,519.0	55.98

It can be seen from here that in the sector of industry and mining, a relatively higher rate of progress of expenditure was recorded. This was mainly due to the successful implementation of the several of the Central sector projects. Next comes Irrigation and Power to be followed by Transport and Communications and Agriculture and Community Development.

What is, however, of interest is the progress made in the fulfilment of the physical targets. Except in Agriculture, one finds that the achievements in the other sectors during the three years have been very substantial. In foodgrains, as against the additional target of 15 million tons for the Plan period, achievement was only of the order of 7.7 million tons in 1958-59, which comes to just about 50 per cent. On the other hand, in irrigation, against the target of 10.2 million tons of irrigation potential to be created, achievement was nearly 7.2 million tons or about 75 per cent. In industry, by the end of 1958-59 a total expenditure of Rs. 455 crores had been incurred, being about two-thirds of the revised Plan outlay and it is estimated that at the end of the Plan period, the entire Plan outlay will be fulfilled. In the private sector, the progress of industry had been phenomenal and the table given in the Report indicating the targets and achievements shows that in many items, the targets have been very nearly reached. Similar is the story in respect of social services like education and health. For example, under education, it is shown, that nearly 91 per cent of the target in respect of schooling facilities for children of the age group 6—11 has been reached. Based on these figures, it is difficult to resist the conclusion that even with a reduced outlay, most of the targets in the Second Plan will be reached if the progress made in the first three years are any indication. This is indeed heartening just when the Draft of the Third Plan has been published.

U.S. Presidency

MR. KENNEDY'S NOMINATION

THE DEMOCRATIC CONVENTION, which met at Los Angeles, last week has finally put the seal on speculations as to who is to be its nominee for the US Presidency. The young and handsome Senator Kennedy (43) (who according to reports looks much younger) has won by a sizeable margin over all the three other contestants, Senator Lyndon Johnson, Mr. Adlai Stevenson and Senator Stuart Symington. Apart from his youth, a major handicap of Mr. Kennedy was his religion. In 1928, Governor Al Smith was mainly defeated because of his being a Roman Catholic, but much water had evidently flowed even since and the very fact that Mr. Kennedy had turned his supposed handicap to his advantage shows how religion has ceased to be a decisive factor in American politics. Mr. Kennedy had shown how vigorous and hard a campaigner he is and by getting Senator Lyndon Johnson nominated for the Vice-Presidency, he has assured himself of the Southern votes, which might have wavered by the strong stand taken by the Party on the question of civil rights. It is taken for granted that the nominee of the Republicans at the Convention to be held next week will be Vice-President Nixon and the battle will be joined between the two for the Presidental elections to be held in November.

It is a hazardous game to indulge in speculations as to who will be in the White House next year since an election is always a tricky affair. Whether a Democrat or a Republican, the future President has to continue the programme of assistance to the underdeveloped countries that has now been accepted as US policy and of which India is a significant recipient. But with Mr. Kennedy, India stands in a special category. His interest in this country dates back to the year 1951 when he visited India as part of an Asian tour. Along with Mr. Cooper, he was responsible for the proposal made for a long-term financing of the Development Loan Fund, possibly on a five-year basis. He is also committed to a larger Fund and without the stipulation of 'tying' aid to spending in the United States. More important, he was one of those who as early as in 1954, understood the Indian policy of neutralism and never shared the feeling then prevalent that neutralism is something "mysterious or wrong." In his acceptance speech as the Democratic nominee, Mr. Kennedy said that he would demand sacrifices by the American people to repair what he termed the failures of President Eisenhower's administration. Leaving the electioneering element here, it is obvious that the Eisenhower era has now ended. Lacking the great prestige of Mr. Eisenhower (who in fact gained it outside politics) it is obvious that whether it is Mr. Nixon or Mr. Kennedy, the new President has to work from scratch and give respect to this office by asserting its importance on a more fundamental basis.

Congo

CONFUSING PICTURE

NEWS FROM the Congo, which emerged into independence only since the beginning of this month, is disquieting and not a little confusing. For instance, there is a report of a mysterious Polish ship carrying ammu-

nition heading for the Republic. At the same time, in response to the call from Prime Minister Lumumba, the U.N. has taken prompt action in sending military aid to restore law and order in the State. In the meantime, Mr Lumumba has served an ultimatum that if the Belgian troops, flown in to the Republic from Brussels, evidently to protect the lives and property of the Belgians and other Europeans, were not withdrawn immediately, he would seek the assistance of the Soviet Union.

The situation has been made more intriguing by the fact that the Belgian Foreign Minister has promised economic aid to Katanga which has declared itself independent. It is not known how the Belgian Government could have taken this decision even though it has accorded recognition to the Lumumba Government as the lawful authority in the Republic. This is also not in conformity with the intention of the Belgian Government to bring about a rapprochement between Leopoldville and Katanga. Read with the reports of the capture of the Commander-in-Chief of the Republic's armed forces by the Katanga Government, the arrival of the former Belgian Governor of Katanga at Elizabethville and the order of Katanga's Chief of the General Staff for mobilising all Belgian males between the ages of 20 and 45 to assist the authorities in maintaining the economic life of the province lend weight to the charge of Mr. Lumumba that it is Belgium that is at the bottom of the Republic's troubles. The utterances of the Prime Minister at the inauguration ceremonies of the Republic and later at the soldiers' rally were no doubt unstatesmanlike and served to cause the soldiers' mutiny, which was the starting point of its present troubles, but the recent provocative acts of the Belgian Government have only added fuel to the fire. A heavy responsibility now devolves on the U.N. force. The U.N. Secretary-General has wisely decided to keep the Big Powers out of the Congo affairs. A little more restraint on the part of Mr. Lumumba and expeditious action by the U.N. force would help to free the Republic from the hold of the Belgian troops and restore the status quo ante.

Punjab

THE UNITY FORMULA

ANY SOLUTION of the language tangle of the strategic State of Punjab, short of its vivisection, is welcome. The "unity formula" of the Punjab Chief Minister, Mr. Pratap Singh Kairon, deserves particular notice in this respect for it strikes a golden mean between the contending views expressed on the issue by the representatives of the two principal communities inhabiting the State. Though it has much in common with the Sachar formula, which has been the basis of the language policy of the State Government for the past eight years, it is a definite improvement over the latter in two respects. As such it should go a long way in restoring harmonious relations between the Sikhs and the Hindus, which have been under strain during the recent past due to the Akali Dal's demand for a separate Punjabi-speaking State.

Unlike the Sachar formula, the "unity formula" does not give even a limited option to the students in Government schools to get education in the medium of their choice. The medium of instruction at the primary stage is to be the regional language, Punjabi in Gurumukhi script in the Punjabi-speaking zone henceforth to be known as the eastern zone, and Hindi in Devanagri script in the Hindi-speaking region to be renamed as the western zone. Provision, however, will be made for the teaching of Punjabi in the western zone and Hindi in the eastern zone at the primary stage as the second language if desired by the students. From the sixth standard both Hindi and Punjabi will be taught simultaneously in both the regions. Those seeking employment in the State services will have to achieve proficiency both in Hindi and Punjabi upto the matriculation standard. This arrangement should satisfy the Akali Dal as it meets its basic demand for compulsory teaching of Punjabi in Gurumukhi script in the Punjabi-speaking areas of the State. Hindus can derive comfort from the fact that the new formula excludes from its operation all private institutions which will be allowed to impart education in the medium of their choice. This formula thus, obviously deserves a trial.

The Punjab Governor, in the meantime, has done well in promulgating an ordinance providing for deterrent punishment to persons who abuse holy places for affording protection, encouragement and financial assistance to proclaimed offenders. As the Chief Minister has pointed out, the ordinance will help in dealing effectively with the current Akali Dal agitation for carving out a Punjabi Suba from the present bilingual State of Punjab. This agitation, which has vitiated the atmosphere in this border State to not an inconsiderable extent, has been directed from Gurdwaras which by convention have come to enjoy immunity from police intervention. It is, however, hoped that there will not arise any occasion to invoke the provisions of this ordinance for a solution of the vexed language problem of the Punjab can very well be found out on the basis of the "unity formula". The misgivings entertained by some that this formula would perpetuate the present linguistic divisions and encourage separatist forces appear to be unwarranted. Time is a big healer and with the efflux of time these language bickerings can be expected to die out.

Student Indiscipline

A WELCOME STEP

THE REPORT that the proposed seventh Inter-University Youth Festival scheduled to be held in the Capital this year has been postponed is indeed welcome. It is not known whether the decision pertains to only this year or to the future also. A Committee of the University Grants Commission which went into the question of students' discipline recently drew attention to the harm caused by the so-called extra-curricular activities. The youth festival was one of these. Apart from the waste of public money involved, this has led to a considerable diversion of student energy into channels which can hardly be considered desirable. These festivals have also become a law and order problem as seen from the fact that in the last Youth Festival held at Mysore the police had to intervene very actively. The conference of Vice-Chancellors of universities, which met at Khadakvasla recently expressed the view that such festivals should not be organised on an elaborate scale as at present. It is good to note that the Government has taken the cue and has gone beyond in not recommending the holding of the Youth Festival this year, a view that has been advocated in these columns some weeks back.

SHANKAR'S CHILDREN'S ART NUMBER, 1960

THIS YEAR'S Children's Number (Price Rs. 5) which is the eleventh in the series, maintains the usual richness and variety associated with it. Here has been brought together a collection of paintings and articles adjudged as the best from the contributions of children of as many as 68 countries. In the words of Pandit Pant, who has contributed a nice foreword "it presents a fascinating world in miniature of what children see and how they see it." It is an exquisite piece of production whose perusal will be rewarding as much to the children as to the grown-ups.

A Window on the World

HOW MUCH DO YOU SPEND ON TAIL-FINS?

By

ODYSSEUS

WE HIGHBROWS, who read the "Eastern Economist," suffer from a weakness against which we ought consciously to be forever on guard. Every day we see masses of ordinary mortals, not endowed with our heaven-born intelligence quotients, doing things which are not in their interests: they allow themselves to be bribed by the electoral promises of politicians; they spend too much money on drink and not enough on the education of their children, and so on. We are therefore tempted to say that the Government should do something about it; that there ought to be a law to prevent people from behaving in ways which we believe to be misguided. Politically this lends to dictatorship, as I tried to show in four articles, entitled "What Is Liberty?" published here between February 12 and March 11 of this year. But while many would accept that political freedom is precious, economic freedom is often regarded as suspect.

Mr J. K. Galbraith's "Affluent Society" (H. Mamilton. London. 1958. 21 sh.) has given new encouragement to those who think that, left to himself in a society geared to produce for profit, the individual will waste his money on needless luxuries and will not spend enough on education, health, and other public services. Mr. R. H. S. Crossman in his new Fabian pamphlet, 'Labour in the Affluent Society," says that in military power, industrial development, education, and everything else, the U.S.S.R.'s planned Socialist economy will leave the free enterprise democracies of the West behind.

The high priests of the Affluent Society doctrine cite innumerable examples of private extravagance: they have chosen the decorative tail-fins on U.S. cars as the ultimate symbol of private waste. But I have yet to see them cite examples of public waste. They never mention the stock-piling of wheat in which the U.S. Government indulges. U.S. taxpayers have paid more than $3,000,000,000 towards this Government enterprise. Left to the play of a free, profit-making market, this formidable sum of three thousand million dollars would have been diverted to other purposes; the U.S. standard of living would have been that much higher.

The idea that the moment a private citizen is taken into Government service and made a member of some departmental committee in charge of some "public interest," he sheds all human weaknesses and becomes endowed with heaven-born intelligence, unselfishness, and freedom from error, is the monumental myth of our time.

THE BRITISH GROUND NUTS FIASCO

Let us pause for a moment in pious remembrance of the great British Ground Nuts Plan launched in 1947 to provide the U.K. with ample supplies of margarine, oils, and fats. Britain's Socialist planners decided to spend £25,000,000 to clear 3,500,000 acres in Tanganyike over a period of six years. But by the spring of 1949, with one-third of the allotted time gone, £20,000,000 had been spent and only 30,000 acres were in production! By 1950, the planners had to recognise that mechanised production on the scale envisaged was uneconomic because the rainfall and soil-compaction made cultivation and cropping impractical, so they scaled the scheme down from the original 3,500,000 acres to a modest 12,000 acres, which, by then, amounted to a capital investment of over £2,000,000 per acre! (I wonder if General Motors would care to work out for me how many decorative tail-fins could be put on to how many cars for £2,000,000). So much for the infallibility of the private citizen who forsakes the profit motive in order to take his place on a departmental committee dedicated to the public interest.

But the most persistently quoted example of the alleged contrast between selfish private affluence and public squalor is the U.S. school system. We are told that while the American people lounge around in 'mauve and cerise, air-conditioned, power-steered and power-braked cars, their children's schools are old and over-crowded." The charge is that the States and local communities have failed in their responsibilities. The only hope, say the critics, is federal expenditure, with some proposals running to $4,000,000,000 a year

The truth is that no country approaches U.S. expenditure on education. Total public and private expenditures in 1959 reached $22,000,000,000—almost thrice the total in 1949.

Now, it so happens that owing to the peripatetic career that I have followed, my children have been to school in India, the U.S.A., and the U.K. In the U.S.A., they attended a private school in Washington D.C. and later a State school in a small Connecticut town. I myself lectured in many U.S. universities, both State and private, and Princeton university was good enough to employ me to teach. Personal experience leads me to agree with those American educators who say that the average standard of U.S. education is substantially below that of the U.K. and of leading European countries.

For two reasons. First, where virtually the whole teen age population of a country the size of the U.S.A. is expected to attend high school, and a large proportion of high school leavers are expected to go on to a university, the pace is set by the slowest intelligence. Before 1870, in which year the movement for universal education began in the U.S.A., no American was compelled to stay in high school if he could not, or did not wish to, work. But today's high school must find a place for every grade of student whatever his hopes, intelligence, or, maybe, total indifference to higher education. One of the causes of the serious increase in juvenile delinquency in the U.S.A. has been the compulsory attendance in high schools of masses of adolescents who have no interest in learning. They are compelled to remain children when they would clearly prefer to go out into the world. By earning their living, they would develop interests and an aim in life. They would become adults by taking up adult responsibilities.

The increase in juvenile delinquency in post-war Britain springs in part from raising the age of compulsory attendance to 15. The Government is now committed to raising it to 16. This will lead to an astronomical increase in public expenditure (a) on education, and (b) on police, the administration of juvenile justice, and the building of reformatory schools for delinquents.

EDUCATIONAL TAIL-FINS

Secondly, I agree with those Americans who suggest that the trouble with U.S. education—at any rate in the State-run schools and universities—is that they have far too much public money to spend. What is important is not the possession of the world's finest

buildings and equipment but whether they are used efficiently. Parents who have to pay for their children's education insist on receiving value for money. A private school survives on its scholastic reputation. If the majority of State secondary schools in any country were abolished, a mass of money at present wastefully spent would be released and taxpayers would be able to afford to send their children to efficient schools. Under the present system, Welfare taxes in most countries are so high that people have to make do with the public services available. They cannot afford anything better.

Before universal compulsory high school education, U.S. standards were as high as any in the world. This was because a minority, intellectually equipped to learn, were eager to learn. Today, faced with the problem of teaching masses of unteachables, the U.S.A. has come to believe that the solution is to pour money into buildings and equipment and to substitute what are called "life adjustment courses" for subjects that require genuine intellectual effort. As Dr. Grayson Kirk, President of Columbia University, said this year: "Our public schools, and far too many of our colleges, have virtually abdicated their functions because they are content to give their students little more than an opportunity to have pleasurable social experiences."

In short, because a number of well-meaning highbrows insisted on initiating universal compulsory education in the U.S.A. up to the end of high school, and thereafter enabling hundreds of thousands to go on to college, who were intellectually unfitted to benefit by a university education, the standard of education in the U.S.A. has been lowered—to the detriment of the minority capable of achieving high levels—a huge problem of juvenile delinquency has been created, and billions of dollars wasted.

As I said here on March 11, all history shows that we face choices between ends equally ultimate, the realisation of some of which necessitates the sacrifice of others. This is why men value so highly the freedom to choose. The aims of men are many. Not all are compatible. Conflicts can never be wholly eliminated within a nation, or between nations. The need to choose between absolute claims is unavoidable, and it is this need which gives freedom its value as an end in itself.

I don't say that individual freedom is the sole criterion. The extent of a man's liberty to choose must be weighed against many other values, of which equality, justice, happiness, security, or public order are some examples. We cannot have everything. Those who believe in individual freedom have a hard task, but they uphold a more humane ideal than those who seek to compel men to be free in accordance with "absolute truths," held to be "in the best interests of the public" by all-wise civil servants and politicians who do not understand that the quickest way in which to teach the people where the public interest lies is to create conditions in which the profit motive works. Think of the mountains of public money lost in British ground nuts, subsidised U.S. wheat, and in teaching unteachables in compulsory secondary education. (Primary education is a different matter—virtually everyone can be taught reading, writing, and arithmetic.)

POPULATION REVIEW

A JOURNAL OF ASIAN DEMOGRAPHY

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The European Scene

ELECTING THE PARLIAMENT OF EUROPE

From Our Special West European Correspondent

PARIS, July 18.

THE movement in favour of European elections in 1962 or 1963 is gathering momentum, and politicians here—even those who do not belong to the clan of United-Europe visionaries—now think that it is very probable that they will be held. That is to say, on the same day in all six countries that belong to the Common Market, deputies will be elected by universal suffrage to constitute a Parliament of Europe. This is no longer a mere suggestion or pious wish, because the already existing European Parliamentary Assembly which meets in Strasbourg has drafted a treaty to be submitted to the six national parliaments for ratification, which calls for its own re-election by universal suffrage. That Assembly at present consists of 142 deputies nominated by the national parliaments, each nation's delegation representing the national parties **pro rata**. Therefore, the Strasbourg deputies obviously have a pretty shrewd idea of the chances of getting their draft treaty ratified by the parliaments that nominated them. In making this move, they are simply exercising powers given them by the treaties establishing Euratom, the Coal and Steel Pool, and the Common Market, all of which allow the Strasbourg Assembly to arrange its own re-election by popular vote. Those **treaties, having been ratified** by the national parliaments, are positive law in the six countries. Thus, with this plan, we leave the realm of wishful thinking and utopian entreaty and enter the domain of cautious juridical progress toward a supra-national European body.

That point must be noted. European political unity has been dreamed of for so many centuries that most people, even Europeans, regard it as a chimera—despite the fact that the slow and irreversible movement toward unification is going on before their eyes. No one will have forgotten the scepticism that greeted the Rome Treaty setting up the Common Market, and yet today that institution is emerging as a reality, and neighbouring governments that took it for another European-Unity chimera like the "European Army" are now paying the price of their incredulity. The idea of a Parliament of Europe also sounds like a dream, but only because it has long been dreamed of; it would be simple prudence to take serious account of the possibility that tomorrow it might be reality. Besides, one does not have to be a Marxist exponent of the economic interpretation of history to see that the integration now being achieved at the economic level in West Europe must inevitably have a reflection and expression at the level of political institutions.

Indeed, as the Common Market gathers pace, a European Parliament becomes a necessity. Firstly, because the Common Market entails discrimination against the trade of non-members, and those non-members will not suffer that loss merely for the sake of a six-nation commercial club or economic bloc. On the other hand, if the six nations prove, by holding European elections, that their economic club is quite distinct from the British-led Free Trade Zone in that it is the first step toward a confederation of peoples, then the criticism of outsiders is disarmed. No one complained when the Indian Government removed restraints on inter-State trade because everyone saw that Delhi was seeking to weld the old Indian Empire into a single nation; by means of a great political demonstration such as Continent-wide elections, the six nations hope to earn a similar tolerance for their customs union. It would in particular consolidate the support the Common Market is receiving from the USA. It is well known that the Common Market would have been nipped in the bud if it were not for US backing; since that enterprise involves economic loss for the USA, they are supporting it purely for the political benefits of European unity. European elections would be the first guarantee that the design that lay behind the Marshall Plan is at last being realised.

A point that concerns Europeans more especially is that the Common Market so far is the work of Big Business. It is the giant corporations that are getting together, forming discreet monopolies and carving up the market, and to date these operations escape the control of any authority, because they cut across national boundaries and are subject to no supra-national organism. There is a court of justice for the Common Market region which can be appealed to in cases that amount to conspiracy against the consumer, but it has so far had little business. The Commission of the Common Market is a mere collection of bureaucrats appointed by the six governments, and lacking any real supra-national power. The Strasbourg Assembly, as long as its members are nominated, has not the moral authority to intervene, as was shown when its advice was neglected by the French and West German Governments in the matter of coal-output quotas. If it arranged its direct election by the people and attracted a number of well-known, seasoned politicians, it would have the status to intervene more effectively, and thus provide the nucleus of a "countervailing power" to match the emerging European capitalism. This point is important for the European socialists, who could expect to get a good number of seats in a Parliament of Europe (even the Communists can count on 15 per cent of seats).

Thus the main significance of an elected Parliament of Europe would be economic, though it would also serve the useful psychological function of interesting the people in the process of unification by means of an election campaign. On the other hand, one must not run away with the idea that it would constitute the first part (and much less the whole) of a new Superstate or European nation. For instance, there is no thought of the European Parliament electing a Ministry, which would begin to tell the national governments what to do. The European-unity ideology has a long way to go before that idea will be ripe. If ever a true European Government emerges, it will not emanate from the ranks of a European Parliament, but from an agreement among existing national governments. When the Cabinets of the six nations delegate Ministers to a joint Cabinet (as they already do in the more or less informal Council of Ministers) and agree to take decisions within that super-Cabinet by means of a majority vote, that will be the Government of Europe. Bonn and Paris will never suffer a seventh government to emerge with overriding powers in Strasbourg, no matter if the Strasbourg Assembly is elected ten times over.

What the European Parliament will do, rather, is crystallise the popular support (and opposition) for unification, provide a moral authority that the national governments and international business corporations will have to reckon with, and, finally, actively look after those parts of the unification process where national governments have already agreed to surrender their sovereignty. This last is the most important. The present nominated Strasbourg Assembly already has the power to control, censure and in certain cases dis-

miss the international administrations that run Euratom, the Coal and Steel Pool, and the Common Market. In reality, those three administrations are equally (if not more) responsible to the Council of Ministers named by the six governments. The Strasbourg deputies hope to persuade the national capitals, not to surrender sovereignty in any new domains, but to leave the running of these three fields to an elected parliament. As a first step, they want to fuse the three administrations into a single bureaucracy, charged with the working of Euratom, the Coal and Steel Pool, and the Common Market, and to make the officials of this embryo European civil service answerable to the elected Strasbourg Assembly. Plans for this fusion are well advanced, all the three administrations having asked the six governments to agree to it, and it will probably be realised next year. Incidentally, the British offer to join two of these administrations but not the third (the Common Market Commission) was interpreted on the Continent as an attempt to prevent this fusion, and thus hamper European unification; whatever the real motives, this plan has misfired.

President de Gaulle is much more interested in forming a directorate of existing governments (in fact a Franco-German committee of management) than in having an elected European Parliament, but he is not totally opposed to the latter provided it does not try to increase its powers at the expense of Paris and Bonn. On the other hand, the smaller states of the Benelux union are opposed to Franco-German domination in a super-Cabinet, and are more interested in the European Parliament, where discussion would be public and the small nations would have a greater representation than their population strictly entitles them to. The most likely upshot of this discord is a compromise where both sides get what they want: the six governments will form a joint permanent secretariat such as de Gaulle is demanding, and the people of the six nations will be allowed to elect their Parliament. This would not be a bad solution, for one would balance the other. In any case, the point to notice is that the traditional reticence of the Gaullists about European political unification will not necessarily prevent the election of a Parliament of Europe within the next two years. The immediate political consequences of European elections will not be as great as the unity-fanatics would wish; they will not include, for instance, the instant appearance of a European Nation. But their long-term results and their symbolic value will be immense. Right or wrong, the world will begin to believe in European unity the day the electorate of 165 million people go to the polls to choose 426 deputies to sit in Strasbourg.



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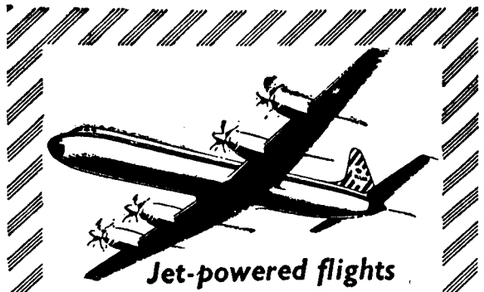
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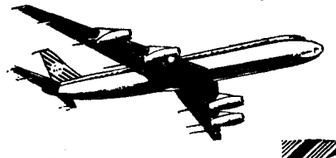
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Economic Report from the U.S.

NEW PEAKS OF ECONOMIC ACTIVITY

By GUY SIMS FITCH

WASHINGTON, July 19.

WITH the mid-year mark just passed, the statistics are confirming an evident trend—namely, that the United States during the first half of 1960 advanced to new peaks of economic activity. If there have been any surprises in the statistical record, they reside in the fact that the economy seems to have done even better than earlier estimates indicated. This has been the case even though the major gains of 1960 were scored in the first quarter of the year, and activity slowed a bit in the second quarter.

Now that US Government economists have had a chance to take another long and hard look at economic developments, they are estimating that the Gross National Product (GNP)—the total output of goods and services, and the best measurement available of the economy's overall performance—reached an annual rate of close to $505,500 million in the second quarter, as against the first estimate of $503,000 million. Actually, this revision is based on a close review of the economy's record during the last three years. And the significant elements in this review is that it has resulted in upward revisions of the quarterly GNP records. The new figures show, for instance, that the GNP in the first quarter of 1960 reached an annual rate of $501,300 million, instead of the previously published $500,200 million. This represented a sizeable gain of $14,000 million over the revised figure for the final quarter of 1959, and reflected largely the sharp rebound from the effects of 1959's lengthy steel work stoppage. With this rebound over, the advance during the second quarter of 1960, while respectable enough, was understandably much slower.

For the full year of 1959, the new revisions put the GNP at $482,100 million, instead of the previously published $479,000 million. After adjustment for the minor price increases that took place in 1959, this represented a gain over 1958 of 7 per cent in the real volume of the nation's total output. This undeniably was a highly gratifying performance for an economy as large as that of the United States—and in a year during which the key steel industry was shut down for some four months.

The new 1958 GNP, incidentally, is disclosed as $444,200 million, as against the previously published $441,700 million. And herein lies one of the most interesting, and revealing, stories of this entire three-year statistical refinement. For the 1958 GNP now emerges as higher than the revised 1957 GNP of $442,800 million. Merely from a superficial reading of these figures, one might gather that there was no business dip—or recession—between 1957 and 1958. Yet everyone knows that there was such a dip. What these revisions now underscore, then, are two other important facts. The first is the brevity of the 1957-58 dip, which lasted barely eight months and hit bottom in the spring of 1958. The other is the sharpness of the recovery from that dip—a recovery which, it is now confirmed, was able in the last eight months of 1958 to more than make up for the declines of the earlier months.

From revisions such as these, economists are able to obtain increasingly accurate statistical pictures of what has been—in this case—a new appreciation, in retrospect, of the performance and stability of the US economy. But they also are able to obtain some important insights into possible future developments. What about the immediate future of the US economy? Now that the normally slow summer season is here, it would not be unexpected to see economic activity holding around present levels for several months, with only a modest rise in total output in prospect for the third quarter of the year. The fall months, then, could become a new testing time for the economy. When the year began, Government economists were estimating a GNP for all of 1960 of about $510,000 million. The slower advance of recent months, however, had begun to cast some doubts on this estimate. But now, the new statistical revisions, with their upgrading of the year's record to date, suggest that a moderate pick-up in business later this year could help make that original projection a reality. In any case, the 1960 GNP still promises to show a good gain—something in the neighbourhood of $25,000 million, or better than 5 per cent—over the notable 1959 performance.

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Special Article

THE QUANTUM OF RELIEF IN NEW PAY SCALES

IN this Special Article an attempt is made to assess the quantum of relief against rising prices provided in the new pay scales for Central Government employees. In this context the past Government measures of relief in the shape of higher dearness allowance to its employees are also examined, because in some quarters it has been suggested that the Government has always endeavoured to neutralise the rise in consumer prices by providing increased emoluments to the employees.

The additional cost of implementing the new pay scales is, in broad terms, an overall indicator of the extent of relief the Government is offering to her employees. The immediate and ultimate annual costs in implementing the various proposals of the Pay Commission are estimated as follows:

IMMEDIATE INCIDENCE

	(Rs. crores)
Interim relief given on Pay Commission's recommendation in 1957	12.00
Immediate effect of recommendations regarding pay, allowances and pension already accepted (excluding Defence personnel) ..	20.00
Improvement in Family Pension Scheme, Contributory Health Service Scheme, and education and cateen facilities, if accepted by Government—Decision has not been taken yet	4.70
Immediate effect of extension of the benefit to Defence Services personnel	7.00
TOTAL	43.70

ULTIMATE EFFECT

Increase in pay and allowances	25.00
Retirement benefits	6.00
Interim relief	12.00
Improved Family Pension Scheme	1.00
Extension of Contributory Health Service Scheme	3.00
Educational and Canteen facilities	0.70
Extension of benefit to Defence personnel ..	7.00
TOTAL	54.70

The benefit will accrue in varying proportions to employees in different income-brackets. The main beneficiary will, no doubt, be the employee in the lowest grade. In fact, though a rise in price level affects different people differently, within the fixed income groups those at the lowest rung of the income ladder experience the greatest pinch of the price rise. The Pay Commission evidently had uppermost in their mind these employees who constitute about 40 per cent of all the Government employees. In place of the present 11 year scale of 30-½-35, a 16-year scale of Rs. 70-1-85 is offered to them. Add to this basic pay a dearness allowance of Rs. 10 per month, a lowest paid employee of the Government will start on a minimum remuneration of Rs. 80 as compared to Rs. 75 at present and Rs. 70 previously, if the interim relief of Rs. 5 granted by the Commission from July 1957 is excluded. The fact that he will go up with a doubled rate of increment to a maximum of Rs. 95 as compared to Rs. 80 at present is another ingenious way of providing him relief against rise in prices in future. The combined effect of a higher start, a doubled rate of increment and a longer scale will mean a substantial improvement in the value of the new pay scale for this category of employees—the average monthly value of the new scale works out to be Rs. 88.8 as compared to Rs. 78.3 of the old scale.

It is a moot point whether a minimum remuneration of Rs. 80 per month in reality conforms to the controversial "need-based wage" criterion agreed upon at the 15th Labour Conference (the Commission arrived at the figure of Rs. 80 for a family equivalent of three adult males and when consumer price index was supposed to stand at 115). But let us examine the past measures of the Government to neutralise the rise in price level. For this analysis, the vicissitudes of the employee in the lowest grade are studied in detail, for it is he who tends to suffer most when prices rise.

The movements of the consumer price index and minimum remuneration of a Central Government employee are reviewed from 1947 onwards and figures set out in Table below. The minimum remuneration of an employee has increased over the last 13 years, but the overall rise in the consumer price index was slightly faster. This fact is lucidly brought out by the index of real remuneration in column 4 of the Table. Except for 1954 and 1955, this index has tended to rule a few points below 100. In other words, it implies that the higher dearness allowance failed to neutralise completely the fall in real income due to rising price level, except in the year 1954 and 1955. The minimum remunerations which the Government should have provided for full neutralisation against price rise, so that, an employee's real purchasing power is not curtailed, are computed for various levels of the price index. The difference between this minimum remuneration and actual remuneration is a measure of the gap left unneutralised. Except for the years 1954 and 1955 when the real purchasing power of an employee increased because of a substantial fall in consumer price index, the magnitude of unneutralised gap seems to range between Rs. 1 in 1952 and Rs. 12 in 1948. On the average, the gap was only of the order of Rs. 3.5. Thus, the Government has tried to mitigate the hardships to its employees to a great extent.

When the new pay scales come into effect very shortly, it is estimated that the average value of the consumer price index for 1960 might be around 125. The employee would need about Rs. 86—Rs. 6 more than his minimum pay—in order to neutralise fully the rise in price level. The Government is likely to cover this gap substantially by providing more dearness allowance, because the Commission had suggested that "if during a period of 12 months, the index remains on an average 10 points above 115, the Government should review the position and consider whether an increase in the dearness allowance should be allowed and, if so,

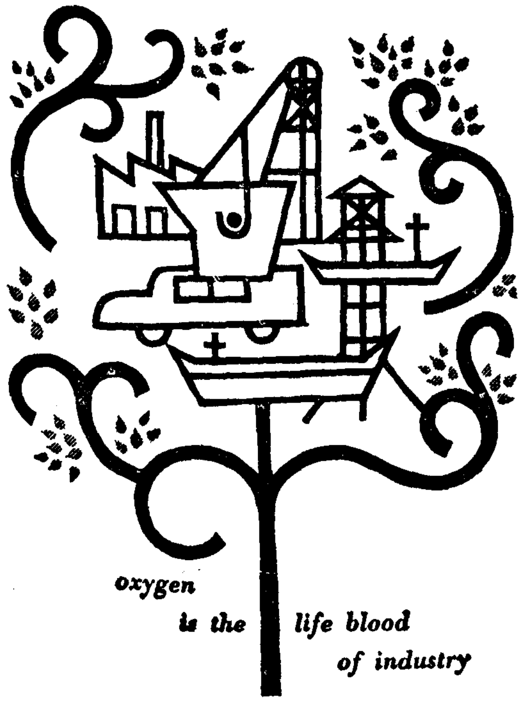
at what rate." The recent announcement to neutralise 50 per cent of the rise in consumer price index may effectively wipe off this gap. While the Government is advocating substantial relief to the workers in different industries such as cotton textile and cement where it has readily accepted the recommendation of the Wage Boards, it will be unfair if it shirks to provide full neutralisation to its own employees.

EXTENT OF NEUTRALISATION RELIEF PROVIDED AGAINST RISE IN CONSUMER PRICES

	Average Minimum Remuneration Including D.A.	Average Consumer Price Index: Base 1949=100	Index of Real Minimum remuneration* (Jan. 1947=100)	Minimum remuneration required for full neutralisation	Unneutralised Gap (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)
1947	55	87	92	60	— 5
January ..	**55**	**80**	**100**	**55**	..
1948	55	97	82	67	—12
1949	65	100	95	69	— 4
1950	65	101	94	69	— 4
1951	68	105	94	72	— 4
1952	70	103	99	71	— 1
1953	70	106	96	73	— 3
1954	70	101	101	69	+ 1
1955	70	96	106	66	+ 4
1956	70	105	97	72	— 2
1957	73	111	95	76	— 3
July	**75**	**113**	**97**	**78**	**— 3**
1958	75	116	94	80	— 5
1959	75	121	90	83	— 8
1960	80	125**	93	86	— 6

*Obtained by dividing average minimum remuneration of column 2 by average consumer price index of Column 3.

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THE BUSINESS WORLD

Shift in Shipping Policy

By CROESUS

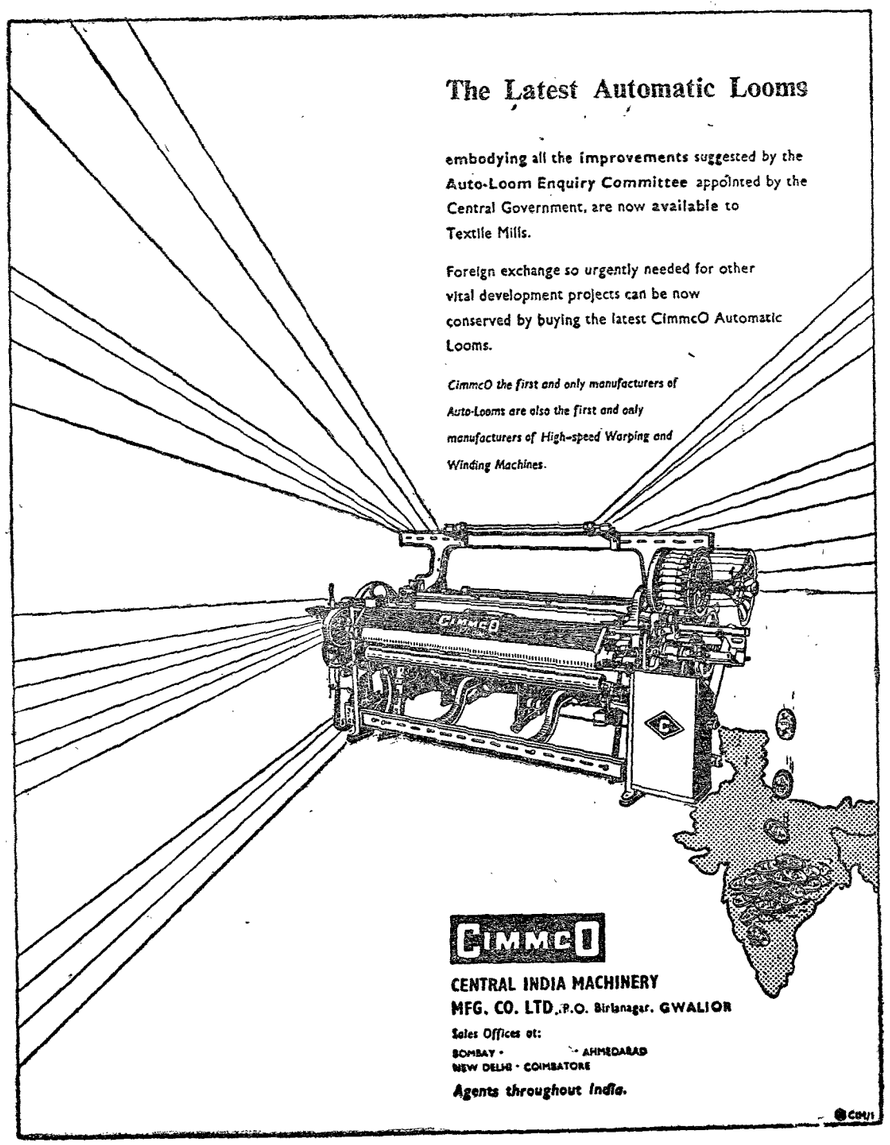
THERE has been a marked change in the attitude of shipping interests towards the Government in the past few weeks. It was not long ago that these very interests were full of praise for the Government because of the encouraging words uttered by the President in his address to Parliament at the opening session earlier this year. It will be recalled that Dr. Rajendra Prasad, in his reference to shipping, made the following observation: "Indian shipping, which has suffered many handicaps in the pre-Independence period will continue to receive all possible assistance in its modernisation and development. My government is fully aware of the role of the Merchant Navy in our economy, in the conservation and earning of foreign exchange and in its auxiliary and reserve roles in the defence of our long sea coast."

It may be asked: "What has happened in the interval to bring about a sudden change thus in the attitude of shipping interests vis-a-vis Government's shipping policy?" Although there has been no restatement of shipping policy as such by the Government of India, there was enough provocation in the speech of the new Union Minister for Transport and Communications, when he inaugurated the last Annual General Meeting of the Indian National Steamship Owners' Association, to cast a gloom over, if not upset, the shipping community. In particular, two observations of Dr. Subbarayan, I gather, have led to this result, and at least in one case, the speech of the Union Minister raises a doubt as to whether any Minister can almost reverse a declared policy, or go back on the assurance given by another Minister. The shipping interests have naturally been perturbed on this account since the last Annual General Meeting of the INSOA. At this meeting, when offering some remarks about the relationship between the public sector and the private sector in shipping, the Union Minister for Transport said as follows: "My predecessors in office have stated in the past that, as far as possible, the public sector will not be allowed to compete with the private sector. While this may still remain our objective generally, I feel that the time has come when it must be realised that it is no longer feasible to keep the two sectors in completely separate water-tight compartments." It is clear from this one sentence that Dr. Subbarayan does not feel exactly bound by the categorical assurances of two of his distingushed predecessors in office, namely Mr. Lal Bahadur Sastri and Mr. S. K. Patil. Inaugurating the Indo-US Cargo Liner Service in July, 1958, Mr. S. K. Patil, the then Minister for Transport, I remember, assured the private enterprise in shipping that the public sector would not enter into competition with the private sector and that, in what he described as "the joint endeavour of the two sectors," the Government would constitute the junior partner. Two years earlier, I recall, Mr Lal Bahadur Sastri had said: "It is not our intention that shipping in public sector should run in competition on routes on which existing private shipping companies have established themselves." It is thus clear that what everybody believed to be the well established and declared policy of Government in regard to avoidance of overlapping of routes operated by the private and the public sectors in shipping has been virtually repudiated by Dr. Subbarayan. He contended that public shipping should also be allowed to enter some of the "lucrative" trades in which private shipping interests have established themselves.

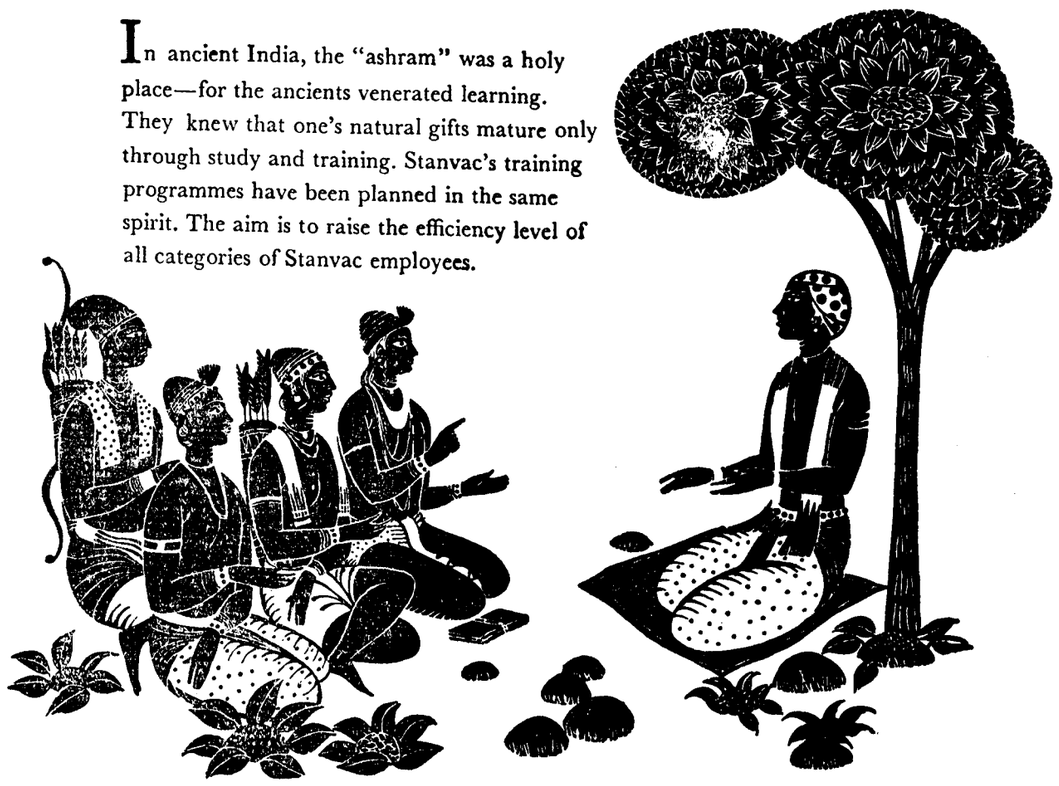
Now, Indian shipping can legitimately aspire to carry 50 per cent of the Indian overseas trade. As against this, Indian shipping (private) accounts for only six to eight per cent, which still leaves more than 40 per cent, and surely it cannot be the contention of Dr. Subbarayan that the whole of this is unremunerative and that what private Indian shipping interests have been carrying alone is "lucrative." It must not be forgotten that, when the private shipping companies ventured into the routes they now operate, they did so against great odds and have been able to establish themselves only after years of hardship and keen competition. To ask them now either to forgo this or to share it with public sector shipping would be something like the Government asking the TISCO or the IISCO to let all further expansions in their factories be on government account, as it may take years for the Government to raise capacity of its own steel units in Bhilai or Durgapur. Private shipping companies have ventured into trades like West Africa and South America, have revived the service to the USA, which had been abandoned earlier due to lack of cargo, and have gradually been building up these trades. It should be open to the public sector shipping also to venture into new trades and gradually to build them up likewise, instead of claiming a share in the already established trades.

In this context, I do not know why Dr. Subbarayan thought it fit to jibe at the shipping companies participating in the Indo-USSR trade. That was hardly called for. It is true that this trade was originally earmarked for the public sector. But it was at the instance of the Government itself that the private sector entered this trade. Moreover, when this service had to be started in 1956, following the Trade and Shipping Agreement with the USSR, the Government had no ships to put into this trade. So it was not as though the Government had ships of its own and yet allowed the private sector shipping to engage itself in this trade. Instead of complimenting Indian shipping companies which readily placed their ships in this trade and thereby helped the Government successfully to implement its Trade and Shipping Agreement with Russia, the Union Minister for transport chose, rather ill-advisedly, to criticise private sector shipping. This is, to say the least, clearly unfair to the shipping companies in the private sector.

The second observation of Dr. Subbarayan which has greatly disappointed Indian shipping interests relates to his suggestion that Indian ships should accept



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world tramp freight rates for Government-sponsored bulk cargo. While, on the face of it, nothing seems to be wrong with this suggestion, it has to be examined in the prevailing context. There are particularly two aspects of the question which require to be borne in mind in this connection. In the first place, world tramp freight rates are at very low, nay, uneconomic levels. Secondly, the Indian shipping industry is still in the nascent stage and cannot be built up on strong foundations if economic rates are not given for cargoes under Government control and if, at the same time, it is compelled to face the full blast of foreign flag tramp competition. This question assumes added importance in the context of the recent Indo-American food grains deal involving the transport of 17 million tons of foodgrains from the US ports to India over the next four years. Under the agreement, 50 per cent of this quantity is available to Indian ships, which is at once a "golden opportunity" and a "challenge" to the Indian shipping industry. The freight amount payable on the transport of this huge quantity is estimated at 195 million dollars or over Rs. 95 crores. If half of this cargo is shipped in Indian vessels, about Rs. 47½ crores can be retained within the country and foreign exchange, which would otherwise have to be paid to foreign tramp shipping, can be saved. This opportunity can also be utilised to develop our shipping and expand our tonnage, as some 10 to 15 ships will have to be bought and placed on this trade, in addition to chartering some tonnage. But, if the large investment involved in the purchase of some 10 to 15 ships is to become feasible, it is imperative to ensure that the investment does not make a loss on the carriage of the foodgrains cargo from the US. On the basis of the proposed present tramp freight rates, however, the ships to be bought will not be able to run on an economic basis. Hence the legitimate demand of the Indian shipowners for "a modest economic and fair freight rate." Surely, as against what the American shipping companies will receive in freight from their Government, this demand is not exorbitant. If, however, the Government of India is not convinced about the inadequacy of the rates offered by it, as alleged by the Indian shipowners, it can accept the proposal of the shipowners to allow Indian shipping companies to lift the American foodgrain, leaving the question of fixing an economic freight rate to a special committee that may be appointed to go into this question. What in effect the Indian shipping interests are requesting the Government to do is only to extend a sort of temporary protection which the present fortuitous circumstances seem to make possible. When the Government has been offering protection to so many Indian industries there is no reason why the Indian shipping industry, which is acknowledged by the authorities themselves as being vital to the economy of our country, should be denied similar protection.

It may also be added here, by way of a post-script, that, if the Indian shipping interests have been obliged to ask for a higher rate than the world rates, it is for the very good reason that the world chartering markets are anything but normal today; they are in a severely depressed state, the UK Chamber of Commerce Freight index being at the very low level of 72.4 (1952=100), compared with 157 in 1956 and 112 in 1957. Even in 1951 and 1954, which may be regarded as relatively more normal years, the index was much higher at 127.7 and 86.1, respectively. The Indian shipping interests are certainly entitled to ask of their Government that the present subnormal state of the chartering market should not be made an excuse to beat down the rates offered to them for carrying foodgrains from the United States. For that would amount to hindering the rightful development of Indian shipping when a God-sent opportunity as it were, has offered itself.

Business Notes

Public Finance

MAHARASHTRA BUDGET

WITH HARDLY any time to reassess either the resources or the developmental requirements of the new State which was inaugurated only seventy-one days before the presentation of the budget, the first budget of the Maharashtra State could not be anything but a tame affair. Mr S. K. Wankhede, the State Finance Minister, was accordingly content with merely placing before the Legislative Assembly modified estimates in the budget of the bilingual Bombay State — excluding the estimates pertaining to the Gujarat region—of the revenue and the expenditure of the new State. The budget shows a small deficit of Rs. 16 lakhs, as against an estimated surplus of Rs. 7 lakhs for the erstwhile composite State, the estimates of revenue and expenditure being Rs. 100.97 crores and Rs. 101.13 crores, respectively. The State Finance Minister has done well in not initiating, at this stage, any fiscal novelties, imposing any new taxes to cover the small estimated deficit.

A notable feature of Mr. Wankhede's speech whilst presenting the budget estimates, was his assessment of the economic situation of Maharashtra. The economic picture of Maharashtra which obtains today "is one of a few industrially developed cities with a relatively under-developed country-side." Consequent upon the high degree of development of Bombay City all the indicators of economic growth appear much bigger which is at once misleading. Taking the example of a few key indicators of growth, such as per capita income, per capita power generation and consumption and percentage of factory workers to total urban population, Mr. Wankhede pointed out, "the national income of the State for the year 1955-56, as computed by our Bureau of Economics and Statistics, was Rs. 1,004 crores, as against Rs. 9,980 crores for the whole country. Since this accounts for about 10 per cent. of the country's national income, as against a population of 9.05 per cent. only, the per capita income in the State excluding Bombay City, must be substantially lower than the per capita income for the country. Per capita power generation for the State as a whole is 71.01 KWH, as against 31.42 KWH for the country. Power consumption comes to 59.90 KWH, as against 26.06 KWH for the Indian Union. The percentage of factory workers to total urban population is 7.02 per cent., as against 4.99 per cent. in the country.

"If, however, the city of Bombay is not taken into account, then these indices would work out as under—Power generation 27.30 KWH per capita; power consumption 21.20 KWH per capita; factory employment 3.60 per cent. of urban population." Thus, in the glare of the growth of a few big cities which have become so prominent, the backwardness of some of the regions, especially Western Maharashtra and certain districts of Vidarbha and Marathwada, tends to stand out prominently. It is imperative, therefore, that all attempts to achieve a "harmonious growth as between the cities and their hinterland and as among the different regions of the latter" are made. All this and the higher administrative costs, which the Government might have to incur consequent upon the enhancement of the emoluments of its employees, will no doubt impose a

heavy strain on the State's finances. It is to be hoped that, in order to find resources for this, Mr. Wankhede will rely more on schemes, such as small savings and a "rigorous cut on non-plan-expenditure," than on further fiscal burdens on industry and the community.

Telco

ACCELERATED PROGRESS

MR. J. R. D. TATA had the happy news to convey to the shareholders in the course of his last annual presidential speech that Telco had exceeded all its targets set for the year 1959-60 and sales reached an all-time peak. Telco can take legitimate pride in this achievement. A gross dividend of 12.5 per cent has been declared on the ordinary shares which gives the investor a net return of 8.75 per cent. Other important financial details of last year's operations will be found elsewhere in this issue in the Chairman's speech.

In spite of the new developments on Indian railways in the direction of use of electric and diesel locomotives, it goes without saying that steam locomotives will continue to be the mainstay of the Indian railway system. Telco has, therefore, a prospect of increasing pressure of demand from the railways for its Locomotive Division in the years to come. Fixing of prices for Telco's locomotives has gained more than the due share of public attention. Mr. Tata has pointed out that the exclusion of the annual bonus (which constitutes an important ingredient of production costs) has been mainly responsible for making the prices fixed for the two years ending with the year under review lower than the expectations of Telco's management. Nevertheless, prices for the supply of locomotives during the remaining period of the current Agreement have been fixed. Now negotiations are underway between the Railway Board and Telco for fixing the price for the batch of 325 locomotives to be delivered by Telco over a period of five years after the termination of the present Agreement. Telco has made it clear to the Railway Board that no uncertainty about the prices during the five-year period under negotiation ought to be left and periodical bargaining ought to be ended. Thus the prices should be fixed on a firm basis, subject, however, to agreed escalators. Mr. Tata has pointed out in this behalf that the benefit of higher depreciation allowed during the current Agreement will accrue to the Railway Board during the next quinquennial period in the shape of prices lower than those of imported locomotives.

In the Automobile Division the year under review was noted for outstanding activity. The programme of establishing the manufacture of Tata-Mercedez-Benz vehicles in four years has been carried out according to schedule as approved by the Government. The demand for freight vehicles is outstripping the supply in the country and in this pressure of demand Telco has an important share. It has in view a mojor programme of expansion which will raise the manufacturing capacity of the Automobile Division to 24,000 unts per year with an indigenous content of over 90 per cent. This major plan is now in the final stage of preparation before submission to Government for its approval.

Mr. Tata has again issued the caution that the manufacture of the small car should not be undertaken by the State. This is because Mr. Manubhai Shah's cryptic observations on two occasions have strengthened the belief that a decision to manufacture the small car in the public sector is imminent. Mr. Tata has emphasised that even after the Rourkela steel plant goes into full production, something like 30 to 35 per cent of the country's requirements of rolled steels of special quality will need to be imported and materials worth about Rs. 700 per vehicle will have to be procured from abroad. The Ad Hoc Committee on Small Car Production has impressed upon the Government the fact that the development of this car will entail a good quantum of foreign exchange expenditure and while this may be allocated, the claims of the automobile industry for its own programmes, as approved by the Government, ought to be treated on a priority basis. This is one of the points emphasised by Mr. Tata apparently because priority for the State may slow down the expansion of the major automobile industry and create an additional bottleneck in transport

Company Registrations

TRENDS DURING SECOND PLAN

THE DEPARTMENT of Company Law Administration's latest Information Broad-Sheet throws revealing light on the growth of companies and particularly on their sectorwise distribution into Government companies and non-Government companies. This Broad-sheet contains a number of tables showing different aspects of growth in company floatations, such as total strength, authorised capital, sizes, types of management, and so on. Much of the value of the first 14 out of the 15 tables is detracted from by reason of the fact that figures relating to the capital are supplied in terms of authorised capital which is of little help. It is obvious that the Department has in its possession statistical data in terms of the paid-up capital of the companies and one wonders why figures of paid-up capital have not been incorporated in the first 14 tables.

Table 15 is divided into two components, one showing the classification of companies into public and private, and, the other, government-owned and non-government-owned companies. The position in the second component is set out below:

(Rs. Crores)

	Government Cos.		Non-Government Cos.	
Year ending March 31	No.	Paid-up Capital	No.	Paid-up Capital
1956	61	66	29,813	9.58
1957	74	72	29,283	10.05
1958	91	2,57	28,192	10.43
1959	103	4.24	27,376	10,86
1960	125	4.68	26,796	11,25

The above figures are not only self-explanatory but eloquent in the sense that they highlight the phenomenal growth of company formation in the Government sector and underline the tardy expansion in the non-Government sector. As against 61 companies with paid-up capital of Rs. 66 crores at the start of the Second Plan in the Government sector, the growth was as high as 125 companies with paid-up capital of Rs. 468 crores at the end of the fourth year of the Plan. While the number of Government-owned companies increased two-fold, their paid-up capital shot up more than seven-fold. In the non-Government sector the number of companies declined from 29,813 to 26,796 during the four years, whereas the paid-up capital increased tardily from Rs. 958 crores to 1,125 crores. Actually one would have expected the anticipated tempo of the Second Plan to give a powerful boost to the growth in the non-Government sector also, showing a much stronger net position, after making allowance for the factor of mortality. The failure in this respect could be attributed to a number of factors such as the initial impact of the Companies Act which was introduced in April 1956, the heavy taxation in the Budget of 1957-58 and the strict foreign exchange control involving poor allocations to the non-Government sector as compared to the Government sector.

Current Topics

NEW COMPANY REGISTRATIONS 1959-60

The total number of newly-formed companies has recorded a further rise in 1959-60 according to a review made by the Research and Statistics Division, Department of Company Law Administration.

THE total number of new companies registered during 1959-60 was 1,452 with a total authorised capital of Rs. 160 crores as against 1,095, 961 and 848 new companies formed with a total authorised capital of Rs. 284 crores, Rs. 103 crores and Rs. 211 crores in 1958-59, 1957-58 and 1956-57 respectively.

The following table gives the total number and authorised capital of new company registrations from 1953-54 to 1959-60.

Year	No.	Authorised Capital (Rs. in lakhs)
1953-54	1,193	1,55,39
1954-55	1,203	2,25,98
1955-56	1,448	1,56,94
1956-57	848	2,10,65
1957-58	961	1,02,71
1958-59	1,095	2,84,36
1959-60	1,452	1,60,54

The study reveals that while the number of newly-registered public companies has gone down, the average size of such companies has grown and in contrast to the average size of the new public companies, the size of the private companies has become smaller.

Out of 1,452 newly-registered companies in 1959-60, the highest number of new companies totalling 399 was formed in West Bengal. Madras became the close second with 342 new incorporations. The total number of new registrations in Bombay and Delhi was 293 and 141 respectively. Taken together, the four States of West Bengal, Bombay, Delhi and Madras registered 1,175 new companies which accounted for about 81 per cent of the all-India total.

A study of the industrywise distribution of new companies shows that out of the 1,452 new companies, 614 have been formed for processing and manufacture of food-stuffs, metals and chemicals and other industrial goods. The total authorised capital of these companies comes to Rs. 119 crores which is nearly 74 per cent of the total authorised capital of all the companies registered in the year. Next in importance is the Commerce (Trade and Finance) group which recorded 367 new companies with a total authorised capital of Rs. 17 crores. Thus, the two main industrial groups viz., Processing and Manufacture and Commerce (Trade and Finance) together accounted for 981 companies or about 68 per cent of the total number of companies formed during the year. Broadly speaking the industrial pattern of new companies remained unchanged.

The number of new giant companies (defined as those having an authorised capital of Rs. 1 crore and over) during the year is 31 as against 22 in 1958-59 and 28 companies in each of the two preceding years of 1957-58 and 1956-57. Of the 31 giant companies, the following seven constitute Government companies, the remaining 24 being companies formed by the private interests; Rehabilitation Industries Corpn. Private Ltd. (Rs. 5 crores); Indian Oil Company Private Ltd. (Rs. 12 crores); Kalyani Spinning Mills Private Ltd. (Rs. 2.5 crores); Tungabhadra Steel Products Private Ltd. (Rs. 2 crores); Film Finance Corporation Private Ltd. (Rs. 1 crore); Pyrites & Chemicals Development Co. Private Ltd. (Rs. 5 crores); Traco Cable Co. Ltd. (Rs. 1 crore).

The total authorised capital of all the giant companies during the year works out to 57 per cent of the total authorised capital of all the companies registered during the year and in the previous years 1958-59, 1957-58 and 1956-57 the shares of giant companies in the total authorised capital worked out to 84 per cent, 64 per cent and 81 per cent respectively.

Of the 23 Government companies registered in 1959-60 three companies viz. Rehabilitation Industries Corporation Ltd., Indian Oil Company Ltd. and Film Finance Corporation Ltd. were set up by the Central Government, one company named Pyrites & Chemicals Development Corporation Ltd. was a subsidiary of the Central Government Company and the remaining 19 companies have been formed by the State Governments of which 14 have been set up by the State of Orissa, two by the State of Assam and one each by the States of West Bengal, Kerala and Mysore. Of all the Government companies floated during the year under review, 22 are private companies and one public company.

The total number of companies at work in the country as on 31st March, 1960 is estimated at 26,921. The total paid-up capital of these companies approximately aggregated Rs. 1,593 crores. Of these, the number of public limited companies is estimated to be 7,306 with an aggregate paid-up capital of Rs. 812 crores, and that of the private limited companies is 19,615 with a total paid-up capital of Rs. 781 crores. At the time the new Companies Act came into force on the 1st April, 1956, the total number of companies at work stood at 29,874 with a total paid-up capital of Rs. 10,24 crores.

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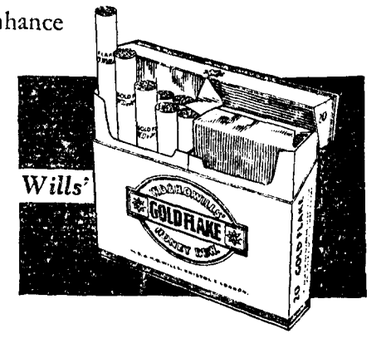
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A DELHI NOTEBOOK

OIL PRODUCTS FROM RUSSIA

AN agreement has finally been signed between India and the Soviet Union, under which India will be importing 1.5 million tons of oil products, mainly kerosene and diesel oil, from the Soviet Union during the next three and a half years. Imports would be channelled through the Government-owned India Oil Company and would be brought to this country in Russian tankers. The first consignment is expected to arrive next month.

No separate licences, it is learnt, are to be issued to private distributing agencies, which, however, may be given some supplies from the imports effected by the India Oil Company. How exactly these imports are to be staggered will depend upon the storage facilities available in this country and the availability of tankers with the Russians. The quantities to be imported, an official announcement says, will increase from year to year.

These imports, like all other imports from the Soviet Union, will be paid for in Indian rupees. The price asked by the Soviet Union for its oil products compares favourably with the world prices. Exactly how much it is lower than the world prices is, however, not revealed. The agreement does not provide for any imports of crude oil from Russia.

Mr. K. D. Malaviya, the Union Minister for Oil, addressing a Press Conference after the signing of the agreement, indicated that the Government did not rule out a rate war with the existing oil companies engaged in the marketing of oil products in this country. He said he would supply petroleum products to the Indian people as cheaply as possible.

REVISION OF REFINERY AGREEMENTS ?

Meanwhile, the Government of India, it is understood, is having some difficulty with the three oil companies in the country over the refining of the Russian crude which is reported to be available against payment in Indian rupees at a discount of about 20 per cent over the world price. These companies, having refused to refine the Russian crude on the plea that they have already entered into long-term contracts with their suppliers on the basis of their refinery agreements, have offered to get fresh supplies of crude oil from the Persian Gulf countries at somewhat lower rates than hitherto—7½ per cent lower than previously, according to Press reports. The savings thus effected (approximately Rs. 3 crores) are to be handed over to the Central Exchequer.

The reaction of the Government of India to this proposal is not immediately available. But this controversy over the import of Russian crude and its refining by the existing refineries in India has brought to the forefront the issue of the revision of the agreements signed by the Government of India with the Standard Vacuum, Burmah-Shell and Caltex oil refineries. The Government holds that these agreements are out-dated and require wholesome revision, especially in regard to the following four clauses:

1. The oil companies will take such steps as may be necessary to ensure that the Indian company will train an adequate number of Indian personnel in refining operations for employment in the refinery and, subject to the right of the management to select personnel and to judge what is necessary for the efficient and economic working of the refinery, will employ Indians in all capacities to the extent that qualified Indian personnel is available from time to time.

2. To the extent that the Indian company and/or the oil companies do not require them for their own purposes, and to the extent that it may be reasonably practicable to do so without prejudice to the interests of the Indian company, the oil companies will ensure that the Indian companies will make available at reasonable prices to those engaged in the manufacture of chemicals such by-products as they may require, provided:

   a. that these by-products can be made available without added capital investment, and

   b. that should materials be manufactured therefrom which the Indian company and/or the oil companies wish to purchase, these companies shall have a prior right to purchase at reasonable costs.

3. The Government will permit the oil companies to establish the prices of the refinery products from time to time at any level not higher than that at which they sell, or could make available for sale equivalent imported products, provided that subject to the foregoing principle, the oil companies shall consult the Government before they alter the price of any of the product.

4. The existing duty protections on oil products manufactured in India will be maintained for a period of ten years from the commencement of full-scale refinery operations or until December 31, 1965, whichever is earlier. The Government will grant for a period of 10 years from the date when the full-scale refinery operations commence or until December 31, 1965, whichever is earlier, a duty protection by maintaining an import duty on motor spirit of two annas per Imperial gallon higher than the excise on locally manufactured motor spirit.

The Government, as it has already declared, has no intention to amend or modify these agreements unilaterally. It will do so only with the consent of the oil refineries concerned.

RAW COTTON CRISIS AHEAD ?

The Government of India, it is understood, has under serious consideration the supply position of raw cotton. It is feared that unless imports are further liberalised and exports curtailed, the country may face an acute shortage of the "silver fibre" next autumn, leading to rise in prices of cloth, especially those of the coarse and medium varieties.

The all-India fourth estimate of cotton for 1959-60 reveals that area under this crop has gone down by 0.45 million acres compared to the previous year, due mainly to unavourable weather conditions at the sowing time. Trade estimates put the 1959-60 output at only 42.70 lakh bales, as against the corresponding and final forecasts of 52.21 lakh bales and 51.43 lakh bales respectively for the previous year. This sharp drop in production could have been offset to some extent had the carry-over been larger. That too, however, is substantially lower compared to the last year—20.04 lakh bales against 22.65 lakh bales. Consumption, on the other hand, is likely to be higher.

Though the Government of India has already arranged for imports of four lakh bales of cotton from the USA under PL 480, besides the customery imports from Sudan and Egypt, the situation, obviously, calls for rethinking on the part of the Government. Supplies of medium and long staple cotton may be sufficient, but those of short staple varieties are likely to run short considerably. The area under short staple cotton in 1959-60 has been lower by 0.5 million acres at 2.7 million acres.

BRIEFS

A UN Technical Team is expected to visit this country in the near future to advise the Government of India on the question of raising fertilizers output under the Third Five-Year Plan.

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The Union Food Ministry will be shortly sending a three-man team to Canada to study the handling of wheat in that country.

WORLDGRAM

India

Export Promotion: As a measure of export promotion, the Government of India proposes to grant drawback of duty on "Steel Clips type 'U' for railway track" at the rate of Rs. 52 per ton of steel content. In this respect, the Government have issued a draft notification inviting objections and suggestions, if any, by July 26, 1960.

*

Brown Wrapping Paper from Arecanut Husk: It has been revealed in the investigations conducted recently at the Forest Research Institute, Dehradun, that about 10,000 tons of Arecanut husk available in the country and at present being discarded as waste may be turned into useful raw material for the production of brown wrapping paper. Sulphate pulps prepared from the husk have been shown to possess satisfactory strength properties which can be further improved by mixing the pulp from Arecanut husk with jute or bamboo pulp. Arecanut palm is grown in large groves in the moist hot regions of India like Kerala, Mysore, Bengal, Assam and the Nilgiris and other hills of South India. The raw material received from the Indian Central Arecanut Committee, Kozhikhode, was directly used for the pulping experiments and as a result of that a representative sample was converted into dust for proximate chemical analysis. Unbleached pulps in 40.4 to 57.5 per cent yields can be prepared from Arecanut husk by the sulphate process using 13.5 to 13.3 per cent chemicals for cooking at 170°C for four hours. Although the strength properties of the pulp sheets are not satisfactory for the production of Kraft wrapping paper they are satisfactory for the production of brown wrapping paper. The strength properties are considerably improved if the Arecanut husk pulp is mixed with jute or bamboo pulp.

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Successful Trial Runs at Timber Treatment Plant: Successful trial runs have now been completed at the timber treatment plant installed at the Hindustan Housing Factory, New Delhi. The plant, which was installed at a cost of Rs. 72,000, employs pressure treatment and treats about 175 cubic feet of timber in two hours. It comprises a treatment cylinder, storage tank, mixture tank and charge, pressure and vacuum pumps. Four types of preservatives are used. Those are: (1) Oil type such as coal-tar, creosote or heavy creosote. This type is commonly used in India for the treatment of sleepers. (2) Water soluble 'fixed' or arsenic comacid cupric chromate, copper chrome, or arsenic composition. This type too is commonly used in India for constructional work. (3) Organic solvent type such as zinc and cover napethenate or DDT. (4) Water-soluble 'leachable' type such as sodium fluride, boric acid or zinc chloride. The timber treatment is done by the Lowry process.

U.S.A.

Employment Figures in June: A total of 68,579,000 Americans had jobs in June, an all-time high employment level. The month's figure was 1,371,000, higher than May's. Record number of teen-age and college-age youths, their current school terms over, joined the labour force in June seeking summer jobs. Most of these young people found such work swelling the employment totals. Labour Department experts in announcing the employment figures called America's greatly expanding teen-age population a harbinger of a changing pattern for the next decade which will see youth predominance in the labour force. So substantial was the upsurge in the number of youthful job applicants, these experts said, that the effect was to increase the overall unemployment as well as employment totals. While more than half of the summer job seekers found work, to bring total employment up, the remainder caused the unemployment total to rise. The June unemployment figure was about 4.4 million.

U.S.S.R.

New Type of Crawler Tractor: The first batch of new Soviet "T-75" crawler tractors have come off the main conveyor of the Kharkov tractor plant. Reporting this event the issue of the newspaper 'Selskaya Zhizn' (Life in the countryside) emphasises that the manufacture of this new machine signifies the transition of the Soviet tractor building industry to the construction of high-speed tractors. The "T-75" can do three to nine kilometres an hour across the field. It is a high-powered model with a 75 h.p. engine and a number of appliances facilitating the work of the driver. This year the Soviet Union will build 27,000 tractors more than last year. This will be achieved by enlarging the operating industrial capacities. Now in one year the USSR builds as many tractors as are available in all of Italy.

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Trade with Finland: An announcement has been made that negotiations on additional reciprocal goods delivieries between the USSR and Finland for the year 1960 to the total sum of 55 million roubles have been successfully concluded.

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Trade Agreement with Canada: The Canadian House of Commons has passed a resolution approving the ratification by Canada of the protocol on the resumption of the trade agreement between Canada and USSR. Submitting this resolution, the Minister of Trade stressed that conditions have now been created for trade between the two countries and that the beginning had been laid for its development in a spirit of goodwill and co-operation. He declared that the Canadian Government hoped the fixed levels of trade would not only be attained but even surpassed.

United Kingdom

Loan to Pakistan: Britain has offered an immediate loan of £5 million to the Government of Pakistan, it was stated in a written reply in the House of Commons on July 11. Major Patrick Wall asked Mr. C. J. M. Alport, Minister of State for Commonwealth Relations if he had any further information about the discussions on financial assistance to Pakistan. Mr. Alport replied that the United Kingdom Government has offered an immediate loan to the Government of Pakistan of £5 million to be made under Section 3 of the Export Guarantees Act. The intention is that this loan will be used to pay for imports from the United Kingdom to be agreed between the two Governments. The offer is intended to assist the Pakistani Government to make an early start on industrial development projects incorporated in their Second Five-Year Plan.

*

Financial Aid to Mauritius: Britain is to grant financial aid of more than £6,250,000 to assist the economy of Mauritius. This was made known in the House of Commons on July 14, in a written reply from the Colonal Secretary which also promised the colony further aid, if necessary, after a review of the economy of Mauritius some 18 to 24 months hence.

Steel Output in June: Production of steel in the United Kingdom in June was at a weekly average of 466,400 tons, compared with 475,400 tons, in May and with 383,500 tons a week in June 1959. Seasonal influences affected production in June. Seasonal adjusted figures calculated by the Iron and Steel Board show that in June production actually made a recovery from a temporary setback in May. And production in the first half of this year maintained a moderate rate of advance after a substantial upswing during 1959. Actual output in the first half of this year amounted to 12,390,000 tons which is in line with the total expected for the year as a whole. It represents an annual rate of production of 24,772,000 tons.

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Indian Order for UK Electrical Equipment: An order worth about £500,000 for rectifiers and transformers for the Hindustan Aluminium Corp. has been awarded to the English Electric Company, it was announced by the firm in London recently. The equipment to be shipped to a new plant in Uttar Pradesh near the Rihand power station next spring, will supply direct current for aluminium smelting. Rihand is intended as the main source of the large amount of electric power needed for aluminium smelting. The output of the new plant will be available for economic developments under India's Third Five-Year Plan. It is expected to be used mainly for consumer goods. The rectifiers and transformers in this new work will be made at the Stafford works of English Electric. The company is at present fulfilling a contract worth about £1,500,000 for similar equipment to supply direct current power for fertilizer and heavy-water production at Nangal. English Electric is also supplying the generating plant and water turbines for the Rihand power station. The new contract also includes control gear, switch gear, and auxiliaries.

Yugoslavia

Production of Copper, Zinc and Lead: The production of copper in Yugoslavia is to increase 2.5 times, and of zinc 2.7 times in the coming five year period from 1961 to 1965. Over the same period the production of lead is to be increased by 50 per cent, while considerable increase in production of some other non-ferrous metals are also expected. As a result, Yugoslavia will be producing 75,000 tons of copper annually in 1965 i.e. 45,000 tons more than in 1959. The investments, which would involve 130 million dinars, should, among other things, contribute to the rapid development in motor, metal manufacturing, chemical and shipbuilding industries.

*

Exports of Footwear: The production of footwear in Yugoslavia is steadily increasing. This high level of production had made it possible for Yugoslavia to export considerable quantities of footwear. Over 2 billion dinars worth of footwear was sold abroad during 1959 as against 1.7 billion dinars worth of these goods in 1958. Exports of footwear accounted for 50 per cent of the entire Yugoslav export of leather goods in 1959. From a former exporter of raw materials, Yugoslavia has become exporter of finished footwear products.

Australia

University Company to Aid Industrial Research: A company formed in the University of New South Wales is assisting Australian industries to overcome research and developmental problems, and will help in the exploitation of patentable inventions made within the University. The company, Unisearch Limited, is receiving support from manufacturers and has already carried out a number of research projects for large and small industries. It is offering the service of more than 600 members of its academic staff. Although similar organisations work in conjunction with universities in the United States of America, Unisearch Ltd., is the first enterprise of its kind to be esablished in the British Commonwealth.

U.A.R.

Iron and Steel Industry: Heavy industry has been given special care in Egypt. The Helwan Iron and Steel Factories started operation in the middle of 1958 with one high furnace. The second furnace has now been set in motion which doubled the plant's previous 400-ton daily output figure. It is reported a third high furnace will also be constructed thereby developing production up to three quarter million tons a year. Appropriation totaliing £E. 56 million had been provided in the Second Five-Year Industrialisation Plan for the develoument of the Iron and Steel Industry, apart from £E. 60 million for metal industries. The second high furnace on which experiments had been conducted has started its production and the total daily produce of both the first and second furnaces will reach 800 tons a day.

Kenya

New Oil Company to be Formed: A new company Caltex Oil (Kenya) Ltd. is to be formed to control the ocean terminal at Mombasa and all other oil installations in Kenya at present operated by Caltex (Africa) Ltd. The company will have headquarters in Nairobi. Marketing interests held by the present company will be taken over by the new Kenya concern. Caltex (Africa) Ltd.'s operations in Kenya are at present directed from a district office in Nairobi. The new company will take over the management of activities and of Caltex staff now employed in Kenya.

I.F.C.

Investment in Italy: The International Finance Corporation announced recently a commitment to invest US $960,000 (repayable half in US dollars and half in Italian Lire) in Margini Meridionale S.P.A., which is establishing a new plant for the manufacture of electrical equipment in the developing area of Southern Italy. This company is a subsidiary of Magrini S.P.A. of Bergamo, Italy. The new company will build a plant in Casavatore, near Naples, which will manufacture low and medium voltage circuit breakers under a Westinghouse sub-licence. These items will be for the domestic market and for export. The total cost of the project is estimated at US$3.5 million equivalent. IFC's investment will be in income notes, half in US dollars and half in Italian Lire, maturing between 1976 and 1979, carrying no fixed interest. IFC will receive in Lire 6 per cent interest contigent on profits and additional payments related to profits. IFC has the right to convert the notes into common stock.

World Bank

West German Loan to World Bank: The International Bank for Reconstruction and Development has arranged to borrow the equivalent of approximately $240 million in US dollars and Deutsche marks from Deutsche Bundes Bank (Central Bank of Germany). This is not only the largest borrowing ever undertaken by the World Bank outside the United States, but is its largest borrowing anywhere since its issue of $250 million of bonds in the United States in the summer of 1947. The new debt will carry interest at the rate of 4½ per cent per annum and will have a final maturity of 12 years.

NEWS IN BRIEF

INDIAN

It is reported the procedure for granting licences under the Industries (Development and Regulation) Act has been further simplified to ensure quicker disposal of applications.

*

A further rise in the number of newly-formed companies was recorded in 1959-60, according to statistics now available. The number of new companies registered during 1959-60 totalled 1,452 as against 1,095 companies formed during the previous years.

*

A Central Employment Exchange has been opened at the Headquarters of the Directorate General of Resettlement and Employment, 18, Gurdwara Road, New Delhi.

*

An arrangement for the import of films from the U.S.A. was signed recently by the Government of India and the Motion Picture Export Association of America. The arrangement, which will be in force till March 1962, provides for utilisation, inter alia, of earnings of U.S. films, production and co-production of films in India and also for investment in Indian Government securities.

*

It has been announced by the Madras Government that they would be floating a new medium-dated loan by August 1960. The medium-dated loan to be floated by the Government would be of the order of Rs. 10 crores. The terms of the loan would be announced in August.

*

India and Nepal have exchanged drafts of the proposed treaty of trade and commerce between the two countries. The present treaty which governs the trade relations between Nepal and India is due to expire in October this year.

*

It is reported two paper mills will shortly be set up at Baramulla and Kathua (Jammu). The Kathua paper mill would use coal from Kalakot and the Baramulla plant would use lignite as fuel.

*

The Government of Rajasthan have alloted Rs. 25 lakhs for distribution as loans under the middle-income-group housing scheme during current financial year.

*

An agreement for the import of 1.5 million tons of Soviet petroleum products, mostly kerosene and diesel oil, during the next four years at prices considerably cheaper than those charged by the British and American oil companies, was signed in New Delhi recently by India and the U.S.S.R.

*

The Development Loan Fund has announced approval of a $1.6 million loan to the Union Government to finance the foreign exchange cost of installing additional generating capacity in the thermal electric power plant of Kanpur.

*

India suffered an unfavourable balance of 29.5 million Malayan dollars in her trade with Singapore and Federation of Malaya during the first five months of this year.

FOREIGN

An Anglo-German consortium has initiated a DM 800m agreement to build a big integrated steelworks at Azna in Northern Persia. British partner in the deal is the Metallurgical Equipment Export Company (Meeco).

*

Discussions have taken place in Sao Paulo between directors of Unilever and representatives of Companhia Gessy Industrial S.A., the Brazilian toilet soap and toilet preparation makers. The possibility is seen of a linking up between Unilever and the local interests.

*

The U.S. Export-Import Bank has granted two loans totalling $52m to Japan. A loan of $40m is to finance the purchase of raw cotton from the U.S. The second loan of $12m is earmarked for expansion of the Japanese motor car industry.

*

A new scheme for international express goods train linking Europe's principal centres of production and consumption is expected to start later this year, it was announced recently by the International Union of Railways.

*

Vercenigde Machine Fabricken NV., Holland's largest engineering company, has received an order worth several million guilders from East Pakistan for the supply of a complete sugar factory with an ultimate daily capacity of 1,500 tons of cane.

*

Japan's exports during the first six months of 1960 amounted to $1,824 m an increase of 19.6 per cent over the first half of last year. Imports during the first six months totalled $2,243m. a rise of 29.1 per cent over the corresponding period of 1959.

*

The first international convention of the Investment Club movement was opened recently in London by Mr. David Moate, President of the British National Association of Investment Clubs.

*

Larger sales of Australian mutton to Japan this year are forecast by Mr. D. C. Cowell, lamb producers' representative on the Australian Meat Board. One leading Japanese company predicted that Japan would import more than 10,000 tons of mutton this year.

*

The Thai Cabinet has approved a draft Bill granting special privileges to investors in Thailand. The Bill assures investors that the Government will not set up an industry which will compete with them and will not take over the industries.

*

Singapore's Minister of Finance and the Shell Company have signed an agreement establishing a $M40 million new oil refinery which Shell is building on the nearby island of Pulau Bukon, the site of the present Shell installations.

*

Iscor, South Africa's State-owned steelworks with mills at Pretoria and Vanderbijlpark, is expected to announce shortly an expansion plan involving the erection of a new mill to raise ingot production to about 4 million tons annually by 1970.

UNDER SECRETARY 30 JUL 1960 PUBLIC DEPARTMENT

COMPANY AFFAIRS

CALTEX: HIGHER OUTPUT AND LOWER PROFITS

The Directors of the Caltex Oil Refining (India) Ltd. have decided not to pay any dividends during the year to December 31, 1959 in view of the fact that the Company is planning expansions in the near future. The construction of two new tanks was completed during the year under review. One of these tanks will be used for the storage of low sulphur and fuel oil, a special product produced by the refinery for use in India's steel mills. The second tank will provide the storage space for the increased production of automotive diesel oil. The Directors had applied to the Controller of Capital Issues for the issue of Preference Share Capital to the extent of Rs. 1.5 crores to implement the agreement executed with the Government of India regarding the establishment of the refinery. The consent order thereof is still awaited by the Company.

The profits of Rs. 1.55 crores for the year under review decreased by 9.6 per cent as compared with 1958, in spite of the fact that there was an increase in the quantity of crude processed and there was a fall in the operating expenses. Two factors were mainly responsible for less favourable financial results. In the first instance, the Directors decided, with effect from October 1, 1959, to surrender to the Government of India, the Company's right to duty protection on motor spirit which, in terms of the Letter of Agreement governing operations of the refinery, represents two annas per gallon. This will bear more heavily on the earnings of future years. Secondly, the Government of India issued an order limiting incidence of duty protection accorded by the Agreement referred to above to the estimated production figures. For the purpose of applying this ceiling, the excise authorities include quantities that are exported from India under bond, and on which duty protection would not in any case have been received. The Directors do not agree that the order imposed reflects the meaning of the Letter of Agreement.

The Company has been progressing with its plans regarding Indianization of its staff. The training of Indian employees continued satisfactorily so that the number of overseas personnel decreased from 47 at the beginning of the year 1959 to 30 at the end of it.

RENOVATION IN MINERVA MILLS

An improvement in the trading conditions during 1959 anticipated by the Directors of the Company, did not materialise during the early part of the year. The prices of coarse and medium varieties of cloth continued to be unremunerative till the middle of the year. It was only during the second half of 1959 that the markets revived and the margin began to improve. Although the working of the Company was not quite satisfactory, the deterioration which set in about two years ago, was definitely halted. The management of the Company is now concentrating its efforts on putting the mills on a sound footing. Some of the measures adopted for this purpose are (i) switching over a substantial part of the production from coarse and medium to super-fine counts and working the spinning department temporarily on three-shift basis so that the workers rendered surplus may be absorbed. (ii) The Company is preparing for a further rationalization to the maximum extent possible in the various departments of the mills. (iii) The programme of renovation and modernization of plant and machinery is also being pursued. The Company has paid ex-gratia compensation to the workers who were rendered surplus and submitted voluntary resignations.

The loss during the year to Decembtr 31, 1959, which was to the extent of Rs. 14.284, has been carried forward along with the previous year's debit balance of Rs. 7.73 lakhs to the profit and loss account. The debit has been finally eliminated by transferring a like amount from the General Reserve. The Directors have pointed out that the provision already made for depreciation on building and machinery up to December 31, 1956, is more than adequate to cover normal depreciation up to December 31, 1959. In view of the losses incurred by the Company, no dividends were declared by the Directors.

LAKSHMI MILLS

As has been the fate of most of the textile mills, the first half of 1959 for the Lakshmi Mills Ltd. was somewhat depressed. There was a definite improvement after August 1959. Scarcity conditions in respect of Indian cotton greatly handicapped the mills' spinning programme. The President of the Board of Directors, Mr T. T. Rathnasabapathy Pillai has pointed that the electricity tariff has gone up by more than 10 per cent and the wage bill is higher due to the increased cost of living index. In view of these facts, the profits earned by the Company can be considered quite satisfactory.

The net profit for the year to March 31, 1960, after providing for depreciation and other adjustments comes to Rs. 51.47 lakhs as against Rs. 37.11 lakhs during the previous year. The Directors have recommended the payment of a dividend for the year at the rate of 20 per cent on the paid-up capital, which will absorb Rs. 21.30 lakhs. The Directors have pointed out that the Central Government agreed to the inclusion of Sri D. Jayavardhanvel as a partner in the Managing Agency firm of Messrs. G. Kuppuswamy Naidu & Company, and have also approved of the reappointment of the same as Managing Agents of the Company for a further period of five years from August 16, 1960.

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COMMODITY NEWS AND NOTES

WORLD PRODUCTION OF TIN

According to the latest edition of the International Tin Council's Statistical Bulletin, world mine production of tin rose from 11,700 tons in February to 13,100 tons in March. Total production during the first quarter of this year was 36,600 tons compared with 37,900 tons in the last quarter of 1959. World consumption of tin in the first quarter of this year is estimated by the Statistical Bulletin at 45,200 tons, the highest figure for any period of three months during the past three years.

WORLD COTTON SITUATION

According to a review of the World Cotton Situation by the International Cotton Advisory Committee, the year 1959-60 may well go down in the annuals of cotton as a season of records. Production, consumption and trade were all at peak levels, while there had been a noticeable recovery in cotton prices over the previous year. This aggregate analysis, the ICAC noted, could conceal the true state of affairs for, despite a record world output, smaller crops had been harvested in many countries. While production was at its peak, there was scarcity in the midst of plenty, and some countries were experiencing difficulty in obtaining sufficient cotton to meet the needs of their domestic textile industries.

WORLD SUPPLY OF VEGETABLE OILS

Commonwealth countries accounted for 25 per cent of the total estimated world supply of vegetable oils for 1959, India being the largest Commonwealth producer, says the Commonwealth Economic Committee's Review of the Vegetable Oils and Oilseeds Industry, recently published in London. Commonwealth production was about the same as in previous years. Of the three main groups of oil, the Commonwealth accounts for the largest share in the edible-industrial group, where it provides nearly two-fifths of the total supply; for edible oils it accounts for one-fifth, and for industrial oils for one-quarter, the report says. As a result of good crops harvested in 1958-59, Indian oilseed production was nearly 40 per cent greater in terms of oil equivalent than before the war. Indian groundnut, sesame, rapeseed, and castorseed crops were all considerably greater than in the previous season, but harvests in 1959-60 seemed likely to be generally lighter, the report continues. "Commonwealth net exports showed increases in edible oils and, contrary to the general trend, in the edible-industrial oils; this was the result of large shipments of Indian groundnut oil and a marked recovery in supplies of copra and coconut oil from Ceylon. In the industrial group, however, larger Indian oil surpluses did not entirely offset the fall in Canadian linseed exports," the report says. Dealing with the position of exports from Commonwealth countries, it is stated that since 1955 there has been a fall, largely as a result of a reduction of supplies from India and the decline in shipments of copra and coconut oil from Ceylon—both because of rising internal demand.

In the section dealing with groundnuts, the report says: "The Commonwealth is of outstanding importance in groundnut production, accounting in 1954-55 to 1958-59 for an average of no less than 46 per cent of total world output. "India is the world's largest groundnut producer, although in recent years the quantity of the crop entering international trade has been small. The Indian Government has made very marked efforts in recent years to increase the output of groundnuts in order to satisfy the rapidly rising internal demand for edible oils, and the success of these measures is revealed in the record 1957-58 and 1958-59 harvests.

MAXIMUM PRICES FOR WOOLLEN YARN FIXED

The Government of India have statutorily fixed maximum prices for the different categories of woollen worsted yarn under the provisions of the Industries (Development and Regulation) Act, 1951. The prices have been fixed for worsted hosiery yarn of counts ranging from 2/12s to 2/48s spun from various grades of wool tops from 48/50s to 70s. These prices will be effective from July 2, 1960. During the recent past, manufacturers of woollen hosiery have been experiencing considerable difficulties in securing adequate supply of hosiery yarn at reasonable prices. This question has been under Government's consideration for some time now and the present step of fixing statutory prices has been taken to help the manufacturers of woollen hosiery. Towards the end of last month, the Government had announced their decision to grant ad hoc additional licences for import of raw wool and wool tops to manufacturers of woollen hosiery yarn. Licences will be subject to the following conditions:

i. Raw wool and wool tops and shoddy wool and rags imported against the licence will be exclusively used for the manufacture of hosiery yarn or shoddy yarn

ii. Sale of hosiery yarn or shoddy yarn manufactured out of raw wool and wool tops imported against the licences can be effected only on the directions of the Textile Commissioner, Bombay and at prices not exceeding those to be specified by him.

iii. In case of short delivery of hosiery yarn or shoddy yarn manufactured from the raw wool and wool tops imported against the licence, double the quantity of raw wool and wool tops or shoddy wool will be deducted from the allocation which might be made to the licensee in the next half year. This will be without prejudice to any other action which may be taken for contravention of the condition imposed on the licence under the ITC regulations.

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General Manager.

Company Meeting

TATA LOCOMOTIVE AND ENGINEERING COMPANY LIMITED

Statement of Shri J.R.D. Tata, Chairman of Tata Locomotive & Engineering Co. Ltd., for the year 1959-60 (Abridged)

THE YEAR'S RESULTS

Production of all the Divisions has exceeded targets and the sales of the Company's products have been higher than at any time in the past. New construction and expansion have proceeded according to schedule. The results of the year have enabled your Directors to declare a gross dividend of 12.5% on ordinary shares. The net dividend in the hands of the shareholders after deduction of tax will be 8.75%.

PROFIT AND APPROPRIATIONS

The turnover for the year under review exceeded the previous year's figure by about Rs 1.8 crores; and the net profits by Rs. 47 lakhs after providing Rs. 48 lakhs more for depreciation. The amount carried to the Development Rebate Reserve has been reduced from Rs. 74.62 lakhs to Rs. 14.04 lakhs because the value of new fixed assets installed was much lower than in the previous year. The large increase in taxation, from Rs. 13.25 lakhs to Rs. 93.30 lakhs, was due partly to higher profits and partly to the reduction in development rebate.

EXPANSION AND DIVERSIFICATION OF ACTIVITIES

Arrangements for the manufacture of paper & pulp making machinery and power shovels have been completed and production will commence shortly.

The additional capital requirements for both the projects to manufacture paper & pulp making machinery and the P & H power shovels will be met from the internal resources of the Company.

THE AUTOMOBILE DIVISION

This year has been a period of outstanding activity and success in this Division. It is gratifying for me to record that, as anticipated in my speech last year, we have fully discharged our commitment to establish in four years the manufacture of Tata-Mercedes-Benz vehicles, according to the phased programme approved by Government in 1954-55. Members will be gratified to note the findings of the Ad Hoc Committee (Automobiles) on the progress and achievements of the Company, extracts from which are reproduced in the Annual Report. Not only have we kept strictly to the original schedule for developing indigenous manufacture, but side by side we have rapidly and systematically expanded the output and maintained the excellent quality and performance of the vehicles for which the Mercedes-Benz name is rightly famous all over the world.

Despite the four-fold rise in the output of Tata-Mercedes-Benz vehicles, the demand has far outstripped supplies. With the industrial and agricultural development of the country, the requirements of vehicles for road transport will rise further year by year. Your Directors feel, therefore, that it is in the interests of the Company as well as of the country at large to expand the output of vehicles further as rapidly as possible. With this in view, a major scheme for increasing the output of Tata-Mercedes-Benz vehicles is in hand and proposals will shortly be placed before Government. Under this scheme the capacity of the Automobile Division will rise to 24,000 vehicles per year with an indigenous content of over 90%. The capital expenditure involved will be substantial and your Directors will, in due course, put up proposals for meeting it.

In my speech last year, I had referred to the scheme submitted by the Company to Government for the manufacture of the DKW "Junior" car. Although no decision has been announced as yet by Government, two important statements on the subject have been made public in recent months. The first is the report of the Ad Hoc Committee on the Automobile Industry published in January this year. While making no specific recommendations as to the selection of the make of car to be manufactured or the agency to be entrusted with the task, the Committee have recommended that the manufacture of a low cost car should be undertaken in the country and have indicated that the choice would lie between five proposals, including Telco's, amongst the twenty-five proposals received.

One important feature of the Committee's Report is that they have expressed themselves clearly against the project being undertaken in the Public Sector. At the end of March 1960, the Minister for Industry, in the course of a debate in the Lok Sabha, was reported by the Press as having announced that "a car of the people to be manufactured by the people, for the people" would soon be produced. His somewhat cryptic statement was universally interpreted in the Press as meaning that the car would be made in the Public Sector, which seemed to be confirmed by his further statement that Government would try to take the help of the Private Sector for the production of component parts from their existing installed capacity.

I am not sure I understand clearly what all this means. Possibly, Government have not made up their own mind on the subject. But if it is true that Government contemplate establishing the manufacture of a small car by the State and, if, as rumoured, the two reasons advanced for such a proposal are that the cars proposed by established manufacturers are too expensive and that Government find it difficult to choose between the many projects offered, I can only express concern and regret in regard both to the proposal and to the reasons advanced for it.

With the existing automobile industry able and willing to undertake the manufacture of a small car, there can be no possible reason for Government to allocate such a project to the Public Sector except on grounds of socialist ideology or dogma, which Government spokesmen, including the Prime Minister, have repeatedly and unequivocally disavowed as playing any part in their policies.

On the question of the price of the car, I trust Government will take note of the Ad Hoc Committee's view that such a car has to be cheap not only in initial cost but also in running and maintenance cost. When a user buys a car, he really buys a certain number of miles of road transportation. It is no doubt possible to make a very light and low powered car for, say Rs. 1,000 or Rs. 1,500 less than the initial cost of the DKW we have proposed or similar cars, but if, such a car is capable of only half the trouble-free mileage that a more sturdy car would give, or, to put it differently, if the cost of repairs and spare parts is twice as high for the same mileage in the case of the lighter car, then the unfortunate user will in fact have, over the life of his car, paid not a lower price but a much higher

price. Families are, on the average, much larger in India than in Europe, and road surfaces are much inferior and therefore more destructive. I sincerely hope that if a small car is to be made at all, Government will approve of a reasonably roomy car, modern in design and rugged in construction, with a long and economical life built into it.

In any case, I trust that in arriving at a decision concerning any scheme for the manufacture of a cheap car, whether in the State or Private Sector, the Government of India will keep in mind, among other things, its implications in terms of foreign exchange expenditure for capital as well as current account. The Ad Hoc Committee (Automobiles) has rightly stated that the development of a new car presupposes that extra foreign exchange will be available and that the programme of development and expansion of the existing units will not be affected. They go further and recommend that only after certain other priority claims of the automobile industry and road transport have been fully met should any allocation of foreign exchange be made for the new programme. I trust these recommendations will find acceptance by Government.

For the basic raw materials, namely, rolled steels of special quality, we are unfortunately still dependent to a large extent on imports. After the Rourkela steel plant goes into full production, about 65 to 70% of our requirements of steel should be available indigenously. But even thereafter materials worth about Rs. 700 per vehicle will still have to be imported. In this respect, what is true of the automobile industry is, in the main, true also of other engineering industries.

It is unfortunate that up to now Government and the Planning Commission have laid so much more stress in regard to steel on the quantitative rather than the qualitative aspects of the country's requirements. The rapid industrial development and the economic strength of a country depend not so much on total self-sufficiency in ordinary, carbon steels but in the capacity and range of steel processing industries which themselves depend on quality steels and on machine tools and allied equipment. The automobile industry of India and other precision engineering industries will reach maturity and will cease to be a drain on foreign exchange resources only when all the raw materials and most of the machine tools used by the industry are made in the country. I earnestly hope that our planners and Government will keep this important aspect of the question in view when planning the future of the steel and engineering industries.

LOCOMOTIVES

The Railway Board have now indicated to the Company that the Indian Railways will require steam locomotives for many years to come. While the price which has been awarded by the Adjudicator for supplies of locomotives during the period of two years up to the end of the year under review falls short of our expectations, mainly because it excludes altogether the annual bonus to the staff, which is an appreciable element in our cost of production, it is gratifying to record that the Railway Board and the Company have been able to agree on the prices of the locomotives to be supplied during the remaining period of the Agreement. The price of 325 locomotives to be delivered over a period of five years after the completion of the Agreement is still under negotiation but we have made it clear to the Railway Board that the price must be fixed one subject only to agreed escalators as, in their interest as well as ours, there must be an end to the annual bargaining and bickering as well as the unmerited criticism which has characterised supplies of locomotives in the past few years.

The price which the Company will receive will in any case be lower than the prices at which similar steam locomotives can be obtained from abroad. As we have repeatedly explained in the past, the benefit of the depreciation allowed to us through prices in the past years, now flows back to the Railway Board in the shape of lower prices, as a result of lower written down value of plant and equipment.

THE FUTURE

If continuous progress is to be achieved, we have constantly to add to our resources in engineers, administrators and craftsmen as well as in up-to-date equipment. This is a somewhat obvious truth which, however, is not always fully appreciated in our country where industrial enterprises, particularly in the State Sector, are too often visualised mainly in terms of money and machines. I am glad to say that in your Company, very special attention has been paid to this vital problem and our skilled personnel, both in shops and offices has been carefully employed, trained and developed along with our plant and machinery.

HOUSING

The shortage of housing for the Company's workers which presents a growing problem in connection with the expansion of the Company and the increasingly heavy deficit between the costs of maintaining the Colony and the rents recovered, have been a cause of growing concern. It is gratifying to note that the Government of Bihar, besides advancing housing loans to the industries in Jamshedpur, including your Company, are constructing a housing estate for industrial workers not far from the Company's Works in Jamshedpur.

As regards the problem of the heavy burden of maintaining the Telco Township, members will be pleased to learn that in the Conciliation Settlement of 20th October, 1959, the Telco Workers' Union has agreed that "the question of increasing the rates of rental chargeable for the Company's houses under construction in the sixth and following phases of construction be separately discussed and a suitable formula should be worked out for fair rents being fixed."

LABOUR

There have been no strikes or other disturbances to production during the year except for a minor one-day stoppage in the Welding Shop.

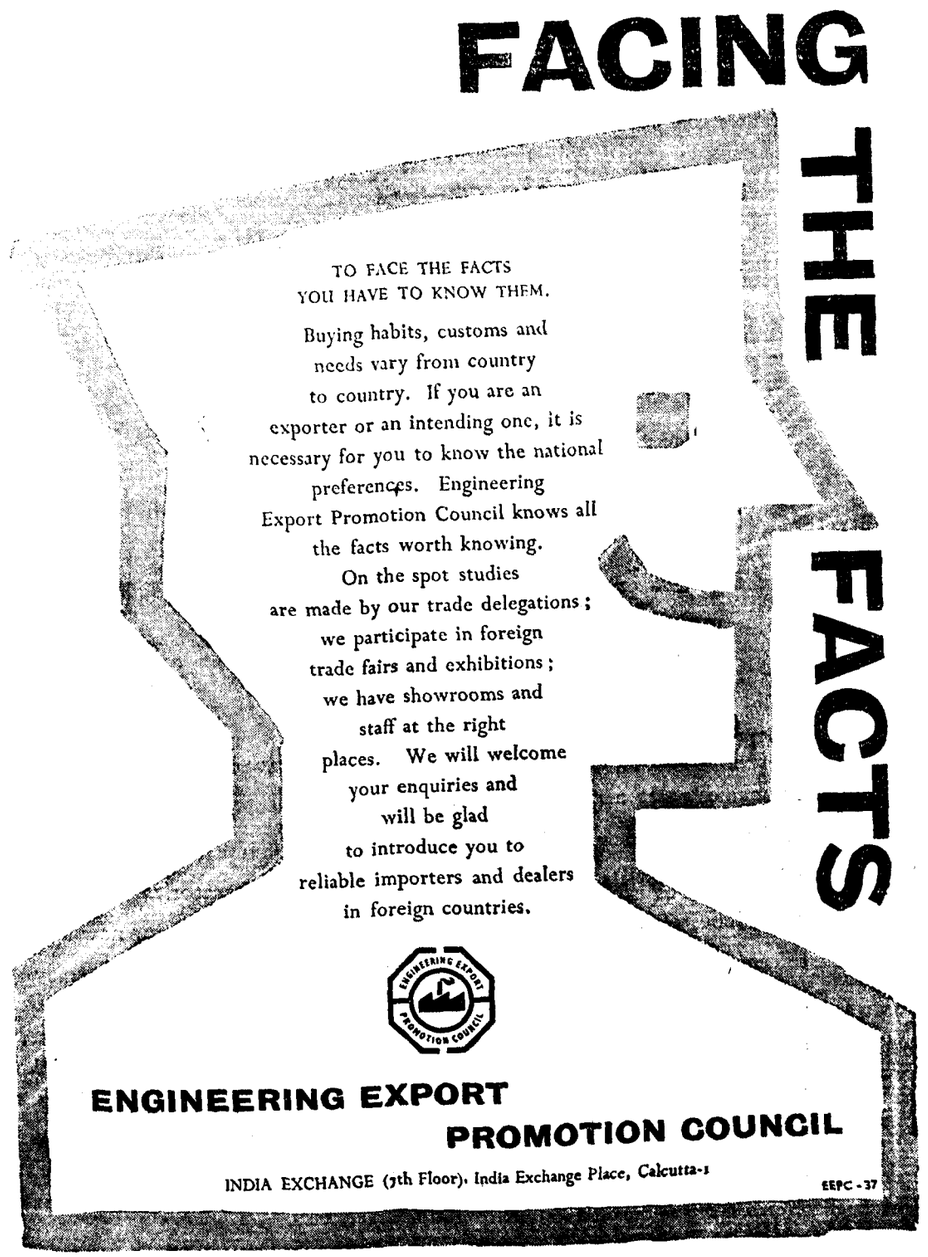
The improvement in the industrial climate at Jamshedpur and particularly in the Telco Works is a gratifying development and we are anxious that it be maintained. On our part, we are convinced that the problems which inevitably arise in the labour field from time to time can be solved with mutual goodwill and confidence.

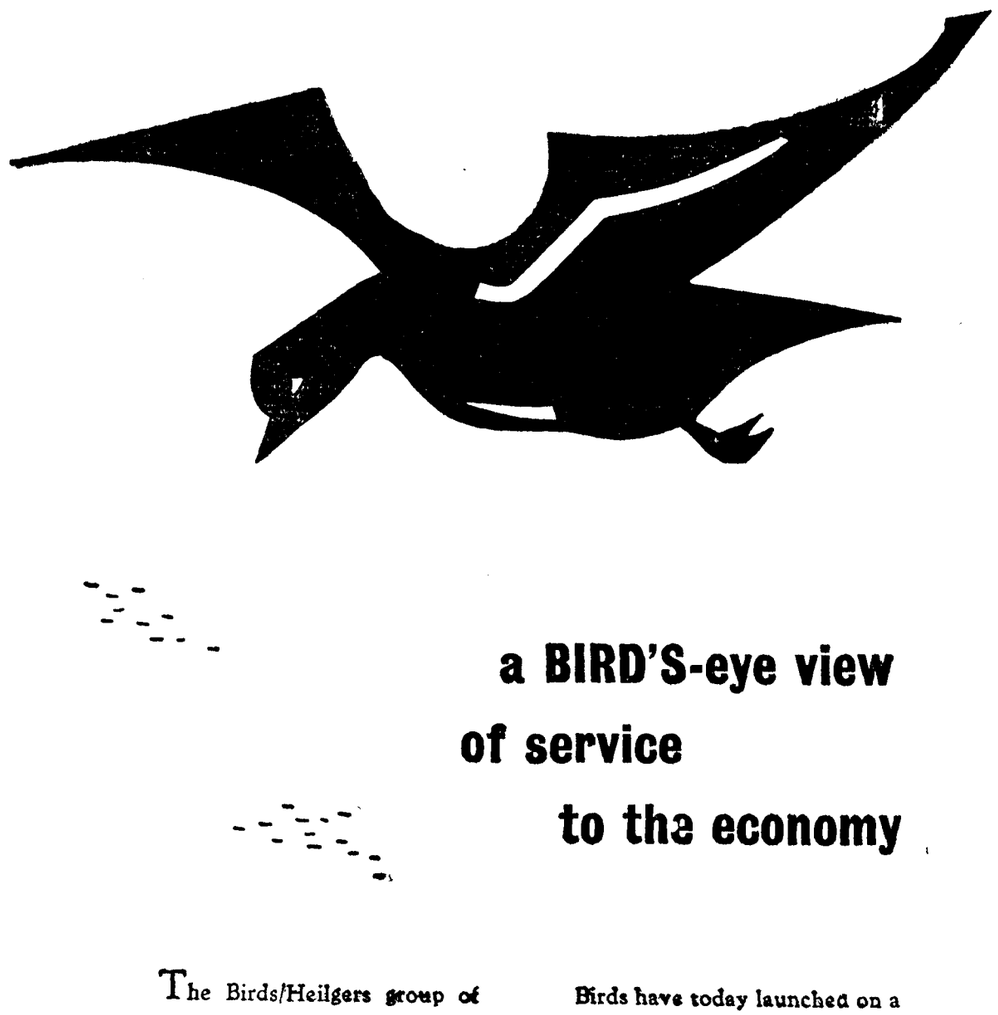
In the engineering industry in which we operate, capital investment per employee is the highest in India. The very modern and expensive plant and equipment installed at the Telco Works offers to the employees an opportunity almost unparallelled in this country to attain high levels of productivity. The Company's ability to provide higher wages and better amenities and facilities depends on the effective utilisation of this equipment and I hope that, in the fulfilment of this objective, we shall receive the wholehearted co-operation of the workers and their chosen representatives. It is only thus that increases in the emoluments of our workers, which are already among the highest in the country, can be maintained.

Our thanks are due once more to our General Manager and all employees, whatever their degree of direct responsibility, for the results achieved. The initiative and the work that members of our staff have put in have been principally responsible for the Company's progress which is reflected in the Report and Accounts before you.

Bombay, 9th July, 1960.

J. R. D. TATA
Chairman.





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F. W. HEILGERS & COMPANY (PRIVATE) LIMITED
Chartered Bank Buildings, Calcutta-1

Company Notices

RYDAK TEA SYNDICATE LIMITED

NOTICE IS hereby given that a General Meeting of the Members of the Company will be held at the Registered Office, No. 4, Clive Row, Calcutta, on Thursday the 11th August 1960, at 3-30 o'clock in the afternoon to consider and if thought fit to pass with or without modification, the following resolutions, namely:—

1. **(As an Ordinary Resolution).** "That Jardine Henderson, Limited be and are hereby re-appointed the Managing Agents of the Company with effect from the 15th August 1960, on terms and conditions to be embodied in a separate agreement to be entered into between the Company and the Managing Agents, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman thereof."

2. **(As a Special Resolution).** "That the Articles of Association of the Company be altered in the manner following:—

(1) Articles 132 and 133 shall be deleted and the following two new Articles 132 and 133 substituted therefor:—

"132—Jardine Henderson, Limited are and shall continue to be the Managing Agents of the Company up to the 14th day of August 1965."

"133—The terms upon which Jardine Henderson, Limited hold the office of Managing Agents up to the 15th August 1960 are embodied in an agreement dated the 30th August 1957, made between the Company and the Managing Agents and the terms upon which the Managing Agents shall continue to hold office after the said 15th August 1960, shall be embodied in a separate agreement to be entered into between the Company and the Managing Agents."

3. **(As a Special Resolution).** "That, as provided in Clause 12 of the said draft agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accommodation, and the Company shall pay to Jardine Henderson, Limited a monthly sum of rupees seventy per one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, of otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, enjoyment or use of any such accommodation and that Jardine Henderson Limited shall always be entitled to determine the licence on giving to the Company thirty-one days' notice in writing, AND it is expressly declared that such licence is personal to the Company."

By Order of the Board
JARDINE HENDERSON, LIMITED
D. Fordwood
Secretary
Managing Agents

4, Clive Row
CALCUTTA-1
9th July 1960

Note : A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

BARADIGHI TEA COMPANY LIMITED

NOTICE IS hereby given that a General Meeting of the Members of the Company will be held at the Registered Office, No. 4, Clive Row, Calcutta, on Thursday the 11th August, 1960, at 3-45 o'clock in the afternoon to consider and if thought fit to pass with or without modification, the following Resolutions, namely:—

1. **(As an Ordinary Resolution).** "That Jardine Henderson, Limited be and are hereby re-appointed the Managing Agents of the Company with effect from the 15th August, 1960, on terms and conditions to be embodied in a separate Agreement to be entered into between the Company and the Managing Agents, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman hereof."

2. **(As a Special Resolution).** "That the Articles of Association of the Company be altered in the manner following:—

(1) Articles 132 and 133 shall be deleted and the following two new Articles 132 and 133 substituted therefor:—

"132—Jardine Henderson, Limited are and shall continue to be the Managing Agents of the Company up to the 14th day of August, 1965."

"133—The terms upon which Jardine Henderson, Limited hold the office of Managing Agents up to the 15th August, 1960 are embodied in an Agreement dated the 30th August, 1957, made between the Company and the Managing Agents and the terms upon which the Managing Agents shall continue to hold office after the said 15th August, 1960, shall be embodied in a separate Agreement to be entered into between the Company and the Managing Agents."

3. **(As a Special Resolution).** "That, as provided in Clause 12 of the said draft Agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accommodation, and the Com

pany shall pay to Jardine Henderson, Limited a monthly sum of Rupees sepenty per one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, or otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, employment or use of any such accommodation and that Jardine Henderson, Limited shall always be entitled to determine the licence on giving to the Company thiry-one days' notice in writing, AND it is expressly declared that such licence is personal to the Company."

By Order of the Board
JARDINE HENDERSON, LIMITED
D. Fordwood
Secretary
Managing Agents.

4, Clive Row,
Calcutta-1
9th July, 1960.

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

THE CENTRAL CACHAR TEA COMPANY LIMITED

NOTICE IS hereby given that a General Meeting of the Members of the Company will be held at the Registered Office, No. 4, Clive Row, Calcutta, on Thursday the 11th August, 1960, at 3-15 o'clock in the afternoon to consider and if thought fit to pass with or without modification, the following Resclutions, namely:—

1. **(As an Ordinary Resolution).** "That Jardine Henderson, Limited be and are hereby re-appointed the Managing Agents of the Company with effect from the 15th August, 1960, on terms and conditions to be embodied in a separate Agreement to be entered into between the Company and the Managing Agents, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman thereof."
2. **(As a Special Resolution).** "That the Articles of Association of the Company be altered in the manner following:

(1) Articles 132 and 133 shall be deleted and the following two new Articles 132 and 133 substituted therefor:—
"132—Jardine Henderson, Limited are and shall continue to be the Managing Agents of the Company up to the 14th day of August, 1965."
"133—The terms upon which Jardine Henderson, Limited hold the office of Managing Agents up to the 15th August, 1960 are embodied in an Agreement dated the 30th August, 1957, made between the Company and the Managing Agents and the terms upon which the Managing Agents shall continue to hold office after the said 15th August, 1960, shall be embodied in a separate Agreement to be entered into between the Company and the Managing Agents."

3. **(As a Special Resolution).** "That, as provided in Clause 12 of the said draft Agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accommodation, and the Company shall pay to Jardine Henderson, Limited a monthly sum of Rupees seventy per one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, or otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, enjoyment or use of any such accommodation and that Jardine Henderson, Limited shall always be entitled to determine the licence on giving to the Company thirty-one days' notice in writing, AND it is expressly declared that such licence is personal to the Company."

By Order of the Board
JARDINE HENDERSON, LIMITED
D. Fordwood,
Secretary
Managing Agents.

4, Clive Row
Calcutta-1
9th July, 1960.

Note: A member entitled to attend and vote at the meeting is entiled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

THE DESSAI & PARBUTTIA TEA COMPANY LIMITED

NOTICE IS hereby given that a General Meeting of the Members of the Company will be held at the Registered Office, No. 4, Clive Row, Calcutta, on Thursday the 11th August, 1960, at 4-00 o'clock in the afternoon to consider and if thought fit to pass with or without modification, the following Resolutions, namely:—

1. **(As an Ordinary Resolution).** "That Jardine Henderson, Limited be and are hereby re-appointed the Secretaries of the Company with effect from the 15th August, 1960, on terms and conditions to be embodied in a separate Agreement to be entered into between the Company and the Secretaries, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman thereof."
2. **(As a Special Resolution).** "That the Articles of Association of the Company be altered in the manner following:—

(1) Articles 133 and 134 shall be deleted and the following two new Articles 133 and 134 substituted therefor:—
"133—Jardine Henderson, Limited are and shall continue to be the Secretaries of the Company up to the 14th day of August, 1965."
"134—The terms upon which Jardine Henderson, Limited hold the office of Secretaries up to the 15th August, 1960, are embodied in an Agreement dated the 30th August, 1957, made between the Company and the Secretaries and the terms upon which the Secretaries shall continue to hold office after the said 15th August, 1960, shall be embodied in a separate Agreement to be entered into between the Company and the Secretaries."

3. **(As a Special Resolution).** "That, as provided in Clause 12 of the said draft Agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accommodation, and the Company shall pay to Jardine Henderson, Limited a monthly sum of Rupees seventy per one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, or otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, enjoyment or use of any such accommodation and that Jardine Henderson, Limited shall always be entitled to determine the licence on giving to the Company thirty-one days' notice in writing, AND it is expressly declared that such licence is personal to the Company."

By Order of the Board
JARDINE HENDERSON, LIMITED
D. Fordwood,
Secretary
Secretaries.

4, Clive Row
Calcutta-1
9th July, 1960.

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

BARAREE COKE COMPANY LIMITED

NOTICE IS hereby given that a General Meeting of the Members of the Company will be held at the Registered Office, No. 4, Clive Row, Calcutta, on Thursday the 11th August, 1960, at 4-15 o'clock in the afternoon to consider and if thought fit to pass with or without modification, the following Resolutions, namely:—

1. **(As an Ordinary Resolution.** "That Jardine Henderson, Limited be and are hereby re-appointed the Managing Agents of the Company with effect from the 15th August, 1960, on terms and conditions to be embodied in a separate Agreement to be entered into between the Company and the Managing Agents, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman thereof."
2. **(As a Special Resolution).** "That the Articles of Association of the Company be altered in the manner following:—

(1) Articles 132 and 133 shall be deleted and the following two new Articles 132 and 133 substituted therefor:—
"132—Jardine Henderson, Limited are and shall continue to be the Managing Agents of the Company up to the 14th day of August, 1965."
"133—The terms upon which Jardine Henderson, Limited hold the office of Managing Agents up to the 15th August, 1960 are embodied in an Agreement dated the 26th July, 1957, made between the Company and the Managing Agents and the terms upon which the Managing Agents shall continue to hold office after the said 15th August, 1960, shall be embodied in a separate Agreement to be entered into between the Company and the Managing Agents."

3. **(As a Special Resolution).** "That, as provided in Clause 12 of the said draft Agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accommodation, and the Company shall pay to Jardine Henderson, Limited a monthly sum of Rupees seventy per one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, or otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, enjoyment or use of any such accommodation and that Jardine Henderson, Limited shall always be entitled to determine the licence on giving to the Company thirty-one days' notice in writing, AND it is expressly declared that such licence is personal to the Company."

By Order of the Board
JARDINE HENDERSON, LIMITED
D. Fordwood,
Secretary
Managing Agents.

4, Clive Row
Calcutta-1
9th July, 1960.

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

THE RELIANCE JUTE MILLS COMPANY LIMITED

NOTICE IS hereby given that a General Meeting of the Company will be held at Registered Office, No. 4, Clive Row, Calcutta, on Friday the 12th August, 1960, at 11-30 o'clock in the forenoon to consider and if thought fit to pass with or without modification, the following Resolutions, namely:

1. **(As an Ordinary Resolution)**. "That Jardine Henderson, Limited be and are hereby re-appointed the Managing Agents of the Company with effect from the 15th August, 1960 on terms and conditions to be embodied in a separate Agreement to be entered into between the Company and the Managing Agents, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman thereof.

2 **(As a Special Resolution)**. "That the Articles of Association of the Company be altered in the manner following:

(1) Articles 126 and 126A shall be deleted and the following two new Articles 126 and 126A substituted therefor:

"126—Jardine Henderson, Limited are and shall continue to be the Managing Agents of the Company up to the 14th day of August 1965."

"126A—The terms upon which Jardine Henderson, Limited hold the office of Managing Agents up to the 15th August, 1960 are embodied in an Agreement dated the 29th March, 1957, made between the Company and the Managing Agents and the terms upon which the Managing Agents shall continue to hold such office after the said 15th August, 1960, shall be embodied in a separate Agreement to be entered into between the Company and the Managing Agents."

(2) Article 127A shall be deleted.

3. **(As a Special Resolution)**. "That, as provided in Clause 12 of the said draft Agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accommodation, and the Company shall pay to Jardine Henderson, Limited a monthly sum of Rupees seventy per one hundred square feet or part of one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, or otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, enjoyment or use of any such accommodation and that Jardine Henderson, Limited shall always be entitled to determine the licence on giving to the Company thirty-one days' notice in writing, AND it is expressly declared that such licence is personal to the Company."

4. **(As a Special Resolution)**. "That consent be and is hereby accorded to McLeod Russel & Company, Limited an Associate of the Managing Agents as defined by Section 2(3) of the Companies Act, 1956, and who maintain an office at 149, Leadenhall Street, London, E.C. 3., England, for the purposes of their business of management and administration of several companies of which they are appointed secretaries and agents, acting and continuing with effect from the 1st March, 1961, until the 28th February 1964, to act as agent for the purchase in the United Kingdom and on the continent of Europe of goods from time to time required by the Company and to render services such as recruitment of technical personnel and execution of various commissions entrusted to them from time to time by the Company at a remuneration by way of an allowance calculated at the rate of ten shillings per registered loom per annum on the Company's loomage registered with the Indian Jute Mills Association payable by quarterly instalments in arrear on the last working day of March, June, September and December of each year; that no further sums whether by way of reimbursement of expenses or otherwise be paid to them as such agent as aforesaid other than interest on the balance from time to time outstanding on current account at the rate of 5 per cent per annum or such higher rate as may be agreed upon subject to a maximum rate of 2 per cent above the State Bank of India Advance Rate; that such appointment may be terminated by either party giving the other not less than six months' previous notice in writing of intention so to do.

The expenses estimated at £38,000 per annum incurred by McLeod Russel & Company, Limited in maintaining their London office are in the nature of salary and wages of personnel, insurance, rates and taxes, fuel, light, maintenance and repair of the premises, office furniture and equipment and items incidental thereto and the part which represents the proportion which may reasonably be attributed to the services rendered and work done on behalf of the Company will depend on the volume of the purchases effected and services rendered in relation to the total turnover in each year.

5. **(As a Special Resolution)**. "That this Meeting hereby authorises in conformity with the provisions of sub-sections (4) and (7) of Section 309 of the Companies Act, 1956, such authority to be effective as from the 1st April, 1961, for a period of five years, payment to the Directors to be divided equally between them in respect of each financial year of the Company (as defined in Section 2(17) of the Companies Act, 1956) of an amount equal to 1 per cent of the net profits of the Company for such financial year or part thereof computed in the manner referred to in Section 198(1) of the Companies Act, 1956."

By Order of the Board,
JARDINE HENDERSON, LIMITED
D. FORDWOOD,
Secretary,
Managing Agents,

4, CLIVE ROW,
CALCUTTA-1,
9th July, 1960.

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

KANKNARRAH COMPANY LIMITED

NOTICE IS hereby given that a General Meeting of the Members of the Company will be held at the Registered Office, No. 4, Clive Row, Calcutta, on Friday the 12th August, 1960, at 11-15 o'clock in the forenoon to consider and if thought fit to pass with or without modification, the following Resolutions, namely.

1. **(As an Ordinary Resolution)**. "That Jardine Henderson, Limited be and are hereby re-appointed the Managing Agents of the Company with effect from the 15th August, 1960, on terms and conditions to be embodied in a separate Agreement to be entered into between the Company and the Managing Agents, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman thereof."

2. **(As a Special Resolution)**. "That the Articles of Association of the Company be altered in the manner following:

(1) Articles 2A and 3 shall be deleted and the following two new Articles 2A and 3 substituted therefor:

"2A—Jardine Henderson, Limited are and shall continue to be the Managing Agents of the Company up to the 14th day of August 1965."

"3—The terms upon which Jardine Henderson, Limited hold the office of Managing Agents up to the 15th August, 1960, are embodied in an Agreement dated the 29th March, 1957, made between the Company and the Managing Agents and the terms upon which the Managing Agents shall continue to hold such office after the said 15th August, 1960, shall be embodied in a separate Agreement to be entered into between the Company and the Managing Agents."

(2) Article 5A shall be deleted.

3. **(As a Special Resolution)**. "That, as provided in Clause 12 of the said draft Agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accommodation, and the Company shall pay to Jardine Henderson, Limited a monthly sum of Rupees seventy per one hundred square feet or part of one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, or otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, enjoyment or use of any such accommodation and that Jardine Henderson, Limited shall always be entitled to determined the licence on giving to the Company thirty-one days' notice in writing, AND it is expressly declared that such licence is personal to the Company."

4. **(As a Special Resolution)**. "That consent be and is hereby accorded to McLeod Russel & Company, Limited an Associate of the Managing Agents as defined by Section 2(3) of the Companies Act, 1956, and who maintain an office at 149, Leadenhall Street, London, E.C. 3., England, for the purposes of their business of management and administration of several companies of which they are appointed secretaries and agents, acting and continuing with effect from the 1st March, 1961, until the 28th February 1964, to act as agent for the purchase in the United Kingdom and on the continent of Europe of goods from time to time required by the Company and to render services such as recruitment of technical personnel and execution of various commissions entrusted to them from time to time by the Company at a remuneration by way of an allowance calculated at the rate of ten shillings per registered loom per annum on the Company's loomage registered with the Indian Jute Mills Association payable by quarterly instalments in arrear on the last working day of March, June, September and December of each year; that no further sums whether by way of reimbursement of expenses or otherwise be paid to them as such agent as aforesaid other than interest on the balance from time to time outstanding on current account at the rate of 5 per cent per annum or such higher rate as may be agreed upon subject to a maximum rate of 2 per cent above the State Bank of India Advance Rate; that such appointment may be terminated by either party giving the other not less than six months' previous notice in writing of intention so to do.

The expenses estimated at £38,000 per annum incurred by McLeod Russel & Company, Limited in maintaining their London office are in the nature of salary and wages of personnel, insuranee, rates and taxes, fuel, light, maintenance and repair of the premises, office furniture and equipment and items incidental thereto and the part which represents the proportion which may reasonably the attributed to the services rendered and work done on behalf of the Company will depend on the volume of the purchases effected and services rendered in relation to the total turnover in each year.

5. **(As a Special Resolution)**. "That this Meeting hereby authorises in conformity with the provisions of sub-sections (4) and (7) of Section 309 of the Companies Act, 1956, such authority to be effective as from the 1st April, 1961, for a period of five years, payment to the Directors to be divided equally between them in respect of each financial year of the Company (as defined in Section 2(17) of the Companies Act, 1956) of an amount equal to 1 per cent of the net profits of the Company for such financial year or part thereof computed in the manner referred to in Section 198(1) of he Companies Act, 1956."

6. **(As a Special Resolution)**. "That the following contract between the Company and an Associate of its Managing Agents as defined in Section 2(3) of

the Companies Act, 1956, a draft whereof has for the purpose of identification, been subscribed by the Chairman of this Meeting be and the same is hereby approved and the Directors are hereby authorised to execute the said Agreement on behalf of the Company with all convenient despatch:

With The Kassipur Company Limited (an Associate of the Managing Agents) for sales of such manufactured jute goods in which the Company regularly trades or does business as may be required by the Associate as raw materials for the purpose of its business ;

it being a term of the above contract that the prices at which transactions take place shall be based on rates which are not less favourable to the Company than the market rates or which are otherwise reasonable, and that payment shall be made to the Company by the Associate within one month of the date of supply or sale of goods.

By Order of the Board,
JARDINE HENDERSON, LIMITED
D. FORDWOOD,
Secretary,
Managing Agents,

4, CLIVE ROW,
CALCUTTA-1,
9th July, 1960.

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

HOWRAH MILLS COMPANY LIMITED

NOTICE IS hereby given that a General Meeting of the Company will be held at Registered Office, No. 4, Clive Row, Calcutta, on Friday the 12th August, 1960, at 11-45 o'clock in the forenoon to consider and if thought fit to pass with or without modification, the following Resolutions, namely:

1. **(As an Ordinary Resolution).** "That Jardine Henderson, Limited be and are hereby re-appointed the Managing Agents of the Company with effect from the 15th August, 1960 on terms and conditions to be embodied in a separate Agreement to be entered into between the Company and the Managing Agents, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman thereof.

2. **(As a Special Resolution).** "That the Articles of Association of the Company be altered in the manner following:
   (1) Articles 126 and 126A shall be deleted and the following two new Articles 126 and 126A substituted therefor:
   "126—Jardine Henderson, Limited are and shall continue to be the Managing Agents of the Company up to the 14th day of August 1965."
   "126A — The terms upon which Jardine Henderson, Limited hold the office of Managing Agents up to the 15th August, 1960 are embodied in an Agreement dated the 29th March, 1957 made between the Company and the Managing Agents and the terms upon which the Managing Agents shall continue to hold such office after the said 15th August, 1960, shall be embodied in a separate Agreement to be entered into between the Company and the Managing Agents."
   (2) Article 127A shall be deleted.

3 **(As a Special Resolution).** "That, as provided as provided in Clause 12 of the said draft Agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accmodation and the Company shall pay Jardine Henderson, Limited a monthly sum of Rupees seventy per one hundred square feet or part of one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, or otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, enjoyment or use of any such accommodation and that Jardine Henderson, Limited shall always be entitled to determine the licence on giving to the Company thirty-one days' notice in writing. AND it is expressly declared that such licence is personal to the Company."

4. **(As a Special Resolution).** "That consent be and is hereby accorded to McLeod Russel & Company, Limited an Associate of the Managing Agents as defined by Section 2(3) of the Companies Act, 1956, and who maintain an office at 149, Leadenhall Street, London, E.C. 3., England, for the purposes of their business of management and administration of several companies of which they are appointed secretaries and agents, acting and continuing with effect from the 1st March, 1961, until the 28th February, 1964, to act as agent for the purchase in the United Kingdom and on the continent of Europe of goods from time to time required by the Company and to render services such as recruitment of technical personnel and execution of various commissions entrusted to them from time to time by the Company at a remuneration by way of an allowance calculated at the rate of ten shillings per registered loom per annum on the Company's loomage registered with the Indian Jute Mills Association payable by quarterly instalments in arrear on the last working day of March, June, September and December of each year; that no further sums whether by way of reimbursement of expenses or otherwise be paid to them as such agent as aforesaid other than interest on the balance from time to time outstanding on current account at the rate of 5 per cent per annum or such higher rate as may be agreed upon subject to a maximum rate of 2 per cent above the State Bank of India Advance Rate; that such appointment may be terminated by either party giving the other not less than six months' previous notice in writing of intention so to do.

The expenses estimated at £38,000 per annum incurred by McLeod Russel & Company, Limited in maintaining their London office are in the nature of salary and wages of personnel, insurance, rates and taxes, fuel, light, maintenance and repair of the premises office furniture and equipment and items incidental thereto and the part which represents the proportion which may reasonably be attributed to the services rendered and work done on behalf of the Company will depend on the volume of the purchases effected and services rendered in relation to the total turnover in each year.

5. **(As a Special Resolution).** "That this Meeting hereby authorises in conformity with the provisions of sub-sections (4) and (7) of Section 309 of the Companies Act, 1956, such authority to be effective as from the 1st April, 1961, for a period of five years, payment to the Directors to be divided equally between them in respect of each financial year of the Company (as defined in Section 2(17) of the Companies Act, 1956) of an amount equal to 1 per cent of the net profits of the Company for such financial year or part thereof computed in the manner referred to in Section 198(1) of the Companies Act, 1956."

6. **(As a Special Resolution).** "That the following contract between the Company and an Associate of its Managing Agents as defined in Section 2(3) of the Companies Act, 1956, a draft whereof has for the purpose of identification, been subscribed by the Chairman of this Meeting be and the same is hereby approved and the Directors are hereby authorised to execute the said Agreement on behalf of the Company with all convenient despatch:

With the Kassipur Company Limited (an Associate of the Managing Agents) for sales of such manufactured jute goods in which the Company regularly trades or does business as may be required by the Associate as raw materials for the purpose of its business ;

it being a term of the above contract that the prices at which transactions take place shall be based on rates which are not less favourable to the Company than the market rates or which are otherwise reasonable, and that payment shall be made to the Company by the Associate within one month of the date of supply or sale of goods.

By Order of the Board,
JARDINE HENDERSON, LIMITED
D. FORDWOOD,
Secretary,
Managing Agents,

4, CLIVE ROW,
CALCUTTA-1,
9th July, 1960.

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

KAMARHATTY COMPANY LIMITED

NOTICE IS hereby given that a General Meeting of the Members of the Company will be held at the Registered Office, No. 4, Clive Row, Calcutta, on Friday the 12th August, 1960, at 11-00 o'clock in the forenoon to consider and if thought fit to pass with or without modification, the following Resolutions, namely:

1. **(As an Ordinary Resolution).** "That Jardine Henderson, Limited be and are hereby re-appointed the Managing Agents of the Company with effect from the 15th August, 1960, on terms and conditions to be embodied in a separate Agreement to be entered into between the Company and the Managing Agents, a draft whereof has been submitted to this Meeting and approved, and which for purposes of identification has been signed by the Chairman thereof."

(As a Special Resolution). "That the Articles of Association of the Company be altered in the manner following:
(1) Articles 2A and 3 shall be deleted and the following two new Articles 2A and 3 substituted therefor:
"2A—Jardine Henderson, Limited are and shall continue to be the Managing Agents of the Company up to the 14th day of August 1965."
"3—The terms upon which Jardine Henderson, Limited hold the office of Managing Agents up to the 15th August, 1960, are embodied in an Agreement dated the 29th March, 1957, made between the Company and the Managing Agents and the terms upon which the Managing Agents shall continue to hold such office after the said 15th August, 1960, shall be embodied in a separate Agreement to be entered into between the Company and the Managing Agents."
(2) Article 5A shall be deleted.

(As a Special Resolution). "That, as provided in Clause 12 of the said draft Agreement referred to in the foregoing Resolution No. 1, Jardine Henderson, Limited be and are hereby authorised to provide the Company with suitable furnished office accommodation at the Registered or Principal Office for the time being of Jardine Henderson, Limited in Calcutta and also, if so required by the Company, at any other place or places in which Jardine Henderson, Limited may be able to provide such accmodation and the Company shall pay Jardine Henderson, Limited a monthly sum of Rupees seventy per one hundred square feet or part of one hundred square feet of such accommodation PROVIDED that the Company shall be deemed to be the licencee of Jardine Henderson, Limited in respect of any accommodation so occupied and such licence shall be deemed to determine on the fourteenth day of August, one thousand nine hundred and sixty-five being the date on which the term of office of Jardine Henderson, Limited upon re-appointment expires or until the date such term of office expires whether by virtue of the Companies Act, 1956, or otherwise whichever is the earlier PROVIDED always that the Company shall neither have nor be deemed to have any exclusive right or occupation, enjoyment or use of any such accommodation and that Jardine Henderson, Limited shall always be entitled to determine the licence on giving to the Company thirty-one days' notice in writing, AND it is expressly declared that such licence is personal to the Company."

4. **(As a Special Resolution).** "That consent be and is hereby accorded to McLeod Russel & Company, Limited an Associate of the Managing Agents as defined by Section 2(3) of the Companies Act, 1956, and who maintain an office at 149, Leadenhall Street, London, E.C. 3., England, for the purposes of their business of management and administration of several companies of which they are appointed secretaries and agents, acting and continuing with effect from the 1st March, 1961, until the 28th February, 1964, to act as agent for the purchase in the United Kingdom and on the continent of Europe of goods from time to time required by the Company and to render services such as recruitment of technical personnel and execution of various commissions entrusted to them from time to time by the Company at a remuneration by way of an allowance calculated at the rate of ten shillings per registered loom per annum on the Company's loomage registered with the Indian Jute Mills Association payable by quarterly instalments in arrear on the last working day of March, June, September and December of each year; that no further sums whether by way of reimbursement of expenses or otherwise be paid to them as such agent as aforesaid other than interest on the balance from time to time outstanding on current account at the rate of 5 per cent per annum or such higher rate as may be agreed upon subject to a maximum rate of 2 per cent above the State Bank of India Advance Rate; that such appointment may be terminated by either party giving the other not less than six months' previous notice in writing of intention so to do.

The expenses estimated at £38,000 per annum incurred by McLeod Russel & Company, Limited in maintaining their London office are in the nature of salary and wages of personnel, insurance, rates and taxes, fuel, light, maintenance and repair of the premises office furniture and equipment and items incidental thereto and the part which represents the proportion which may reasonably be attributed to the services rendered and work done on behalf of the Company will depend on the volume of the purchases effected and services rendered in relation to the total turnover in each year.

5. **(As a Special Resolution).** "That this Meeting hereby authorises in conformity with the provisions of sub-sections (4) and (7) of Section 309 of the Companies Act, 1956, such authority to be effective as from the 1st April, 1961, for a period of five years, payment to the Directors to be divided equally between them in respect of each financial year of the Company (as defined in Section 2(17) of the Companies Act, 1956) of an amount equal to 1 per cent of the net profits of the Company for such financial year or part thereof computed in the manner referred to in Section 198(1) of the Companies Act, 1956."

6. **(As a Special Resolution).** "That the following contract between the Company and an Associate of its Managing Agents as defined in Section 2(3) of the Companies Act, 1956, a draft whereof has for the purpose of identification, been subscribed by the Chairman of this Meeting be and the same is hereby approved and the Directors are hereby authorised to execute the said Agreement on behalf of the Company with all convenient despatch:

With The Kassipur Company Limited (an Associate of the Managing Agents) for sales of such manufactured jute goods in which the Company regularly trades or does business as may be required by the Associate as raw materials for the purpose of its business;

it being a term of the above contract that the prices at which transactions take place shall be based on rates which are not less favourable to the Company than the market rates or which are otherwise reasonable, and that payment shall be made to the Company by the Associate within one month of the date of supply or sale of goods.

By Order of the Board,
JARDINE HENDERSON, LIMITED
D. FORDWOOD,
Secretary,
Managing Agents,

4, CLIVE ROW,
CALCUTTA-1,
9th July, 1960.

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and proxy need not be a member of the Company.

Explanatory statement, Memorandum of Interest and Abstract has been annexed to the copies of this Notice posted to Members.

Company Meeting

THE TRAVANCORE CEMENTS LIMITED

Speech delivered by the Chairman, Sri C. S. Loganathan at the Thirteenth Annual Gen ral Meeting held on 11-7-1960.

Gentlemen,

I have great pleasure in welcoming you to the 13th Annual General Meeting of our Company.

Before I proceed to review the Company's affairs during the year 1959, I would like to refer to the sad demise of two of our Directors, Messrs. A. V. George and H. D. Rajah, since we met last. We bemoan their loss and let us place on record our sincerest appreciation of the services rendered and the valuable contribution made by them towards the progress of our concern.

The Balance Sheet as at 31st December, 1959 and the Profit and Loss Account for the period from 1-1-1959 to 31-12-1959 together with your Directors' Report have been already sent to you separately. With your permission I shall take them as read.

Production and Sales: Our total turnover during the year 1959, has been less compared to the previous year. The total sales for the year was Rs. 33,33,896 and the corresponding figure for the year 1958 was Rs. 48,02,092. During the year 1959 there was some loss of production on account of the change-over to White Cement production. Being the first year of change-over to White Cement, besides the loss of production, we had to pass through experimental stages until quality production could be achieved. We can be certainly proud of the White Cement produced in our factory for its quality and I am glad to inform you that our White Cement compares very favourably with the superior quality White Cement produced in other countries and has been well received throughout India.

Due to the trade holding considerable stocks of imported White Cement on the basis of licences issued in 1958 and 1959 our sales are rather slow. In this connection, it is gratifying to note that the Central Government has now discontinued the issue of further licences for such imports and it is expected that there will be appreciable improvement in our sales without delay. I may also inform you that our Vembanad Brand White Cement is now marketed all over India and export possibilities are also being explored.

In my speech last year I had mentioned that a Central Wage Board for cement industry had been set up by the Government of India. The Wage Board has submitted its recommendations to the Government and the Government have, in accepting the recommendations, requested the cement producers to implement the same with effect from 1-1-1960. The Wage Board has recommended fair wages for the different categories of operatives and clerical, supervisory and lower technical staff. The minimum wage recommended for an unskilled employee is Rs. 91 per mensem including Dearness Allowance and the House Rent Allowance. There will be large increase in the total wages when the Wage Board recommendations are implemented, but the Govemnment have agreed to increase the retention price payable to the producers to the extent of the increase in wages.

Profit and Taxation: It may be noted from the Profit and Loss Account for the year ended 31-12-1959 that the working has resulted in a net loss of Rs. 88,787. This loss is after charging a sum of Rs. 3,85,937 towards Development Rebate Reserve in the Profit and Loss Account and without this the result would have been a profit of Rs. 2,97,150. Further, during the experimental stages of White Cement production, capacity production was not obtained and, therefore, the cost of production was more, reducing the profits. You are aware that under the Income-tax Act, a sum equivalent to 25% of the value of Plant and Machinery installed is allowed as Development Rebate and allowed as an admissible item of expenditure in the Income-tax assessment, provided 75% of such Development Rebate is charged against the profits. In order to avail of the benefit under this provision, a sum of Rs. 3,85,937 is debited in the Profit and Loss Account and taken to a specific reserve. In view of the allowance under Development Rebate, the Company has no taxable income for the year 1959.

I am glad to inform you that the relationship between labour and Management has been cordial during the year 1959. Let me thank you all for coming here today and also other shareholders, the officers, staff and workers for their valued co-operation extended to your Company during 1959.

I now move that the Directors' Report and the audited accounts for the year ended 31st December, 1959, be adopted.

NOTE: This does not purport to be a record of the pro-



The State Bank of India, through its many branches, is ready to offer help and advice to small industrialists in need of a loan. Please call on the Agent of the branch in your town for full particulars.

STATE BANK OF INDIA
INDIA'S LEADING BANK

SISTA'S-SB-33.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground-nut Oil	Mustard Oil	Sugar	Gur	Tea
1953-54 ..	100	93	100	103	89	120	137	99	141	174
1954-55 ..	82	75	77	78	54	77	127	104	122	255
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 ..	105	88	114	126	68	105	164	110	107	164
1958-59 ..	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
May 1959 ..	98	92	112	126	78	121	150	121	158	168
June „ ..	102	93	116	130	76	121	149	121	165	179
July „ ..	109	95	120	134	76	120	149	121	162	177
August „ ..	113	96	120	130	72	113	146	121	164	185
September „ ..	111	98	120	117	70	116	147	121	164	188
October „ ..	112	100	128	125	75	117	147	121	181	192
November „ ..	108	98	121	126	73	112	148	127	180	194
December „ ..	101	96	120	121	70	113	149	127	164	210
January 1960 ..	102	97	119	125	72	118	150	127	154	207
February „ ..	105	98	121	128	80	125	158	127	156	196
March „ ..	106	94	117	123	74	126	156	127	149	180
April „ ..	108	91	121	122	76	130	155	127	147	184
May „ ..	113	87	123	126	78	128	155	127	145	195
June „ ..	114	88	127	128	80	129	156	127	144	—
4-6-1960 ..	114	87	124	126	79	127	156	127	141	N.A.
11-6-1960 ..	114	87	125	127	78	128	157	127	144	185
18-6-1960 ..	114	87	129	127	80	130	156	127	144	190
25-6-1960 ..	114	89	131	131	82	130	156	127	148	N.A.

Average of months/ Average of weeks	Spices & Condiments	Tobacco Raw	Coal	Cotton Raw ..	Jute Raw	Ground-nut	Cotton Manufactures	Jute Manufactures	Silk & Rayon Manufactures	Machinery
1953-54 ..	118	100	100	104	98	127	104	91	92	99
1954-55 ..	114	90	100	102	112	82	107	102	92	99
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
May 1959 ..	144	97	133	105	113	132	113*	85	96	111
June „ ..	145	96	133	105	115	135	113*	87	94	111
July „ ..	148	98*	133	101*	118*	135	113	88	93*	111*
August „ ..	150	97	134	102	118	129	113	90	92	111
September „ ..	153	99	136	102	119	135	114	89	92	111
October „ ..	161	101	136	100*	119*	130	115	90	92	111
November „ ..	167	105	136	102	123	120	116	90	93	111*
December „ ..	172	104	136	111	140	122	118	94	98	111
January 1960 ..	168	100	135	115	144	131	123	96	105	111
February „ ..	140	94	135	114	134	139	125	96	103	111
March „ ..	132	94	135	113	141	141	125	98	103	112
April „ ..	130	102	140	113	154	144	125	103	103	112
May „ ..	130	108	140	113	198	139	125	117	105	115
June „ ..	128	111	140	113	187	146	126	113	103	116
4-6-1960 ..	127	111	140	113	206	143	125	112	103	115
11-6-1960 ..	127	110	140	113	185	143	125	113	103	115
18-6-1960 ..	129	109	140	112	181	148	126	116	103	116
25-6-1960 ..	129	112	140	112	176	149	127	111	103	116

* Estimated

Source: Office of the Economic Adviser to the Govt. of India.

INDUSTRIAL PRODUCTION: 1950-51 — 1960-61

(Achievements and Targets)

Industry	1950-51 (Actuals)	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 Target
I. Textile Industries							
Cotton cloth (mill-made) (mil. yds.) ..	3,720	5,102	5,421	5,179	4,921	4,929	5,350
Cotton yarn (mil. lbs.)	1,179	1,640	1,723	1,700	1,694	1,717	1,950
Jute manufactures ('000 tons)	824	1,054	1,066	845	1,052	1,056	1,100
II. Electrical Engineering Industries							
Electric transformers ('000 KVA) ..	178	625	1,033	1,234	1,099	1,045	1,360
Electric motors ('000 H.P.)	99	272	388	507	636	558	600
Electric fans ('000 Nos.)	197	287	380	562	648	773	600
Electric lamps (total) (mil. Nos.) ..	14.1	25.0	32.7	32.2	31.2	35.9	50.0
Dry cells (In millions)	137.0	161.0	190.6	157.5	174.8	192.1	225.0
Storage batteries ('000 Nos.)	194	258	318	323	371	469	350
Radio receivers (organised sector) ('000 Nos.)	45	102	156	195	197	224	225*
III. Mechanical Engineering Industries							
Bicycles ('000 Nos.)	102	513	735	849	894	1022	1250
Sewing Machines ('000 Nos.)	33.0	111.2	140.8	175.5	212.7	269	300.0
Automobiles ('000 Nos.)	16.5	25.3	33.9	30.2	27.2	40.8	57.0
Diesel Engines ('000 Nos.)	5.5	10.4	12.4	19.3	27.6	31.2	20.5
Hurricane Lanterns ('000 Nos.)	3,242	5,390	5,344	3,747	3,306	4.156	6,000
IV. Metallurgical Industries							
Finished Steel (mil. Tons)	1.03	1.28	1.35	1.34	1.33	1.88	4.30
Aluminium ('000 Tons)	3.7	7.3	6.7	7.9	9.9	17.8	25.0
V. Chemical and Allied Industries							
Sulphuric Acid ('000 Tons)	104	164	167	206	237	308	470
Caustic Soda ('000 Tons)	11	35	41	44	60	77	135
Soda Ash ('000 Tons)	45	81	86	93	90	101	230
Ammonium Sulphate (in terms of fixed Nitrogen) ('000 Tons)	9	79	78	76	79	75	290
Superphosphates (P2O5) ('000 Tons) ..	9	12	15	26	29	50	120
Cement (Lakh Tons)	26.9	45.9	50.8	58.9	59.9	71.8	130.0
Paper and Paperboards ('000 Tons) ..	114	187	197	219	261	312	350
Soap ('000 Tons)	74	103	113	110	123	128	300
Matches (Mil. Gross Boxes)	27.0	30.9	30.4	28.5	31.2	33.3	35.0†
VI. Food Industries							
Sugar ('000 Tons)**	1115	1856	2007	2006	1919	—	2250
Vanaspati ('000 Tons)	153	276	264	300	299	330	400
Salt (Mil. Mds.)	72.1	84.1	85.5	104.9	104.9	84.3	100.0

*Revised. †Includes decentralised sector. **Relates to crop year Nov. to Oct.

COMPOSITION OF INDIA'S FOREIGN TRADE WITH U.S.A.

(Rs. lakhs)

Items	Exports			Imports		
	1957	1958	1959	1957	1958	1959
Meat and meat preparations	7	7	5	—	—	—
Dairy products, eggs and honey	—	—	—	4,01	5,05	6,07
Fish and fish preparations	27	42	65	—	—	—
Cereals and cereal preparations	—	—	—	42,02	83,11	106,12
Fruits and vegetables	11,06	11,17	10,74	13	2	1
Coffee, tea, cocoa, spices and manufactures thereof	7,97	7,82	8,07	—	—	—
Miscellaneous food preparations	—	—	—	—	—	65
Tobacco and tobacco manufactures	—	—	—	1,14	1,36	1,31
Hides, skins, and fur skins, undressed	1,88	2,17	2,29	1	—	—
Crude rubber, including synthetic and reclaimed	—	—	—	83	91	1,22
Wood, lumber and cork	13	8	9	39	34	1,02
Pulp and waste paper	—	—	—	67	61	1,18
Textile fibres (not manufactured into yarn, thread or fabrics) and waste	4,82	3,55	5,36	22,32	8,71	6,98
Crude fertilisers and crude minerals, excluding, coal, petroleum and precious stones	2,89	3,65	3,46	3,37	2,02	2,32
Metalliferous ores and metal scrap	16,27	8,82	7,00	1,74	56	78
Animal and vegetable crude materials, inedible, n.e.s.	5,20	5,74	6,20	6	4	7
Mineral fuels, lubricants and related materials	—	—	—	6,70	4,39	5,98
Animal and vegetable oils (not essential oils) fats, greases and derivatives	3,07	11	1,99	1	1	1
Chemical elements and compounds	20	—	2	4,04	5,78	7,64
Dyeing, tanning and colouring materials	—	—	1	43	41	31
Medicinal and pharmaceutical products	1	2	2	3,80	2,45	1,94
Essential oils and perfume materials	76	51	61	13	12	14
Fertilisers, manufactured	—	—	—	83	51	40
Explosives and miscellaneous chemical materials	—	—	—	1,22	1,39	1,95
Leather, leather manufactures and dressed furs	65	60	1,60	5	4	3
Rubber manufactures	—	—	—	41	16	19
Wood and cork manufactures	1	1	1	9	14	16
Paper and paperboards	—	—	—	13	5	14
Textile yarn, fabrics, made-up articles and related products	35,24	33,66	43,07	21	19	52
Non-metallic mineral manufactures	43	34	33	1,85	75	62
Silver, platinum, gems and jewellery	37,71	11,46	11	8	5	1
Base metals	23	49	68	17,00	7,32	8,73
Manufactures of metals	7	9	10	2,16	1,16	97
Machinery other than electric	1	3	1	28,55	18,21	16,32
Electric machinery, apparatus and appliances	—	—	—	7,63	5,60	2,87
Transport equipment	—	—	—	13,41	6,55	15,87
Footwear	8	13	19	—	—	—
Professional, scientific and controlling instruments; photographic and optical goods, watches and clocks	1	2	1	1,56	1,36	1,18
Total (including others)	1,31,39	92,56	95,12	1,70,32	1,61,46	1,95,43

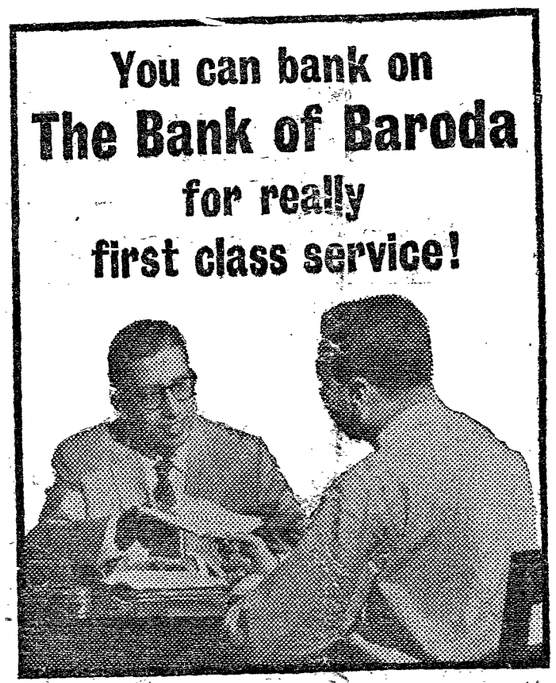
INDIA'S FOREIGN TRADE

(By Land, Sea and Air)

Monthly averages or Calendar months	India's Balance of Trade in Merchandise			Index Numbers of Quantum and Value per unit of Imports and Exports (By Sea, Air and Land) Base: 1952-53=100			
				Quantum		Value per unit	
	Exports including Re-exports (Rs. lakhs)	Imports (Rs. lakhs)	Balance of trade (Rs. lakhs)	Imports	Exports	Imports	Exports
1952	51,39	68,54	—17,15	—	—	—	—
1953	44,28	47,50	— 3,22	90	99	95	93
1954	46,88	53,96	— 7,08	101	102	89	95
1955	50,66	56,09	— 5,43	109	113	88	93
1956	51,60	68,46	—16,86	136	109	89	94
1957	50,86	85,73	—34,87	156	119	98	94
1958	48,25	72,02	—23,77	140	108	92	93
1959	51,90	73,95	—22,05	148	119	90	91
September 1957	61,55	83,29	—21,74	149	135	100	95
October "	53,64	73,07	—19,43	126	110	104	100
November "	59,02	78,18	—19,16	143	122	98	101
December "	54,59	66,58	—11,99	130	122	92	93
January 1958	54,77	66,05	—11,28	130	127	91	88
February "	41,93	66,21	—24,28	130	97	91	89
March "	46,68	70,56	—23,88	132	109	96	89
April "	41,73	59,98	—18,25	118	95	91	91
May "	44,70	63,29	—18,59	136	104	86	89
June "	28,12	63,93	—35,81	108	63	106	93
July "	54,31	66,79	—12,48	115	124	104	91
August "	49,91	55,92	— 6,01	98	107	102	96
September "	59,02	58,60	+ 42	108	128	97	96
October "	56,10	56,99	— 89	113	121	90	98
November "	49,57	68,65	—19,08	127	110	97	96
December "	52,40	85,75	—33,35	167	124	92	94
January 1959	45,16	80,24	—35,08	128	106	93	90
February "	41,79	59,77	—17,98	112	101	96	90
March "	47,03	65,60	—18,57	135	108	87	93
April "	45,14	80,40	—35,26	167	104	87	91
May "	44,49	66,12	—21,63	139	104	86	90
June "	43,54	77,18	—33,64	146	99	96	90
July "	51,46	62,94	—11,48	140	120	82	90
August "	58,52	58,37	+ 15	140	135	76	91
September "	60,22	69,42	— 9,20	146	135	86	94
October "	59,74	65,03	— 5,29	136	142	88	89
November "	61,76	69,98	— 8,23	143	136	89	94
December "	69,57	69,74	— 17	150	153	84	95
January* 1960	52,06	62,68	—10,62	88†	100†	99†	107†
February* "	49,81	69,12	—19,31	—	—	—	—
March* "	53,37	75,58	—22,21	—	—	—	—
April* "	48,58	82,00	—33,42	—	—	—	—
May* "	50,74	82,77	—32,03	—	—	—	—

* Provisional.
† New series with base 1958=100.

Source: Ministry of Commerce and Industry.



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Working Funds over	Rs	100,00,00,000

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The Prime Minister of Ceylon

ON Thursday last was sworn in as Prime Minister of Ceylon the first woman Prime Minister of the world. Thus history was created in the island of Ceylon, and its instrument was a gracious lady who has scored a personal triumph which must have few parallels in democratic history. Undoubtedly, Mrs. Bandaranaike has risen to power on the crest of an emotional wave, partly because of the wrong that has been done to her with the assassination of her husband, and partly because of her appeal to the heart, as distinguished from the merits of the policies either of her party or any other. If, as is contended, this was a choice of policy, why was it not recorded earlier in the year? Surely here, if ever, was a magnificent personal campaign borne to success by a great personal performance.

Not, indeed, that there were no other factors on Mrs. Bandaranaike's side. The United National Party's leader, Mr. Dudley Senanyake, made every possible mistake in the campaign; not the least of these was alienating the powerful Governor-General of Ceylon, Sir Oliver Goonetilleke. Whether the Governor-General has, or has not, taken any interest in the elections, his great personal influence has obviously been thrown against the United National Party. This, to those who know Ceylon, is of some consequence. Perhaps also the absence of a positive programme of public sector development on the United National Party's platform has helped the Sri Lanka Freedom Party to win as many as 75 seats in a House of 157. It is not generally recognised that as long ago as 1950-51 Ceylon had, of all Asian countries, the highest share of public investment as a proportion of total investment in the economy. The World Economic Survey 1959 points out that the figure was 47 per cent in 1950-51 as against 31 per cent in India. Even in 1957-58 when India's

share of investment was 50 per cent in the public sector, Ceylon's share was higher at 53 per cent. In other words, a broad-based "public sectorism" has been a feature of Ceylon's economy over the last ten years. It was unwise to suggest too significant a departure from the kind of public investment which has generally been accepted. Particularly to the have-nots to whom substantial new hope has been given, much of the strength of the Sri Lanka Freedom Party comes from sources such as these.

Socialism, whether in India or in Ceylon, cannot look very different from what it has been in the last few years and no one need look with undue doubt and dismay at Mrs. Bandaranaike's return. The financial stability of Ceylon is not now in question. Equally one hopes that her external affairs and, particularly, Indo-Ceylon relations will not show any reverse. So far as India is concerned, there is a likelihood that they will show an improvement. To that end must our energies be bent.

For all these good reasons — firstly, because it is our duty to support someone who comes to office with inexperience but with strong popular support, secondly, because the principles of Ceylon's new Government are not so different in substance from our own socialist pattern of society, and finally, because there is promise of improving Indo-Ceylon relations — India should recognise that the people of Ceylon having thus spoken, their choice should be warmly and fully respected. The opportunities for goodwill and friendship are great; will they be grasped firmly on both sides?

Parkinson and Paper-Work

A VALUABLE paper read at the Third Tata Conference on Management makes the staggering revelation that the overall expenditure incurred by the Tata Iron and Steel Company on the volume of paper-work since it launched its expansion programme increased by Rs. 1.30 crores in three years. The bulk of this growth in expenditure is ascribed to the preparatory work on drawing up plans, inviting global tenders, placing and pursuing orders as well as accounting and correspondence with consulting engineers as also in connection with myriad problems of procurement, and so forth. Parkinson has made a probe into institutional growth and construction activity. But staff expansion and multiplication of paper-work are correlated processes providing mutual acceleration. An instructive chapter could be added on research into this correlation.

It would be absurd to decry all paper-work. The plain truth is that paper-work is fundamental to all creative activity in establishments at all levels. The growth in this activity will cause *mutatis mutandis* growth in the volume of paper-work. This is productive paper-work. But it does not follow that all growth in paper-work is productive. What is true of Parkinson's law on growth of staff is true of the expansion of the bulging volume of paper-work. If "officials make work for each other", paper-work procreates paper-work. Superfluity of paper-work generates superfluity of staff and the complementary process goes on in endless rotation. Superfluity is a curse to all establishments, be they in the government sector or non-government sector.

This superfluity afflicts business establishments even in the absence of the compelling impact of expansion. Is any practical purpose served by the filing of elaborate statistical returns — daily, weekly, monthly, quarterly, half-yearly and yearly? Could they not be eliminated or made slim in the lower rungs of frequency? Here business managements have themselves to blame for becoming unwitting victims to the new weakness for statistics. But this self-imposed affliction is nothing as compared to the oppressive obligation of compliance with new legislation much of which can be hardly justified on the score of utility or perhaps plain common sense. Who can vouchsafe that all the vast quantities of statistics generated by the Industrial Statistics Act are fully digested and reshaped in a condensed form as aids to policy formulation? The Industries (Development and Regulation) Act, the Companies Act and the vast battery of regulations to enforce economic controls have generated mountains of paper-work much of which can be scrapped to the relief of company managements as well as government officials.

Parkinson has been perhaps uncharitable in characterising British architectural work in New Delhi as "no more and no less than a mausoleum". Today Rashtrapati Bhavan is the symbol of the dignity of the Capital City. But post-independence construction activity is multiplying fast in direct proportion to the operation of Parkinson's law and with it the multiplication of paper-work. In the vicinity of the Central Secretariat have sprung up Udyog Bhavan, Krishi Bhavan, Akashwani Bhavan and the latest arrival — Yojana Bhavan — to accommodate the expanding staff. Why a phenomenal expansion of government staff has been allowed to occur is beyond comprehension. How phenomenal the growth has been is clear for any one to see.

Between 1948 and 1957, the strength of staff in the Ministry of Rehabilitation shot up by 1,300 per cent, in the Ministry of Foreign Affairs by more than 600 per cent, in the Ministries of Food and Agriculture, and Labour and Employment by 300 per cent, in the Ministries of Law and Health by 200 per cent, and in the Ministries of Home Affairs and Information and Broadcasting by more than 100 per cent. The Ministry of Rehabilitation which started with a tiny base is an emergency Ministry now on the way to be wound up. The base of the External Affairs Ministry was narrow. A liberal allowance may be made for higher growth of the official staff in a State which has attained sovereignty recently. Even so, these Ministries have out-Parkinsoned Parkinson by an astonishing margin. Parkinson's law places the annual average increase at 5.75 per cent adding up to 57.5 per cent in ten years. The other major Ministries, which had already a comprehensive base, have kept their growth rates during this period between 53 per cent and 44 per cent.

These rates are without reference to the quality of work performed. But leaving quality aside, it is unquestionable that the growth of superfluous paper-work, to which the five-year plans have given not a little boost, is at the bottom of this staff accumulation. During the last ten years the per capita consumption of paper by the staff has gone up approximately by 40 per cent in value. It does not take more than a superficial contact with any government establishment to realise how officials are lost in a thick jungle of paper-work of little practical value. The Organization and Methods Division cannot be credited with even marginal success in streamlining the administration. This self-generating wild growth must be halted. Would it not be useful to carry out a searching investigation into this intractable problem by entrusting it to a mixed commision of official and non-official experts to save the taxpayer and incidentally to save the Ministries themselves from their staff?

A New Policy for Sugar Exports

SUGAR is in the limelight again; this time it is the paradox of high prices in the midst of plenty. Despite an all-time peak output this year, the consumer in various parts of the country is paying a retail price for it which is not justified on the basis of the controlled ex-factory rates. The trade attributes this state of affairs to the Union Government's persistence with the policy of controls, which, it alleges, have disrupted the normal distribution channels; these circles believe that if control on distribution of sugar is done away with, its prices would go down, bringing welcome relief to the hard-pressed consumer. The Government, on the other hand, claims that there are faults in private distribution. To make sugar available to the trade in plenty, monthly releases have been stepped up since last month to two lakh tons which have not been fully lifted. To this extent, the Government's case is good.

Meanwhile, an important development has taken place in the world sugar market. Following Fidel Castro's seizure of American-owned Texaco and Esso oil refineries, President Eisenhower, under authorisation from the U.S. Congress, has announced a slash of 700,000 tons in the amount of sugar which the United States would buy from Cuba during the rest of the current year. With the consumption going up, the U.S.A. is now looking for sources from where it can import 760,000 extra tons of sugar in the next five months. The domestic manufacturers are expected to provide about 200,000 tons extra and the "quota" nations will provide another 200,000 tons approximately, leaving about 360,000 tons to be imported from non-quota nations. The cut in the U.S. imports of sugar from Cuba, reports suggest, is likely to be made permanent. Cuba is also said to be planning to reduce its sugar output in the interest of diversifying its economy.

These new developments, both on the national and the international fronts, obviously make it imperative that the Government of India should attempt a re-appraisal of its sugar policy. It has been a long-cherished desire of the Union Government to export sugar, provided the supply position permits. In fact, in 1956-57 India exported as much as 1.44 lakh tons of this commodity. In the subsequent two years exports were only small at 36,000 tons and 11,000 tons and had to be discontinued in 1959-60 due to stringent supply position. The present time, however, appears to be opportune to resume exports. A proposal, it is reported, is under consideration of the Government to export some sugar to the United States.

Production this year has been a record one around 24.25 lakh tons. Stocks with factories on June 30 were as high as 12.24 lakh tons. According to the current trends, consumption during the four months from July to the start of the new crushing season in October-end is not likely to exceed 7 lakh tons. This will leave a carry-over of over 5 lakh tons out of which an export allocation of about one lakh tons can be conveniently made. This quantity, if exported, is not likely to upset supplies for the domestic consumer. A carry-over stock of 4 lakh tons should be a sufficient guarantee against any undue rise in prices next year, especially when the standing cane crop is reported to be progressing well. Due to a fortuitous combination of three factors, area under cane this year, according to non-official estimates, is somewhat higher than the last year. The 3-anna increase in cane prices announced in October last is said to have given a fillip to cane cultivation. The winter rains also came at the right time and helped sowings to not an inconsiderable extent. Then there has been the rotational shift to cane cultivation in some parts of Bihar and U.P. Some co-operative societies in Uttar Pradesh, fearing a glut of supplies, are understood to have already approached mill-owners in their areas to start crushing a bit early this time. If the current season's concession of lower excise duty on excess production of sugar is repeated for another season, output next year may well exceed this year's peak production.

Exports of sugar to the United States have another advantage. The U.S. imports of this commodity are not governed by the International Sugar Agreement and the price which the U.S.A. pays for these imports is 40 to 50 per cent higher than the world free market price. Indian sugar is currently quoted on the world market around Rs. 18 per maund, ex-factory. If the U.S.A. pays for imports from here at the preferential rate, the loss which we will incur will not be much. For sugar to be bought from the non-quota countries too, the U.S. Government, reports say, has already decided to pay its higher quota price.

Our exporting sugar to the U.S.A. at the present time may be open to a political objection. It may be interpreted that we want to fish in troubled waters and take undue advantage of the Cuban situation, unnecessarily involving ourselves in cold war rivalries. The same objection, however, can be raised if the Government of India decides not to export sugar to the U.S.A. In that event, we can be accused of siding with the Soviet Union which has promised to buy up all the sugar from Cuba. *The Eastern Economist* is of the view that this matter should be treated as a strictly business proposition and decided on that basis. It is this journal's considered opinion that in the long-term interests, India should try to build up an export market for its sugar in the United States. For this, the first step is to export now when we have surplus sugar and the U.S.A. needs it.

As a corollary to the decision to resume exports, it will, of course, be necessary to maintain control over distribution of this commodity in the internal market. Enough sugar can be made available to the trade through adequate monthly releases as is being done now. To meet the objection of the trade that distribution controls hamper free flow of the commodity into the market — acceptance of tenders being sometimes delayed—the Government will do well to improve its machinery. It may also maintain in the new policy flexibility or a readiness to buy sugar on the international market next year should internal prices rise.

A DELHI DIARY

DR. KRISHNALAL SHRIDHARANI

THIS week has been full of sadness: I mention only one of its tragedies. On Saturday last week Dr. Krishnalal Shridharani, one of the best known journalists in Delhi, representative of the Amrita Bazar Patrika, collapsed suddenly in his home in New Delhi. He was only 49. There could be few better illustrations of the warning that in the midst of life we are in death. He had returned from a visit to Iraq only four days ago and was gay and cheerful at a reception at the Polish Embassy on Friday evening. On Saturday morning he had a complaint of pain in the region of heart and was gone before any medical attention could arrive. The loss that has been sustained by his departure is spread over many institutions. Dr. and Mrs. Shridharani have played such a full part in the cultural life of this city that a great gap is now being felt. It is sincerely to be hoped that Mrs. Shridharani, who has been the life and soul of Triveni — the Music and Dance Institution — will continue to give some of her time to dancing for which she has done so much. There was tragedy also in the fact that Dr. Shridharani has just been awarded the Ranjitram Gold Medal for high distinction in Gujerati literature. The presentation did not take place; now it is too late; or is it? Perhaps posthumous awards ring even truer than those given when personal influence can still be exerted by a lively personality.

Many people are beginning to ask in Delhi whether or not there is something that is bringing along the scourge of coronary thrombosis on the scale in which it effects ravages in modern societies mostly by the pressures of improper diet and hard and sustained intellectual work. Undoubtedly, journalists in New Delhi do not have the opportunity to have a simple diet. The round of social engagements is large and varied, but the strain of following rapidly moving events — in Delhi everything now turns round too rapidly — has been so great that the chances of attacks of coronary thrombosis have greatly increased. It is perhaps a necessary public service at this time that senior civil servants, high business executives and journalists and doctors at large should be informed of the advances that modern research abroad has provided against the dangers of early coronary thrombosis attacks. Meanwhile, cannot some statistician work out exactly the degree of intensity with which the death is now operating behind the intenseness of Delhi's social life?

NAGA OR 'NEVER-NEVER LAND'

We have had a delegation of nineteen members of the Naga People's Convention here for the week. They are led by Dr. Imkongliba Ao, and, according to reports, conversations are proceeding satisfactorily. Very few people are, however, conversant with what it is all about. The People's Convention in Nagaland spoke of a separate Naga State alongside Assam. The natural reaction to separate State in the Indian Union (after the Punjabi Suba demand) is a little allergic, and while Mr. Phizo's presence in London will encourage any moderate demand in Delhi, it is difficult to know whether the stars in their courses have decreed an agreement on the lines of the People's Convention resolutions. For my part, I look upon Nagaland as a kind of 'Never-Never Land' where the strangest things happen; head hunting, and at the same time, a lively disposition to be friends. Only with the possibilities of head-hunters mistaking a friend for an enemy, I have never myself summoned sufficient courage to see Nagaland at close quarters. But I may say proudly, I have seen it from the air. It is beautiful enough that way!

THE STATE OF ASSAM

We now have two problem States, the Punjab and Assam. Discussions keep on proceeding and one wonders whether Dr. B. C. Roy and the Ministers of Assam will be able to find a via media by which relations between Assam and Bengal become normal again. The Prime Minister's dramatic visit and his plain speaking, which irritated many audiences in Assam, have been, however, a wonderful tonic for this nation — in the throes of emotional integration of a kind which it seems not to have it for a century. The capacity of the Prime Minister to rise above local debate and even local patriotic fervour to a high national level is one of the great marks of his leadership. Today on his return from Assam we are beginning to realise again how great his contribution to national unity is and will be.

THE MONSOON SESSION

The Monsoon Session of Parliament is to begin on August 1, and I suppose, it will contain a pretty collection of problems with or without Assam. A move is afoot to prevent a heated debate on conditions in Assam, and it will probably receive the co-operation of all parties. It is felt that in the heat of debate many things might be said which would lead to heightened feeling in Assam. This is a tribute to the remote control exercised by Parliament on the minds of the Indian people, and suggests — with what truth, I know not — that proceedings of our Parliament are actually widely read. Be that as it may, it looks as though it would be wise to defer discussions. What is in animated suspense should be allowed to settle down before consumption.

Meanwhile the status of Parliament has been raised by the directive of the Ministry of Home Affairs that observations in the Estimates Committee Report and other Parliamentary documents criticising failure of administrative reform or procedure should receive immediate attention and corrective action applied on the lines indicated in Parliamentary reports. This has constantly been a complaint of the Members of Parliament that they sounded many trumpets but the walls of Jericho failed to respond. Now at least the view is being spread that what happens in Parliament is of some consequence to this nation.

YOUTH BEFORE AGE

Mr. Nixon's nomination as Republican candidate for the United States Presidential election implies that, whatever happens, the United States is to have a young President next year. People in Delhi — equally searching for signs that will show that imitation which is the sincerest form of flattery — are asking whether this momentous decision to trust youngmen — or is it youth? — in the United States will ever catch on in this country. The larger question is: which young men?

ARGUS

THE WEEK'S NOTES

Central Government Employees

ACTION AND REACTION

THE COGENTLY argued statement of Mr. Jaya Prakash Narayan on the recent strike of the Central Government employees deserves close study because it puts certain basic issues in the proper perspective. One relates to the attitude that the Government should adopt with regard to those people who participated in the strike. Here Mr. Narayan feels that the "large-scale victimisation" that now seems to be contemplated will only prove harmful in the long run. The dictum that justice should be tempered with mercy is no doubt sound, but as explained in a leading article of 'The Eastern Economist' last week, the anxiety to be lenient can easily be overdone and it will be unwise to let those who went on strike to resume by a mere act of regret. But this is a matter of detail which can be worked out in practice without showing any considerations of prestige or partisanship.

However, there are other more basic issues that have to be considered. One is the decision of the Government to withdraw recognition to unions and associations which were parties to the strike. It is estimated that the membership of these unions consisting of Railways, Defence installations, Posts and Telegraphs and Central Government employees will run to about 5.5 lakhs. The question is, after the withdrawal of recognition, what happens? Do these employees have the option to form unions and seek Government recognition or should they join unions that are already given recognition or should they just be in a vacuum as it were. If it is Government's intention only to debar outsiders from controlling these unions, there cannot be much quarrel which, in fact, was what was urged in an article in the last issue. Hence this position has to be clarified. Related to it is the other issue, namely, Government's reported intention to ban strikes altogether in essential services. The present position in this respect is rather anomalous. In law, there is nothing that prevents Government servants to go on strike as a logical consequence of the right to form associations. It, however, constitutes a breach of discipline under the Conduct Rules. Mr. Narayan has pointed out with force that the right to strike is only illusory since for all practical purposes, a ban is already there and an ordinance can take it away every time an occasion arises.

The second Pay Commission, which examined this problem throughly, has given some constructive suggestions in this regard. While suggesting that there should not be any amendment of the law to ban strikes, the Commission has argued that a change must be brought about by the employees themselves abjuring the use of the strike weapon. This required two things: one, the introduction of an adequate machinery for the removal of grievances and, two, Government accepting a convention that they would refer to compulsory arbitration any dispute concerning important matters pertaining to service conditions. The machinery suggested was something analogous to the Whitley type machinery existing in Britain. Mr. Narayan has even gone a step further and said that Parliament can even pass a law prohibiting strikes in essential services if the principle of arbitration is accepted both by labour and Government and provision is made for the machinery of arbitration including the procedure to enforce the arbitrator's award. The need for prohibiting strikes may not arise if, as the Pay Commission has suggested, compulsory arbitration is accepted as a necessary complement to a joint machinery for negotiation. What is necessary is that Government should not insist on the right to have the last word and, as in the case of Britain, should give effect to the award of the arbitrator subject only to the overriding authority of Parliament.

Nagas

DELHI PARLEYS

THE NAGA delegation representing the Naga People's Convention held at Mokokchung last October, which is now in the capital to discuss with the Government of India the demand for a separate Naga State has understandably enough hit the headlines this week. The past exploits of Phizo and his present activities in London, after his recent mysterious air-dash with the blessings of Rev. Michael Scott, have given a new edge to the current talks of the Naga delegation. It is now fairly clear that Phizo's popularity has been rather over-rated and he has no considerable following among the generality of the Naga tribes. The Mokokchung convention was a significant event in the sense that it repudiated the demand for a sovereign and independent Naga State, while favouring a separate Naga State within the Indian Union. This marked the first stage as it were in the evolution of the Naga urge for self-determination consistent with national unity. The disturbances in the past in the Naga areas stemmed from the efforts made to treat the Nagas as part of the Assamese in the name of Indian unity. The attempt to impose Assamese language and culture was bitterly resented by the Nagas which led to the demand for separation fomented by the extremist elements. But thanks to a revision of policy in 1958, the Naga hill district was separated from Assam and the Naga areas were consolidated into one territory administered by the Central Government. This, no doubt, had a salutary effect and to some extent improved the situation.

The claim for a separate State within the Indian Union was, however, kept alive and at the Mokokchung Convention, a series of demands was formulated based on this central theme. It was urged that the new State of Nagaland should remain under the Ministry of External Affairs and a separate Governor should be appointed, who will be advised by a Council of elected and nominated ministers responsible to an elected legislative assembly in which all the tribes will be represented. It was also urged that no law affecting the tribal customs and laws should be passed without their consent and the Central Government should make grants-in-aid for the development for the new State. Not the least important was the demand put forth for forming a Naga regiment within the Indian army. The delegation's current talks are based on these demands. While there may be some substance in the claim of the Nagas for special treatment, it is a moot point whether a separate State for a small area with a population of some four lakhs without much resources is a feasible proposition. Much of the current discussions would obviously relate to the question of administrative and financial viability of the new State if it is to be formed. Besides, it has to be considered whether the constitution of a separate Naga state will not result in the other hill tribes of Assam making similar claims. The discussions at Delhi now centre round at finding a mutually acceptable formula consistent with the need for unity and at the same time assuring the Nagas that their position as a distinct and separate entity will be respected.

Sugar

TARGET IN THIRD PLAN

IN HIS presidential address to the Twenty-First Annual General Meeting of the Deccan Sugar Factories' Association, Mr. F. Edwards drew pointed attention to two

important problems facing the sugar industry, apart from presenting an overall survey of the prevailing sugar situation in the country generally. In the first place, he rightly cautioned the authorities, who, in their enthusiasm to establish more and more co-operative factories, seem to ignore the economic aspects of their policy, to pay greater attention to economic realities. Mr. Edwards said "the capital cost of creating new production capacity by setting up new factories is always far more than the creation of an equivalent production capacity by the expansion of the existing units. The setting up of a new unit involves additional expenditure owing to the duplication of overhead capital expenditure, such as construction of roads, buildings, etc., as also the duplication of overhead revenue expenditure, such as on management, administration, etc."

But the Government, we are told, has been liberal as it was in respect of giving consent for the establishment of new co-operative factories. "This action," to quote Mr. Edwards, "is quite wrong in its basic economy and—what is more—is contrary to the assurance given on behalf of the Union Government in Parliament that preference would be given to schemes of expansion rather than to the establishment of new units."

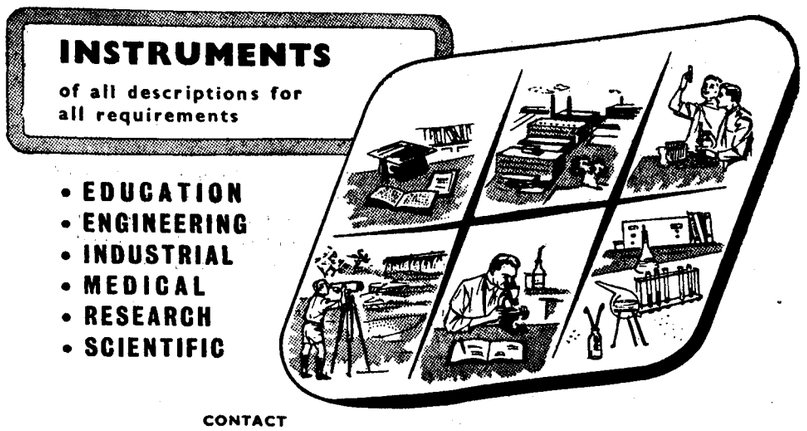
Referring to the three-million-ton target fixed for sugar under the Third Five-Year Plan, the DSFA Chief complained that "the targets have been pitched rather on the low side." It is true that the Government cannot afford to direct the limited resources—internal and external—from heavy and machine-building industries. But ignoring the pressures of consumer demand on goods like sugar has its own dangerous repercussions. The recent strike by the Central Government employees could be traced to this inadequate attention paid by the planners to consumer goods industries. Apart from this, sugar as Mr. Edwards said, is a good source of revenue to the Exchequer. The Planning Commission should "at least provide for a careful review of the position at the end of the second year of the Plan and permit programmes to be initiated for further expansion, if the trend of demand for sugar in the first two years points to the need for sugar expansion", if it cannot provide for a bigger target rightaway.

Oil

BURMAH - SHELL'S SUPPLIERS CUT CRUDE COSTS FURTHER

BURMAH-SHELL have informed the Government of India of a further reduction in the landed costs of crude supplies to their refinery at Trombay. The cut comes into effect from July 22 and will achieve a foreign exchange saving estimated at Rs. 1 crore per year. This reduction follows an earlier concession announced by the company on June 2 when it had apprised the Government that its suppliers were able to give a special concessionary price on the landed cost of the crude oil supplied to its Trombay refinery. This concession effected a foreign exchange saving of nearly Rs. 1.5 crores a year. The combined effect of these two reductions is a saving of Rs. 20 lakhs a month in the foreign exchange required for crude oil supplies to the Burmah-Shell refinery.

Meanwhile, the Government of India, is is understood, has decided to set up a three-member Committee to go into the question of the present pricing system of petroleum products in this country. The Committee will be headed by Mr. K. R. Damle, Secretary to the Union Ministry of Agriculture and a former Chairman of the Tariff Commission. Its other two members will be Mr. R. G. Saraiya, a prominent Bombay industrialist, and Mr. N. Krishnan, Cost Accountant in the Union Ministry of Finance. The need for appointing this Committee has arisen because no agreement could be reached between the Governmnt and the three oil companies having refineries in this country, on the basis of the price formula evolved sometime ago by the Government Cost Accountant. Pending final settlement of the issue, the oil companies effected two "ad hoc" reductions last year, the second one on November 1 which at present governs the prices of petroleum products in India. This agreement expires on March 31, 1961. The Damle Committee has been assigned the task of examining afresh the price structure of the oil companies and recommending to the Government, within three or four months, a rational formula which would form the basis for fixation of prices from April 1 next year.





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A Window on the World

DENATIONALIZATION IN BRITAIN

By

ODYSSEUS

SOME TIME this year £40 millions worth of the shares of Richard Thomas & Baldwin, the last of the great British steel companies still in public ownership, will be offered to the public.

This has revived the controversy over nationalization and denationalization in the UK, and in the recent House of Commons debate, Mr. Hugh Gaitskell argued that the only reason why the government did not want Richar Thomas & Baldwin to remain in public hands was because its success under public ownership revealed the hollowness of the Conservative arguments for denationalizing the rest of the industry.

It is true that last year Richard Thomas and Baldwin showed a profit of £7 millions (before tax) and paid a dividend of 13½ per cent for the year, covered four times. So at first sight it does seem reasonable to ask why, since under public ownership Richard Thomas & Baldwin seems exceptionally flourishing, the company should be returned to the private shareholder.

In fact, the UK steel industry was, save on paper, never nationalized. The Labour Party's Act to nationalize steel did not come into effect until February, 1951. To avoid the disastrous dislocation in managements which occurred in nationalizing coal, the individual steel firms were left intact, and a holding company, the Iron and Steel Corporation, formed to take them over. This Corporation had time to do little more than gather up the reins before the return, ten months later, in October, 1951, of the Conservatives, pledged to denationalization, put nationalization into cold storage. Denationalization began in mid-1953.

In these circumstances, the boards of the steel companies never lost control. An attempt to compare the effectiveness of management under nationalization and under private enterprise in steel is therefore unrealistic.

That the men who managed steel under private enterprise have remained in charge means that, under the Conservative government, the steel executives have never felt discouraged or frustrated, but have worked under unhampering conditions, looking forward to the formal recovery of their independence sooner or (as in the case of R T & B) later.

My enquiries in steel circles show that if the Iron and Steel Corporation had had time to make nationalization effective, a stream of directors, executives, and technicians, frustrated by bureaucracy, would have left steel to seek the more congenial atmosphere of private enterprise with its opportunities for initiative and experiment.

Labour Party supporters urge that R T & B should remain "nationalized" in order to give the government at least one big steel concern which they could use for projects of national importance if private steel enterprise failed to produe what was wanted. Steel men reply that the government retained the Royal Ordnance factories for precisely that reason and that, compared with private enterprise, these factories prove inefficient and extravagant, which is why they are being closed.

PRIVATE VERSUS STATE ENTERPRISE

What, in the eyes of those leaders of the U.K. steel industry with whom I have recently been talking, are the basic differences between the management of a state enterprise and a private enterprise?

First and foremost is that the executives in a private enterprise live in a challenging, competitive world, which requires them to be on their toes all the time. Management is flexible. An executive who is found to be falling down on his job can be dismissed. Promotion is not by fixed salary scales, nor according to seniority, but in accordance with scales competitive with those with similar responsibilities in other industries. Promotion is by merit. A state official is entitled to security of tenure for life and to an old age pension. He cannot be got rid of. He can only be shunted off onto some other unsuspecting department, or retained in some nominal job invented for him, to keep him out of the way, while a more competent person gets on with the job.

It is no criticism of the businessman to say that he rarely feels at ease as a civil servant, nor of the civil servant that he often finds it difficult to adjust to private enterprise. The qualities required of each differ. Confronted, e.g., with the problem of whether to close down a branch that is losing money, or of where to open a new branch, the civil servant must think first of the electoral or party political repercussions. The votes to be gained by building a new plant in one province rather than in another need to be estimated. In the end the decision may well be to pour fresh capital into a high cost production unit in order to keep it where it is. The civil servant thinks negatively in terms of warding off awkward questions in parliament, of avoiding mistakes, or of covering up a mistake when made, because admitted mistakes are ammunition for party polemics.

Confronted with the same problems, a businessman thinks of efficiency, of what he can do to minimise losses and maximise profits. With some people, of course, "profits" is still a dirty work. British steel men say that the idea that profits should be "reasonable" is a hangover of the economics of the interwar depression years. In common with other industrialists, steel men in 1960 do not hesitate to proclaim that high profits are not a symptom of rapacity but the test of efficiency. High profits indicate that costs are being lowered following the introduction of new techniques or that sales are rising because quality has been matched to the requirements of a new market. To charge less than the market price for a commodity creates an artificial demand for it, impedes the invention of substitutes, promotes a static economy. At controlled prices, demand cannot fail to be greater than supply, and a widening circle of production bottle-necks and delayed delivery dates follow naturally. The object of a free price system is to promote smooth relations between supply and demand.

A businessman is a man who is trained to make money, to size up a choice of evils, to decide which risk to take, and to go ahead. If he discovers that he has made a mistake, he need not hesitate to admit it and

to reverse his decision. A successful businessman is not one who never makes a mistake, but who extricates himself more quickly than his competitors and gets onto a new and better track before they do. The taking of risks, the consciousness of competition, the knowledge that success can bring exceptional rewards and, equally, that failure can bring lasting disappointment or disaster, produces an atmosphere of zest compared with the sober caution characteristic of state enterprise.

ARE SHAREHOLDERS PARASITES?

In the Commons debate Mr. Gaitskell said that the denationalization of R T & B would divert dividends from the publicly owned sector to private hands. It would produce capital gains which would go to the new private shareholders instead of benefiting the public. On this subject, the Labour Party pamphlet, "Steel and the Nation" says: "Perhaps the most hollow mockery.. .... is the pretence that control is exercised by the shareholders. Take Stewart and Lloyds (another great UK steel company) whose booklet proudly claims that they have 'over 19,000 shareholders'. 'Shareholders,' we are told 'receive copies of the annual reports and accounts, are invited to their company's annual meetings and are free to criticise'. If only one third of them turned up, 'their company' would have to take the Albert Hall for the occasion....To sell ordinary shares widely among large numbers of shareholders is the modern capitalist's favourite device for maintaining control in his own hands .... The directors become a self-perpetuating oligarchy, regularly re-elected by a tiny minority ...."

Socialists have an arguable case here which needs to be answered. At first sight, it does seems as though the majority of shareholders are a sheepish lot who merely pocket dividends. That only a minority take enough interest in their company's affairs to turn up at annual general meetings is true. What, however, is overlooked is that (provided the government does not intervene to stop the free play of the market) shareholders perform the essential function of deciding what existing companies should expand or contract and what new companies be launched. They base their judgment on the size of the profits and of the dividends distributed. High dividends mean an efficient company whose shares will be tightly held. A company whose dividends are small, or passed, finds it difficult to raise fresh money, unless it can put forward a persuasive enough case to investors. The terms of a new issue in such a case will also have to be attractive enough, since the element of risk is obviously appreciable.

Socialists approve of a company which ploughs its profits back and does not distribute them. But, as I have more than once argued here, the function of a board is (1) to manage a company and (2) to draw attention to new investment possibilities. It is the function of the investor to decide the best allocation of the nation's savings. A board of directors is apt to be prejudiced in favour of its own prospects for success in its own industry. Shareholders have the whole economy to choose from and will allocate their savings in accordance with their various estimates of prospects and risks and their preference for safety or adventure. Within the limits of sound management and regard for normal reserves, companies should pay out the maximum dividends possible to enable shareholders to perform their function of deciding what industries offer the brightest prospects for investment. That makes for a dynamic economy.

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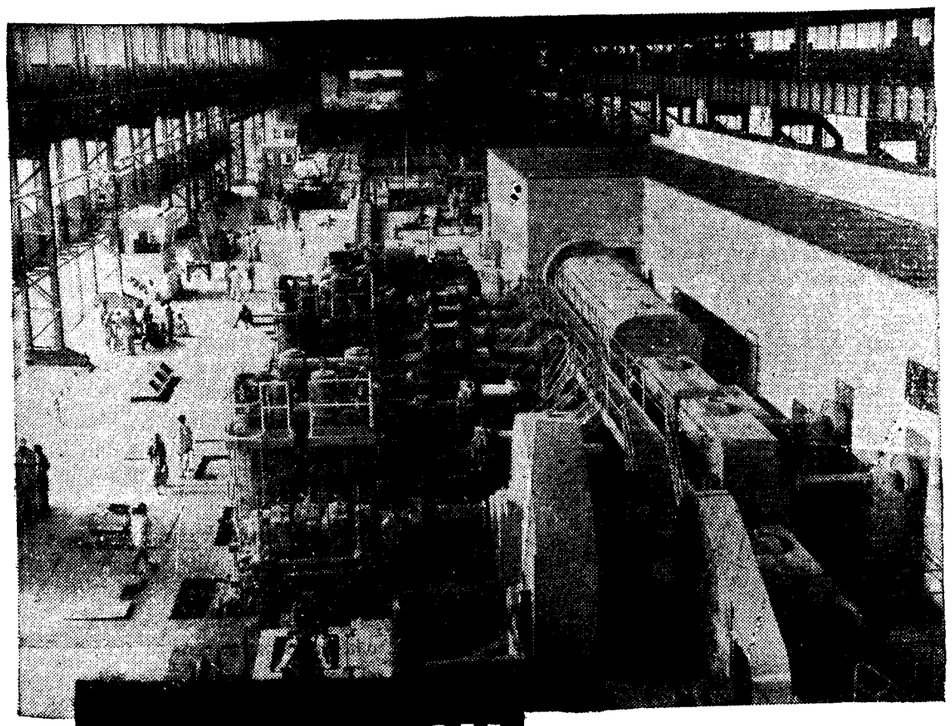
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The European Scene

ITALY AS AN INDUSTRIAL POWER

From Our Special West European Correspondent

PARIS, July 25.

AMONG the European nations, Italy is already the third supplier of India's imports, after the United Kingdom and West Germany but ahead of Soviet Russia and France. The goods Italy sends to India are predominantly industrial (producers' machinery, transport equipment and various manufactures) and her place is assured because she is one of the very few exporters of industrial goods whose prices have fallen in recent years. As an importer from India (Italy buys mainly crude raw materials for her industry), her position among the European nations is lower, coming behind the four countries mentioned, as well as Holland. Yet her performance is likely to be much better this year since, after a long and comfortable period of running down large stocks of raw materials, Italian industry has been obliged by its high level of activity (and encouraged by the low freights and favourable terms of trade) to expand its raw material imports.

More important in the long run than Italy's present position as a trading partner is the rapid change that is occurring in the Italian economy, a change that is increasing her importance as an industrial power and awarding her each year a larger share in world trade. This significant development is apt to be overlooked because we continue to think of Italy (quite correctly) as a country where poverty and underdevelopment are widespread. That she should nevertheless be building a substantial advanced industrial sector, and a growing foreign trade largely based on it, will be regarded by the exponents of "balanced planning" as a case of lopsided development. Lopsided or not, it is occurring, as surely as something similar once occurred in Japan. It will magnify Italy's importance as a supplier of industrial goods and equipment to India, and—given an active Indian interest in the matter—it could make Italy a much more considerable market for Indian exports.

It is well known that Italy has been steadily expanding her economy over the past decade, in exceptional conditions of price stability and without foreign payments worries. It is also well known that the Italian economy has serious structural deficiencies: a vast pool of unemployed and under-employed, and a striking unbalance between the active North and the backward South. The long-term national plan is directed at repairing these defects, and it is commonly assumed that this must be done before Italy can become a notable industrial power. Paradoxically, it is precisely the spetacular progress of Italian industrialism that is responsible for disappointment about the results of the national plan to eliminate unemployment and unbalance. Almost all the steady annual increase in national revenue is due to industry, whereas the near subsistence-agriculture of the arid South stagnates. The more industry develops, the worse becomes the gap between the two parts of the country which the plan was supposed to close. Moreover, investment is flowing mainly to productive industry and particularly to export industries, while grandiose multi-purpose projects are neglected. Within industry, capital is going by preference to capital-intensive manufactures, which do little directly to relieve unemployment even in the North and nothing to drain off the surplus manpower of the South. Modernisation and automation are readily financed, improving the quality and lowering the price of Italian manufactures, but virtually no capital ventures into the under-developed regions of the country.

The maintenance of a large pool of unemployed (about two millions) and the avoidance of inflationary public development works make it easy to preserve stable prices, and so Italian exports have been increasing by leaps and bounds. Italy has now built up foreign exchange reserves which are fantastic in relation to the volume of her economy: $2,953 million at the end of last year, or more than $200 million more than Britain's and more than any country in Europe with the single exception of West Germany. These reserves are still increasing in 1960 despite the rise in the import bill.

This development is not accidental, but is directly connected with the maintenance in power of the Christian Democratic Party and, even more important, the reliance of the Christian Democrats on the small Liberal Party in order to form a coalition government. The Liberals thus have the power to enforce their economic policy, which favours the rapid growth of Northern industry and of foreign trade rather than "socialistic" nation-building development planning. If the Christian Democrats could brave the instructions of the Vatican and lean however slightly to the Left, the resulting coalition would make a very different use of Italy's reserves of manpower and foreign exchange; it would undertake expensive (and partly demagogic) development projects that would slow down the expansion of Italian industry and exports but might build a more balanced economy. Meantime, however, the boom in export industries continues unabated.

Industrial output is setting new records each month; in March the index number (1953 equals 100) was at 187 against 154 in March 1959. Progress is particularly marked in chemicals, artificial and synthetic fibres, machine tools, electrical equipment, motor cars and other durable consumer goods. More significant—because indicating that producers are confident that the boom will continue—is the rapid growth of the capital goods industries, which are now turning out 20 per cent more than a year ago (33 per cent more for steel). Mechanical construction, transport material, cars and cement are achieving output figures never before known; the only exception is the decline in shipbuilding, which fits into the general picture of the world shipping crisis.

A good part of this increased industrial production is going to exports, which after increasing by 20 per cent between 1958 and 1959 are showing further rises this year, some of them astonishing. Thus first-quarter 1960 exports of metallurgical goods were 96 per cent better than last year, rubber 80 per cent better, chemicals and textiles about 60 per cent better. These exports are being offered abroad at prices about 7 per cent below those of a year ago. Even if the absolute volume of Italian industrial exports remains well below that of West Germany and Britain (although already comparable for such items as synthetic rubber and man-made fibres), the point is that Italy's foreign trade pattern is becoming that of a highly industrialised economy. This is equally well reflected on the imports side: imports were 50 per cent higher in first-quarter 1960 than a year before. Given the progress of exports and the large foreign exchange reserves, Italy can easily afford to increase raw material imports for her industry much more yet.

The most interesting feature of the current Italian industrial boom is that the experts can see no limit to it. The reserves of foreign currency put Italy

beyond the danger that industrial booms always cause in Britain and France: the rapid rise in the import bill. The pool of unemployed safeguards her from the situation now facing West Germany, the limitation on expansion set by manpower supplies. The prospect of more intense competition in export markets does not worry Italian manufacturers, for their prices have fallen and could conceivably fall further as production increases; the cost of credit has been lowered again recently. A foreign experts' report concluded lately, "In sum all the data suggest that Italy finds herself today on a rising curve whose summit is nowhere in sight". The opening of easier markets in the Common Market region comes most opportunely, and Italy has increased her trade with her partners by no less than 30 per cent.

The only accident one can imagine is a political one. The long series of Cabinet crises in Rome this year—Italy has not had stable government for almost two years, but a string of provisional ministries—is due fundamentally to the fact that balance of Italian opinion has now swung against the Right-wing parties who are responsible for this industrial-export boom built on the foundation of an undeveloped and unbalanced economy. I do not mean that this proves there is anything wrong or undemocratic about that policy. In the long run, and not so long at that, a continued industrial expansion of present proportions could cure the Italian economy of its endemic unemployment while perhaps exacerbating the disproportion between the North and South; it is already responsible for a steady rise in Italian living standards, achieved moreover without the least price inflation. It is far from certain that an economic policy that was more faithful to the national plan and sought to repair the structural deficiencies of the economy by a head-on attack would make a better job of it in the long run. Yet a majority of the Italian electorate, that part which votes for the left wing of the Christian Democrat Party, for the two Socialist parties and for the Communists, no doubt wants to see such a policy applied now, in preference to the orthodox free-enterprise programme dictated by the Liberals. All attempts to impose that change on the Christian Democrat leadership have so far failed, and may well continue to fail indefinitely. In that case, the present orientation of the Italian economy will remain and that will be important to the world trade nexus, for it means that without first mending the weaknesses of her domestic situation Italy will go on increasing in importance as an exporter of capital goods and manufactures, and as an importer of raw materials.

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Economic Report from the U.S.

TRADE OUTLOOK

By

GUY SIMS FITCH

NEW YORK, July 26.

LENDING considerable support to the high level of economic activity in the United States has been the nation's favourable export balance. During the second quarter of this year, the US export surplus of goods and services added $2,500 million at an annual rate, to the Gross National Product (GNP)—the total output of goods and services. During the same period last year, the United States ran an export deficit which subtracted some $2,200 million from the GNP's annual rate.

Primarily responsible for this shift has been the pronounced increase in US merchandise shipments abroad. Taking due note of this, the Balance of Payments Group of the National Foreign Trade Council, the nation's leading private trade organisation has raised its sights significantly on the US trade outlook for 1960. The Council now predict that the excess of US merchandise exports over import—the trade surplus—will wind up the year at $3,400 million. Last year's trade surplus barely exceeded the $1,000 million mark. In making this new forecast, the Couniil estimates that both exports and imports will hold pretty close to their present high rates. This would mean an export total for the year of about $18,800 million, close to $2,500 million above the 1959 total. And it would mean an import total of $15,400 million, slightly higher than 1959's record figure.

So far, actual 1960 figures are available only for the first five months. They show that US commercial exports totalled $8,021 million, a gain of some 25 per cent over the $6,597 million chalked up during the same period of 1959. Merchandise imports, meanwhile, totalled $6,317 million, up four per cent over the $6,051 million of January-May 1959.

The Council's Balance of Payments Group, made up of economists and other executives of American companies with international interest, attributes this year's large export gain to two basic developments. One is the continuing high level of economic activity abroad, opening up expanded markets for American goods. The other is the trade liberalization undertaken by many countries in the past year, particularly with respect to the removal of barriers against US goods and dollars.

Figuring prominently in the US export rise this year has been a wide variety of products in many categories. Included are commercial aircraft, cotton, copper products, iron and steel products and many others. There also have been many notable trade increases on the import side. Last year, largely because of the length of American steel industry shut down, US imports of iron and steel products soared to unprecedented highs. These imports, understandably, have dipped noticeably this year. Imports of automobiles and some other items also have declined somewhat as compared with 1959. Yet the American economy has been exurberant enough to offset these declines with increased imports of such other items as iron ore, sugar, petroleum products, copper and machinery.

The trade balance, of course, is the main component of the nation's balance of payments accounts, which include all public and private transactions with the rest of the world. Now, with the export surplus running markedly higher this year than last, the Foreign Trade Council confidently expects an improvement in the over-all US balance of payments position. In the case of the United States, with its huge outpouring of government and private funds, this means a reduced deficit rather than a larger surplus in its balance of payments position. US government aid and other loans for 1960, for instance, are estimated by the Trade Council at some $2,900 million, and net private investment and remittances abroad at some $2,800 million. This kind of capital outflow obviously overshadows the anticipated trade surplus, and promises to leave the United States with a 1960 balance of payments deficit of something less than $2,500 million. While this deficit appears high—and no one denies that it is—it none the less is considerably lower than the actual deficits of the past two years. It also is well below the $2,900 million deficit predicted for 1960 when the Council made its regular annual forecast last January. The answer is that trade developments have been so favourable since then as to warrant the more optimistic appraisals in this mid-year review of the Council's findings

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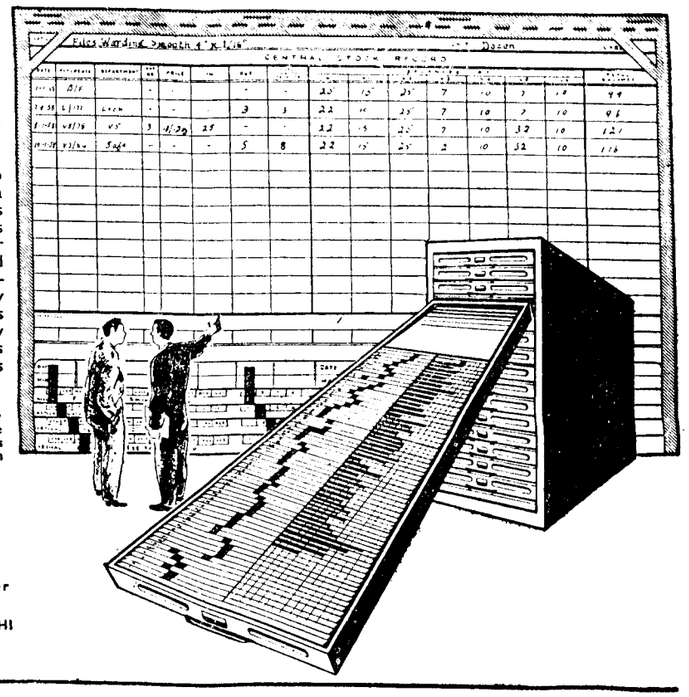
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Special Article

WAGE BOARDS AND THE WAGE LEVEL

IN an effort to achieve what is described as industrial truce, the Government of India decided as a matter of policy to constitute tripartite Wage Boards to look into the wage structure of the major Indian industries. The Wage Boards for cotton textile and cement have submitted their recommendations which the Government has accepted. In this Special Article an attempt is made to assess precisely the rise in wage level decreed by their recommendations and consequent additions to the wage bill of these industries.

THE COTTON TEXTILE WAGE BOARD

The Wage Board for cotton textiles divided all the mills in two categories. After reviewing the existing wage structure and wage differentials largely according to the tenor of the 15th Labour Conference and the Fair Wages Committee Report, the Board came to the conclusion that an increase at the average rate of Rs. 8 a worker should be given to all workers of mills in category I — such as workers of Calcutta, Ahmedabad, Bombay city, Madras State and Delhi — from January 1, 1960. Likewise, an increase at the average rate of Rs. 6 per month per worker would be given to all workers of mills in category II—at centres such as Kanpur, Nagpur, Indore and Sholapur. Since about two-thirds of the workers (estimated at about 885 thousand in December, 1959) would fall in category I, the addition to wage bill for 1960 as a consequence of the above recommendation might be around Rs. 7 crores. Another Rs. 2.2 crores will be incurred from 1962 onward because of the flat increase of Rs. 2 per month per worker recommended from January, 1962.

Another recommendation of major consequence for the cotton textile industry is the merger of 75 per cent of the dearness allowance with the basic wage. The remaining D.A. is visualised to have a flexible character and adjustable to the cost of living index. This consolidation will inflate the basic wage significantly, particularly at centres like Bombay and Ahmedabad where D.A. constitutes the bulk of the earnings of a worker. An overall two-fold increase in basic pay will imply a substantial addition to wage bills under the head of gratuity, bonus and provident fund. The net result of these and other recommendations such as benefits to clerical staff under new pay scales might mean an additional wage bill of the order of Rs. 15 crores per annum. If the wage bill (including salaries) for 1959 is placed around Rs. 150 crores, this will mean a rise of **10 per cent in the wage bill** for the year 1960 alone. This also is, in broad terms, the decreed rise in average wage level of a textile worker.

As for the lowest paid worker, Table I sets out the benefit that will accrue to him at some important centres. Supposing that the lowest paid worker gets an increase of a minimum of Rs. 7 (or Rs. 5 in category II) from January 1, 1960 the immediate rise (Jan., 1960 over Dec. 1959) in his wage will be of the order of 5 to 6 per cent at Bombay, Ahmedabad, Kanpur, Nagpur and Indore and about eleven and a half per cent at Calcutta. As the cost of living moves up in 1960, additional D.A. will further increase his earnings. On the basis of the past trend in price indices of the various centres, minimum wage in 1960 will prevail above the 1959 level by different proportions at different centres. In particular, attention is drawn to the substantial rise of about 21 per cent for Madras workers. This is an upshot of the Board's recommendation for full neutralisation for workers in Madras, instead of the existing partial neutralisation. Similarly, between 13 to 16 per cent rise in minimum wage level at Bombay and Ahmedabad where minimum wage level already ruled very high around Rs. 117 in 1959—as a result of 100 per cent linking of the dearness allowance with consumer price index, which was unusually high in 1959—will fall heavily on these mills.

The question is being asked what is the extent of rise in wages solely due to the recommendations of the Board. It is to be conceded that earnings of a textile worker had been rising with a rise in consumer price index because they were linked to each other. In the last column of Table I is given the past annual increase in minimum wage during the five year period 1954 to 1959. The difference between column 8 and 9 is a measure of rise in minimum wage level entirely as a result of the Wage Board's recommendations. Except for Kanpur and

TABLE I

RISE IN MINIMUM WAGE* LEVEL OF TEXTILE WORKERS IN SOME IMPORTANT CENTRES DUE TO THE CENTRAL WAGE BOARD'S RECOMMENDATIONS

(Rs.)

Centre	Minimum Wage in December, 1959	Minimum Wage from January, 1960			% Increase in Minimum Wage in Jan. 1960 over Dec. 1959	Average Minimum Wage in 1959	Expected Average Minimum Wage† in 1960	% Increase in Average Minimum Wage in 1960 over 1959	Annual % Increase in Average Minimum Wage (from 1954 to 1959)
		Basic	D.A.	Total					
	1	2	3	4	5	6	7	8	9
Bombay	120.30	92.62	34.68	127.30	5.8	116.42	132.14	13.5	4.4
Ahmedabad	124.53	89.97	41.56	131.53	5.6	117.03	136.29	16.4	4.1
Baroda	112.88	83.67	36.21	119.88	6.2	106.03	122.71	15.7	4.1
Sholapur	76.44	60.13	21.31	81.44	6.5	70.74	84.37	19.3	..
Nagpur	92.35	72.13	25.22	97.35	5.4	89.18	100.41	12.5	6.5
Madras	91.44	70.70	27.74	98.44	7.6	87.41	105.86	21.1	4.4
Kanpur	90.16	75.15	20.01	95.16	5.5	89.60	96.28	7.5	2.4
Indore	93.94	74.33	24.61	98.94	5.3	90.61	102.94	13.6	2.2
Calcutta	60.32	53.55	13.77	67.32	11.6	60.32	68.32	13.3	0.8

* Comprises dearness allowance and basic pay only.
† Estimated on the basis of past trend of consumer price index for the relevant centre.

Nagpur, **this forced rise in minimum wage level is of the order of about ten per cent.**

THE CEMENT WAGE BOARD

According to the resolutions of the 15th Labour Conference which evolved the controversial need-based wage formula, the major recommendation relates to the doubling of the basic wage of the lowest paid worker i.e. from the existing Rs. 26 to Rs. 52 per month from January, 1960. Substantial increases have also been recommended for semi-skilled and other skilled workers. Moreover, the dearness allowance has been linked with the All-India Consumer Price Index for Working Class. The immediate and final effects on the minimum wage level have been evaluated for some centres of cement industry and set out in Table II below:

In view of the substantial increase in minimum wage for the industry, the Board recommends a programme of 'phasing' of the addition in emoluments. For the first year i.e. 1960, the minimum wage should be fixed at Rs. 10 less than the recommended minimum wage (Rs. 101 for Gujerat and Saurashtra and Rs. 91 for other centres) if the immediate increase for a worker turns out to be greater than Rs. 25. If the average for All-India Consumer Price Index is conservatively placed at 125 in 1960 (the Board's recommendations were based on a value of 123), additional D.A. will have to be provided for this rise also. On these assumptions, percentage rise in minimum wage (1960 over 1959) might range from 21 per cent in Sevalia to 39 per cent in Mancherial. But after the phasing is over, the final minimum wage at the beginning of 1961 will be still higher. Compared with cotton textile worker, the cement worker will gain more in relative terms. For instance, in Dwarka (Gujerat) the rise will be 30 per cent for the cement worker as compared to about 15 per cent for a cotton textile worker in the same region.

What will be the additional wage bill for the cement industry as a whole when all the recommendations of the Wage Board are fully implemented? The incidence is worked out for the Associated Cement Companies which together contribute about 50 per cent of the total cement production of the counrty and the results set out in Table III: A 15 per cent increase in the wage bill (excluding gratuity) in 1960 and, over 22 per cent in 1961, for ACC group of factories is fairly representative of the incidence on the whole industry as these units are dispersed all over India. The estimate may turn out a little on the lower side for more than one reason. Firstly, incidence of gratuity is excluded. Secondly, the probable rise in dearness allowance in 1960 is not taken into account. Moreover, additional salary bill for clerical staff under new pay scales is also not included.

TABLE II

RISE IN MINIMUM WAGE LEVEL IN CEMENT INDUSTRY AT SOME CENTRES DUE TO WAGE BOARD'S RECOMMENDATIONS

Centre	Entimated Minimum* Wage 1959 Rs.	Expected Minimum† Wage 1960 Rs.	Final Minimum‡ Wage 1961 Rs.	Percentage rise in Minimum Wage in 1960 over 1959	Percentage rise in Minimum Wage in 1961 over 1959
Centre	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
Satna	60	82	92	37	53
Bhupendra	66	82	92	24	39
Dwarka	79	103	103	30	30
Mancherial	59	82	92	39	54
Sevalia	85	103	103	21	21
Sindri	65	82	92	26	41
Dalmianagar	61	82	92	34	50
Charkhi-Dadri	61	82	92	34	50
Macherla	66	82	92	24	39
Japla	62	82	92	36	48

* Excludes any grain concessions or house rent allowance, if any.
† Includes house rent allowance. ‡ Assumed that no rise in dearness allowance takes place in 1961, except the "phased" Rs. 10.
Note. Figures for Minimum Wage are rounded off to the nearest rupee.

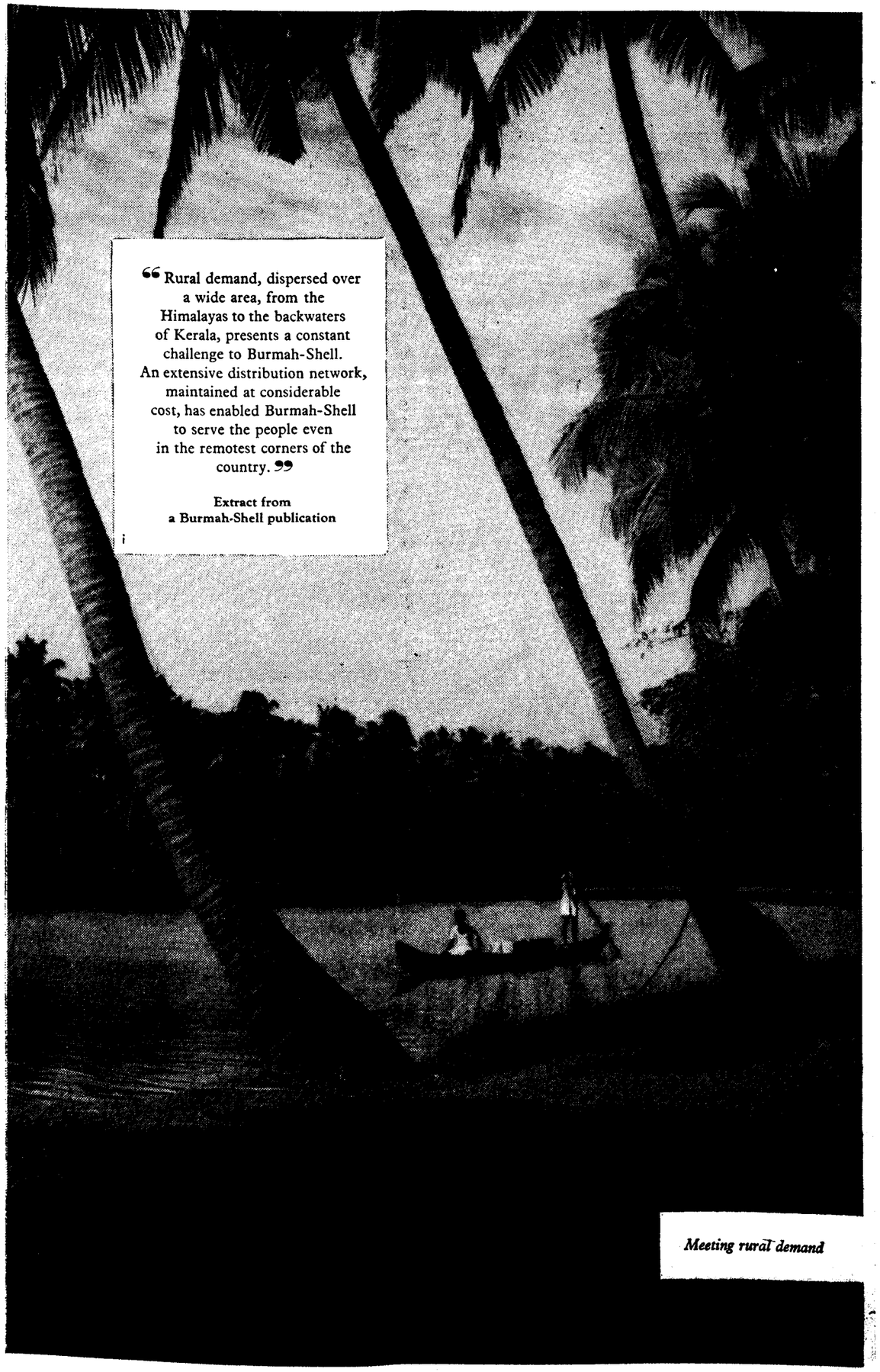
TABLE III

RISE IN WAGE BILL* OF THE ASSOCIATED CEMENT COMPANIES

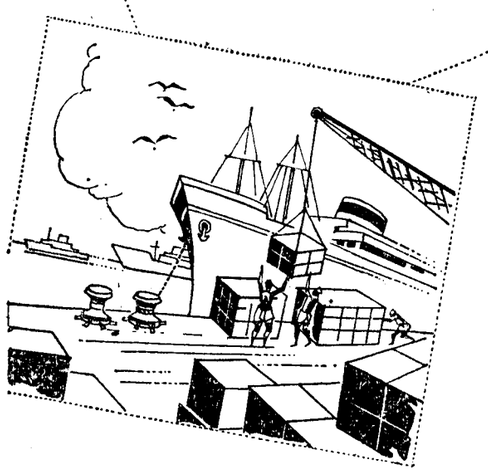
(Rs. lakhs).

Grade of the Worker	Wage Bill at the present scale	Wage Bill at the recommended scale	% increase in Wage Bill for the first year (1960)	% increase in Wage Bill for subsequent years
A (Skilled, highly)	9.84	10.13	2.3	3.0
B (Skilled, upper)	17.57	18.59	3.9	5.8
C (Skilled, lower)	29.98	34.70	9.3	15.7
D (Semi-skilled)	51.05	61.89	13.4	21.2
E (Unskilled)	67.86	89.19	23.4	31.4
Contract Labour	13.94	17.97	22.5	28.8
TOTAL	1,90.26	2,32.56	15.6	22.2

* Includes basic wage, dearness allowance, provident fund and State Insurance contribution, but excludes gratuity.



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THE BUSINESS WORLD

Why this Rise in Cloth Prices?

By CROESUS

EVER since the general strike of the Government employees, the public has become especially sensitive to any rise in prices of essential commodities. Even a reported — though not substantiated — rise makes not only the interests concerned but also the authorities to sit up. The latest instance is the reported rise in the prices of cloth by about 20 per cent to 30 per cent above the normal level. Now nobody has indicated what this normal level is. As early as December last, there were allegations by the 'Mahajans' (wholesale dealers in cloth) that prices of certain varieties of cloth had shot up by as much as 50 to 70 per cent. Enquiries made by the Bombay Millowners' Association at the time, however, would appear to have disproved them. Even after six months since that allegation, and notwithstanding the fact that prices in the meantime have admittedly risen further, millowners contend, the rise has not been anywhere near the indicated extent. Of course, they do not deny that prices have risen, but, in this connection, they draw pointed attention to the sharp rise that has taken place in the price of cotton, both Indian and foreign, particularly cotton of the staple length required to produce course and medium varieties of cloth, and also in both basic wages and dearness allowance, not to mention a number of other contributory factors.

Now, it is common knowledge that the cotton crop this year has seriously fallen short of expectations. As against the initial estimates of 43 lakh bales, the latest estimates of the cotton crop do not place it above 37.5 lakh bales. It may not be out of place to add here that the normal production of cotton in India is of the order of 48 lakh bales and the target of production of cotton at the end of the Second Five-Year Plan is 55 lakh bales. Incidentally, both cotton and textile interests had been urging that this target should be at least 65 lakh bales. Be that as it may, because of the failure of the cotton crop this year India has been obliged to import more cotton than during any other year in the past. Thus, as against the average consumption of foreign cotton over the past three years of around five lakh bales, the country is expected to import over 12 lakh bales and actually consume at least ten lakh bales. Both the textile and cotton interests have been so much shaken out of their complacency by the acute shortage of cotton that developed this season that they have been urging, for some time past, the need for building up a buffer stock of 3½ lakh bales by importing this additional quantity from the United States under the P.L. 480 programme. The demand has been growing in intensity especially in view of the continuing dry weather which has begun to cause not a little anxiety about the cotton crop. Until the end of last month, weather for the cotton crop in most of the producing regions in the country was reported to be excellent and, subject to the continuance of the same weather conditions, it was even indicated that the country could expect a cotton crop of 55 lakh bales without any further increase in the area under cultivation. In short, the position in regard to cotton seems definitely unsatisfactory and the authorities must be prepared for a continuance of the firm trend in cotton prices for several months to come.

In recent months, because of reasons other than higher cotton prices, there has been sharp rise in the costs of working of the cotton mill industry. In addition to the rise in dearness allowances due to the rise in the cost of living index, there has also been a rise in basic wages consequent on the implementation of the Textile Wage Board's recommendations.

The precise extent to which the alleged rise in cloth prices has been brought about by the two factors noted above may not be clear, but that they account for a substantial part of the rise cannot be challenged. Prices rise too when there is a curtailment in output, deliberate or otherwise. But the cotton mill industry cannot be blamed for not maintaining the output of cloth. According to the latest figures available, the production of cloth for the first half of the current year has been, in fact, slightly in excess of the production for the corresponding half-year of 1959, the respective figures being 2,466 million yards and 2,455 million yards. Also, the stocks of cloth with the mills at the end of June last, at 2,83,000 bales, were not much below those at the end of June 1959. Furthermore, total stocks with the mills have been steadily rising since April last. It cannot, therefore, be seriously argued by anyone that the mill industry has deliberately kept down production in order to boost cloth prices. On the other hand, it is well known that the industry has been pressing the Government for liberal imports of foreign cotton to enable it to achieve higher output, because the industry is convinced that the real remedy to meet the present situation is more production. According to Mr. Krishnaraj M. D. Thackersey, Chairman of the Indian Cotton Mills' Federation, there is ample scope for expanding the working of shifts and thereby making more cloth available. At present, the mills are working two shifts and only a few mills operate the third shift. It should be possible, according to the spokesmen of the industry, to introduce third shift in more mills, if adequate supply of cotton were assured. As for the supply of additional labour required for the purpose, Mr. Krishnaraj stated, at a press conference last week, that, judging from the number of trained workers that turn up whenever a notice for third shift working in any mill in Bombay is put up, there was no dearth of workers.

It is noteworthy that the spokesmen of the industry are fuily alive to the prevailing situation. They are only too conscious of the increase that has been taking place in cloth prices, in particular those of coarse and medium varieties. What is more important, they are not averse to taking such steps as lie in their power to stabilise cloth price at reasonable levels. In this connection, suggestions have been made to resort to stamping of prices and the Indian Cotton Mills' Federation itself had suggested that, if necessary, the industry

would stamp prices on a voluntary basis, but veteran spokesmen of the industry feel that price stamping in the prevailing circumstances will not prove efficacious. There are many ways like prevention of hoarding, they say, to meet the situation. The industry as a whole is convinced that price stamping cannot be a substitute for higher production. Some of the mills are really perturbed that price stamping may drive cloth into black market and lay the industry open to the charge of profiteering. They fear that the consequences of price stamping would be loss of revenue to the Government and loss of face to the industry, both certainly avoidable.

After all, if one examines the position dispassionately, it does not look as though the cloth position is really so bad as it is made out to be. An unnecessary scare is being raised about the shortage of cloth and the possibility of further rise in prices. What is necessary presently is to change the psychology of both the public and the trade with regard to the cloth supply position, and, if this is done, there will not be a scramble for cloth, especially of the varieties that are in short supply for the time being, which is really the factor contributing to the somewhat unwarranted rise in demand (at least on the part of those who tend to hoard goods the moment there is talk of a shortage and rise in prices).

To some extent, it is possible the rise in cloth prices may be due to our exports of cloth. Although we are still behind the 1,000-million yard export target, our performance in 1959 was quite encouraging, thanks to the textile export incentive scheme. During the first six months of this year, exports were of the order of 350 million yards. But it is expected that last year's level of exports will be reached. Given even this quantum of exports, the effect on internal prices would be there by reason of the fact that over 90 per cent of our exports today consist of coarse and medium varieties, precisely the varieties in which there has been scarcity and therefore a perceptible rise in prices. While the Government has no doubt been trying to meet this situation by importing cotton of one inch staple and below from America, the industry, on its part, has been spinning down, or weaving lower counts of cloth than the quality of the cotton permits. Incidentally, this is another contributory factor to the present rise in prices.

Although it cannot be established that there is a studied propaganda about the so-called large profits of the cotton mill industry, there is no gainsaying the fact that an impression generally prevails that the mill industry is making huge profits. After all, the cotton mill industry has only recently recovered from a fairly long period of crisis, when cloth prices were unduly depressed. It would be unfair to the industry to judge its profitability generally by comparing the level of prices of this depression period with today's prices. Even in normal times, let alone in the recent 2½ years of depression, the profit margins of the Indian cotton mill industry were among the lowest, whether profits were considered as a percentage of sales or as a percentage of employed capital. Not long ago, the monthly bulletin of the R.B.I. had published a study of industrial profits which showed that gross profits of the cotton textile industry were only 3.1 per cent of gross sales in 1957, while the percentage of gross profits to total capital employed was only 3.4 per cent. The position was not much better in 1958. It is only since 1959 that the industry has begun to recover. It is against this background and the background of the several factors beyond the control of the industry which have contributed to the rise in costs of the industry that one should judge the present price situation in the cotton mill industry. Judged thus, I have no doubt, the industry would come out unscathed. But this is not to say that the industry has no responsibility in maintaining reasonable stable prices. The 'bona fides' of the industry will, in fact, be judged by the stand that the industry will take on the price question at this week's meeting of the Cotton Textile Consultative Board.

Business Notes

Finance

PREFERENCE DIVIDEND

WHILST OPENING the discussion on the Finance Bill in the Lok Sabha the Union Finance Minister, Mr Morarji Desai, it will be recalled, gave an assurance that, if joint-stock companies did not give a fair deal to preference shareholders, the Government would have to resort to legislation with a view to seeing to it that its intentions are carried out adequately. Precisely, the relevant extract of the Finance Minister's speech reads: "While no special action is required for passing on the benefit to the ordinary shareholders, special action will have to be taken by the companies in order to give suitable increases to the dividends received by preference shareholders. The Government still hopes that the companies will do so. It is proposed to watch the situation for some more months and, if it is found that companies do not make suitable provisions in this regard, the Government may have to bring in suitable legislation with a view to securing to the preference shareholders a suitable increase in the dividends. It is, of course, the intention that these increases should apply only to the dividends received on preference shares issued prior to April 1, 1960. In relation to preference shares issued after that date, all parties concerned are aware of the new system of taxation on companies, and it is up to the companies to clarify to the new preference shareholders their right as to the amount of dividend payable to them."

It is a pity the Government created an untenable situation by its own action and then started to meet it first by shifting the responsibility to the company managements and then blaming them for the action taken by them, in every case, after obtaining authoritative legal opinion. Surely the managements of the companies concerned cannot be blamed for this. What is really to blame is the phraseology of the legislation concerned which permits of two entirely conflicting interpretations. Be that as it may, what has followed in the event is that the question of the quantum of dividend payable on preference shares continues to be a matter of assiduous vigilance and animated controversy among company managements and institutional investors, let alone market circles, causing thereby not only endless uncertainty but severe hardship to shareholders of preference shares. It is regrettable that, despite repeated requests and representations, the Government has allowed the issue to hang fire thus. Unable obviously to put up with this uncertainty indefinitely, some institutional investors have rightly decided to make a joint representation on the subject to the Union Finance Minister. The Industrial Credit and Investment Corporation of India, the LIC, the Investment Corporation of India, The Bombay Shareholders' Association, the Industrial Investment Trust and the Bombay Stock Exchange met in Bombay for the purpose, and it is to be hoped that at least the combined efforts of these will bear fruit in solving satisfactorily a problem which has been a source of great worry and vexation.

Power

TATA'S EXPANSION PROBLEMS

MR. J. D. CHOKSI, Chairman of the Tata Power Co. Ltd. announced at the annual general meeting that 1960 being the Jubilee Year of the Company, every employee of the three Companies of the Tata Electric Group will be given, without consideration of rank and status, a Government of India Prize Bond worth Rs. 100. The shareholders, in this connection, will get an extra dividend of ½ per cent. Moreover, a sum of Rs. 1 lakh will be paid to the Indian Institute of Sciences at Bangalore to finance scholarships for research on problems connected with electric power. This Jubilee Year expenditure is to be shared by the three Companies of the Tata Electric Group.

In this Jubilee year, the Chairman has paused to consider the future of power supply in the region. He has pointed out that the demand for power continues to rise at the rate of about 8 per cent every year. With the installed capacity of the Tata System of over 470 MW, the total installed capacity of the Tata-cum-Railway System in the region will be nearly 600 MW. Thus a maximum demand of about 500 MW can be met against the present maximum of 422 MW. It may be added that the Government of India's Koyna Project which will release 60 MW during the later part of 1961, will provide some amount of relief. By the Middle of 1963, when the first stage of Koyna Project is complete the supply of 115 MW can be assured, and when the second stage goes through by 1965, there will be loading capacity of about 700 MW on the Tata-Koyna-Railway inter connected-grid.

The Chairman has stressed the fact that by 1965 the peak demand will also have risen to that level. In view of the fact that power capacity cannot be expanded on a short notice, plans for the expansion of the capacity in the region beyond 1965 should be considered now. A nuclear power plant of 300 MW capacity which is being considered by the Central Government, may take over 5 years to materialise. The Chairman is, therefore, of the opinion that alternative sources of additional power supply should be considered. The Company is in close touch with the Government of Maharashtra and the State's Electricity Board for consultation on plans for expansion of its System beyond 1965, in both hydel and thermal sections.

Warehousing

STEADY PROGRESS

THE CENTRAL Warehousing Corporation opened 17 warehouses during 1959-60, while there were only 9 in existence before. These 26 larger warehouses along with 148 smaller ones set up by the State Warehousing Corporations do not compare favourably with the Second Plan target of 100 large and 250 small warehouses. Even though the target could not be achieved, a large part of the gap might be covered during the current year 1960-61. It appears from the report that more significant than the achievement of these targets in terms of the number of warehouses is their actual performance and in this respect they have encouraging results. While the number of commodities handled increased from 30 to 60, the maximum overall occupancy was 83 per cent with a minimum as high as 60 per cent. The stocks deposited with the Central warehouses at the end of the year under review increased to 517,000 maunds against 163,000 maunds a year before. A five-fold increase was recorded in the gross earnings from storage charges—from Rs. 76,000 in 1958-59 to Rs. 3,81,000 during 1959-60. In addition to this financial achievement, the Corporation also trained as many as 231 persons in scientific storage, marketing, banking, accountancy and other allied subjects during the year.

The Central Corporation conducted surveys of 68 centres all over the country for opening new warehouses. It is proposed to undertake the construction of an additional storage capacity of 1,400,000 maunds during the current financial year (1960-61). It is also proposed to construct two cold storages, one at Delhi and the other at Gauhati, with a capacity of 56,000 maunds. Among other schemes under consideration, the Corporation proposes to extend storage facilities to vegetable oils, molasses, wool and lac intended for export and also to apples and potatoes at Theog in Himachal Pradesh.

This extended capacity of warehousing is going to be of great assistance to the producers as well as the traders in agricultural commodities. It will have a direct bearing on rural credit by facilitating acceptable security. The depositors of commodities with the warehouses can always approach the banks for advances. Apart from credit, their extended capacity of warehousing will be immediately helpful to Government. But the entire complex of the problem of warehousing has been radically changed by the huge quantities of buffer stocks and imports for current requirements under the fresh PL 480 agreement. Past lethargy will not only have to be shaken off but modernised storage will have to be executed expeditiously with a bold new plan.

Protection

ALUMINIUM

THE VERSATILITY of aluminium and its increasing importance to the economy was underlined by Mr. K.R.P. Aiyangar, Chairman, Tariff Commission, while opening last week, the public enquiry into the question of continuance of protection to the aluminium industry beyond December 31, 1960. The economic significance of this metal which stands next only to the steel in the industrial field, is all the greater in this country which suffers from a "deficiency in other non-ferrous metals." Mr. Aiyangar, who discussed at length the economics of aluminium, disclosed some of the important data pertaining to the industry. According to the Tariff Commission Chief, there are at present only two units engaged in the production of aluminium ingot. Three new units—Hindustan Aluminium Corporation Ltd., Tendulkar Industries, and Madras Aluminium Ltd—have been issued licences for an aggregate capacity of 50,000 tons.

The present capacity of the industry for the manufacture of primary metal is 17,800 tons, as against 7,700 tons in 1958. With the expansion of capacity of the existing units and the erection of the three new units already licenced, the aggregate capacity of the industry is expected to increase to 83,000 tons a year. The output of aluminium, which amounted to 8,134 tons in 1958, rose to 17,114 tons in 1959 and 7,387 tons during January-May 1960. The capacity of the organised sector of the industry for semi-manufactures, which was assessed at 17,800 tons a year in 1958, is now placed at 21,000 tons, and 45 small-scale units engaged in rolling non-ferrous metal products, including aluminium at 4,635 tons. The production of aluminium sheets and circles by the organised sector amounted to 13,582 tons in 1958, and 15,931 tons in 1959. The capacity of the sole manufacturer of aluminium foils and contained sheets is reported to be 3,504 tons as against 1,600 tons in 1958. The production of aluminium foils was 1,864 tons in 1958, 2,429 tons in 1959 and 1,342 tons during January-May 1960.

With regard to demand the Development Wing has estimated the current demand between 34,000 tons and 58,000 tons and the likely demand in 1963 to range between 54,000 tons and 98,000 tons. The actual consumption of the country as indicated by the sales of indigenous products, scrap arisings and imports (which are restricted and hence there may be a volume of unsatisfied demand) is placed over the last three years at 34,024 tons in 1957, 32,273 tons in 1958 and 40,301 tons in 1959. With the diversification of the economy, the demand for the metal is bound to increase steadily.

The industry, which has been enjoying protection for more than a decade has registered encouraging progress and the quality of the domestic products produced by the organised sector has been, according to Mr. Aiyangar, satisfactory. Given proper assistance and

incentives, the industry will make further progress, both quantitatively and qualitatively. It is the contention of the industry (and it cannot be disputed seriously) that the aluminium industry is capital-intensive, that domestic bauxite is of inferior quality, that the rates of power supply are comparatively high, that the capacity of their plants are small and that cost of imported raw materials is also rather high." All these aspects may, however, be expected to be carefully gone into, whilst examining the case for the continuance of protection for this industry which it is conceded by all as having enormous potentialities.

Life Insurance

PROGRESS OF LIC

AT THE last meeting of the Life Insurance Corporation of India, Mr. P. A. Gopalkrishnan, its Chairman, pointed out that the Corporation had been making steady and satisfactory progress since its establishment on September 1, 1956. In 1959, new business secured by the Corporation amounted to Rs. 429 crores recording an increase of 25 per cent over that of the previous year. In 1958, the new business secured was to the tune of Rs. 345 crores. Compared with 1957, the number of new policies issued in 1959 increased by 41 per cent. As a result of the various measures taken, the amount of foreign business done by the Corporation which was already low has increased marginally.

The business in force has increased encouragingly since the inception of the Corporation. At the end of 1955, the business in force was Rs. 1,220 crores and at the end of 1959, it had reached Rs. 1,964 crores, i.e., an increase of more than 60 per cent. During the same period, there was an increase of 45 per cent in the number of policies in force. The Life Fund, which was Rs. 380 crores at the time of nationalisation, reached Rs. 493 crores at the end of 1959. The total assets have similarly increased and the annual income consisting of premiums and income from investments has been steadily going up. So far as lapses are concerned, they have been steadily coming down. The lapses which amounted to 7.6 per cent of the mean business in force in 1955 came down to 6.4 per cent in 1957 and 5.1 per cent in 1958. With increasing business and investments, it is hoped that the Corporation's income would go up further in the future years. Encouraged by its past record, the Corporation has fixed a target of new business of Rs. 1,000 crores for 1963.

The Janata Scheme, however, has not progressed successfully in all the places where it was started. A new scheme which has more or less the same objective as the Janata Scheme has now been introduced. Under this scheme, the policies are issued only up to Rs. 2,000 and even without medical examination in rural areas. This modified scheme deserves a fair trial, but even a trial on a modest scale will require a large staff and sustained drive. The Chairman perhaps implies by his reference to the growth of insurance in the U.S. and Canada that those levels should be our goals after a period of time.

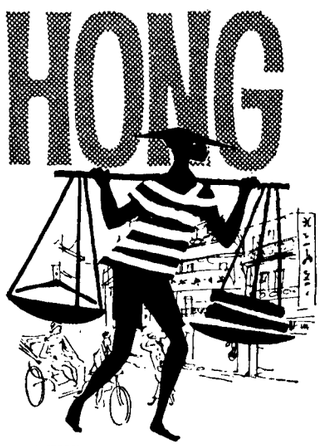
Industry

BENGAL POTTERIES

AT THE Forty-Eighth Annual General Meeting of the shareholders of Bengal Potteries Limited, the Chairman, Sir Shri Ram, had the happy news to convey that the sales for the year 1959 had increased by 38 per cent over the sales for the previous year and the gross profit was Rs. 31.25 lakhs in 1959 as against Rs. 15.88 lakhs in the previous year. The dividend recommended by the Directors was 14.29 per cent, but the net amount receivable by the shareholders will be 10 per cent tax free on account of the new procedure of statutory deduction of tax.

In the field of production, there has been a substantial increase in both the factories. The range of design and shapes of tableware have been widened and the manufacture of stoneware has increased by Rs. 14 lakhs in the year 1959 as compared to 1958. During the year under review, Bengal Potteries have been able to meet the demand of the Posts and Telegraphs Department in regard to electrical porcelain, mostly low tension. In view of the prospective market, further steps are being taken by the Company to increase the production of both High Tension and Low Tension insulators.

The Company, however, had its own difficulties in getting both China clay and reasonably good quality of coal and coke, the prices of which, of late, have increased. But it goes to the credit of the new management that it has withstood all that. There is now contemplated a big expansion programme and its implementation seems reasonably assured in view of the continuously growing demand.

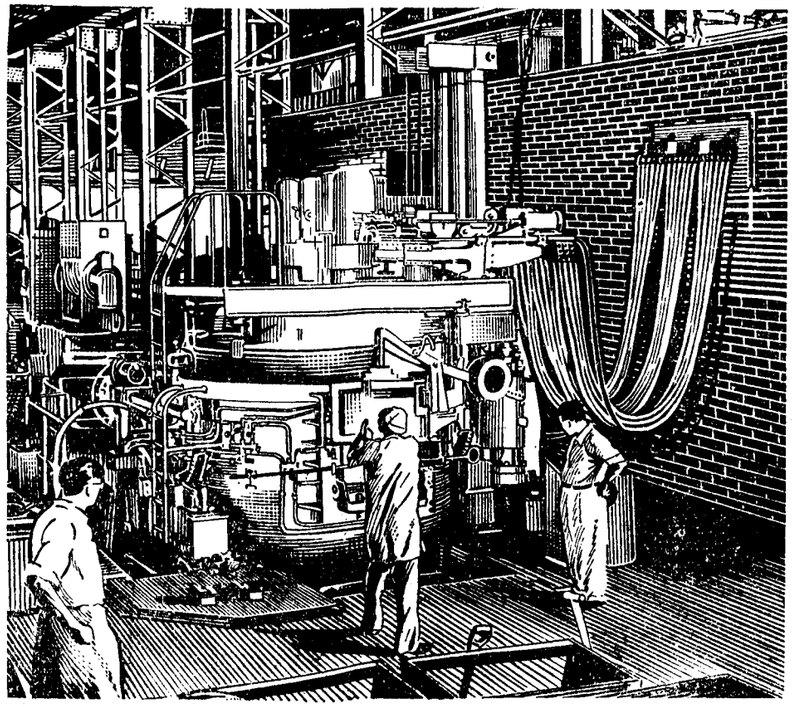


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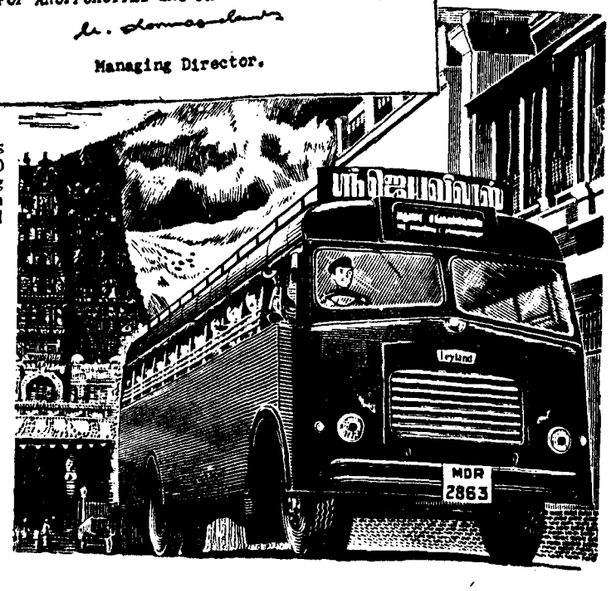
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Current Topics

RAILWAYMEN AND THE PAY COMMISSION

Consequent on the acceptance of the Pay Commission's recommendations, there will be an immediate increase in emoluments and a substantial increase in retirement benefits for all railwaymen who number about 11.5 lakhs. These are dealt below:

THERE are nearly 700,000 Class IV railwaymen and 450,000 Class III railwaymen (Class I and II officers on Indian Railways number less than 4,500). The main features of the revised pay structure are: (1) higher minimum and maximum salaries for employees in each grade; (2) generally higher rates of increment; and (3) merger of the bulk of dearness allowance into pay.

Nearly 500,000 railwaymen in the lowest pay scale Rs. 30-35, who now start on a basic pay of Rs. 30, will in future start on a basic pay of Rs. 70, and in addition receive a separate dearness allowance of Rs. 10. Taking total emoluments, these employees at present start on Rs. 75 and retire on Rs. 80, if they are not promoted in the meantime. In future, they will start on Rs. 80 (where they end at present) and rise up to Rs. 95, if they are not promoted in the meantime. During this period, their rate of annual increment would be one rupee, which is double the present rate of increment. This grade of employees includes 133,000 gangmen, 18,000 gatemen, 4,000 chowkidars, 167,000 khalasies, 18,000 engine cleaners, 15,000 porters, 9,000 hamals and 36,000 sweepers.

All the Class IV and Class III employees will have higher starting and higher maximum salaries. For instance, about 64,000 employees in the existing scale Rs. 35-50 who include 37,000 pointsmen, 9,000 keymen etc., will start at Rs. 85 instead of Rs. 80 and end at Rs. 105 instead of Rs. 95. Again, employees in the existing scale Rs. 100-185, who include 8,000 station masters, 2,300 guards, 3,000 train examiners, 8,000 commercial clerks, 2,000 ticket checking staff, 500 train clerks etc., will all start at Rs. 170 instead of Rs. 155 and end at Rs. 260 instead of Rs. 250.

The higher rate of increment is a common feature of all the revised Class IV grades. Thus about 19,000 second firemen in existing scale Rs. 40-50 will receive an average annual increment of Rs. 1.5 instead of Rs. 1.0. About 2,000 drivers 'B' will receive an average annual increment of Rs. 12 instead of Rs. 10. The highest grade Class III staff like loco foremen, station masters and 3,000 inspectors in the existing scale Rs. 360-500 will receive an average annual increment of Rs. 25 instead of Rs. 20. While the emoluments of all the employees will go up as a result of these decisions, which have general application, some of the employees will benefit even more as their posts have been upgraded on considerations of their qualifications, duties, responsibilities etc. Among the categories which would be so upgraded are certain unskilled Class IV staff in workshops, ferro-printers, 'X' ray attendants, laboratory attendants etc.

The immediate increase in total emoluments which will include both pay and dearness allowance in the various grades would vary from Rs. 5.5 per month to Rs. 25 per month. An increase of Rs. 5.5 will accrue to staff in the lowest Class IV grade numbering about 500,000. In the case of the highest grade Class III employees in the existing scale Rs. 360-500 (Loco Foremen, Station Masters, Inspectors, etc.), the immediate increase in emoluments will be Rs. 25.

The categories of posts which have been upgraded would receive a much higher immediate increase. Thus 12,000 drivers grade 'C' who have been ugraded from Rs. 86-185 to Rs. 100-185 in existing terms, will get an immediate increase of Rs. 21.35 per month. The ultimate increase in the emoluments of each employee will be more than the immediate increase. The ultimate increase in the case of the lowest grade Class IV employees numbering 5,00,000 will on an average be about Rs. 11 as against the immediate increase of Rs. 5.5.

As the existing dearness allowance has been merged into pay, dearnes allowance would continue as a separate element only for employees whose pay is below Rs. 300 in revised terms. This would be paid at the following rates: Pay below Rs. 150 (in revised terms) Rs. 10 p.m. Pay of Rs. 150 or above but below Rs. 300 (in revised terms) Rs. 20 p.m.

To illustrate: Skilled workers who are now in the grade of Rs. 60-130 in Loco sheds, workshops, and elsewhere, at present receive Rs. 55 to Rs. 60 of their emoluments in the form of dearness allowance; in future, only Rs. 10 to Rs. 20 of their emoluments would be paid in the form of dearness allowance, the whole of the balance being paid to them in the form of basic pay. Again, the higher grade employees such as drivers 'A', sation masters, yard masters, assistant loco foremen etc., who are at present in the scale of Rs. 260-350 receive Rs. 70 of their emoluments in the form of dearness allowance; but they will draw in future the whole of their emoluments in the form of pay.

One of the major benefits of the merger of dearness allowance with pay would be to increase the retirement benefits substantially. The revision of pay and allowances would increase the retirement benefits of pensionable and non-pensionable staff of the lowest Class IV grade numbering 500,000 by about 50 per cent and by varying percentages in the case of others, the increase in the case of the highest Class III employee being over 10 per cent.

The increase in emoluments on the one hand, and the merger of the buk of dearness allowance into pay on the other hand, will naturally increase deductions on account of provident fund and house rent. The increased deduction on account of provident fund would really represent additional savings for the employee himself and would, in the case of non-pensionable employee attract a larger matching government contribution which would go to increase his retirement benefits. As regards house rent, the rules have been amended to ensure that the rent of those whose pay is below Rs. 100 at present does not go up due to merger of dearness allowance. About 750,000 may benefit from change of rules.

The rates of city compensatory allowance and house rent allowance are also being revised and the revised rates would be higher for the staff in the lower pay ranges. For instance, a Class IV employee drawing basic pay of Rs. 30 at present with a city compensatory allowance of Rs. 5 instead of Rs. 3 at present in a B class city, and an employee drawing Rs. 60 at present will get a house rent allowance of Rs. 15 instead of Rs. 10 at present in a B class city. ('B' class cities are those with a population of over 500,000). These increases will involve an expenditure of about Rs. 100 lakhs.

A DELHI NOTEBOOK

EXPANSION OF STEEL PLANTS

BROAD indications are now available of the expansion programmes of the three steel plants in the public sector. It is understood that the beginning will be made with the expansion of the Rourkela and the Bhilai plants because of two facts. Firstly, arrangements have been made for the foreign exchange component of the cost of expansion of these two plants. Secondly, the end-products of these plants are such that their production has to be expedited.

The expansion of the Durgapur plant may be undertaken later. The Government of India, it is understood, is not very happy with the package deal under which this plant was set up in collaboration with the consortium of British steel manufacturers. Moreover, India is still to secure credit from the U.K. for the expansion of this plant. It is learnt that a loan of nearly £25 million will be required for this purpose. The exact amount, however, will be known only when the Government finally decides whether under the expansion programme, it would have at this plant a strip or skelp mill. The loan also has to be a long-term one; according to Government plans, it should be for a minimum period of twelve years. Meanwhile, it has been decided not to include a fertilizers plant in the expansion programme of the Durgapur steelworks.

So far as the fourth public sector steel plant, to be set up at Bokaro, is concerned, it is learnt that the U.S. interests have made no proposal as yet about their collaboration being available for the purpose. The Steel Ministry is said to be making out a case for the setting up of this plant slightly earlier than scheduled on the basis of the anticipated demand for steel in 1966.

INDO-WEST GERMAN TRADE

The West German Government has agreed to take a series of steps to liberalise imports from India. This follows consultations between the representatives of the Governments of West Germany and India in pursuance of the trade arrangement between the two countries concluded on October 30 last year and the GATT decision asking West Germany to relax existing restrictions as soon as possible.

It is understood that West Germany has drawn up plans to remove most of the restrictions on textile imports during the next five years. Among other items on the restricted list, imports of goods like sewing machines, ceramics and toys, in which Indian exporters are interested, are now regulated under global quotas, which are to be increased annually. Licences for imports from India will be available to German traders in terms of these quotas.

For certain textile items, it has not been possible so far for the West German Government to indicate an official date for complete liberalisation, but it is its intention to establish quotas for these. Indian exporters could utilise this facility to effect sales to German buyers. As regards hand-woven cotton fabrics, the West German Government has indicated its readiness to consider the grant of additional licences, if applications are certified by an Indian Government authority that the goods are "hand-woven".

A consultative protocol on these lines has already been signed between the representatives of the two Governments. The protocol provides that, as soon as the value for which licences are issued is fully taken up, West Germany will automatically increase the quota by 50 per cent. In respect of 'household articles', this automatic rise will be of the order of 100 per cent. The items covered by the protocol are fabrics made of cotton, wool, art silk, artificial and synthetic textiles, filaments and garments, coir carpets and fabrics, sewing machines, toys, etc.

FOREIGN AID

The prospects of economic aid from West Germany, it is understood, have brightened following the recent visit of the Union Finance Minister, Mr. Morarji Desai, to that country. The West Germans are reported to be very keen to assist India in her development plans. Since India requires long-term credit, the West German Government may have to amend its law which bans lending on long-term basis.

Meanwhile, talks between India and Austria for a long-term credit of 350 million Austrian schillings (Rs. 5 crores) from the latter to the former have opened in Vienna. Austria may also give a short-term loan of 150 million schillings to this country to facilitate her exports.

The details of the proposed Swiss credit of £10 million, it is learnt, have been settled. An agreement is expected to be signed in Berne shortly.

The agreement on the provision of £10 million credit by the United Kingdom to this country, announced a few days ago, will be signed here this week by the Union Finance Minister, Mr. Morarji Desai, and the British High Commissioner, Mr. Malcolm John MacDonald.

The United States has provided economic aid to India to the tune of $482 million during the year ending June 30. The following are the details:

	(Million dollars)
Agricultural commodities supplied under Public Law 480. (This estimate is only approximate. Every month India is receiving slightly over 300,000 tons of foodgrains or between 3.5 million and 4 million tons per year).	300
Aid under the Technical Co-operation Programme (including aid for the Malaria Eradication Programme).	23
Development Loan Fund (loans announced or signed during the course of the year)	119
Loans from Export-Import Bank	13
Agricultural commodities distributed through voluntary agencies (Public Law 480, Title III) (approximate value) ..	10
Assistance from Ford Foundation (approximate)	15
Assistance from Rockefeller Foundation ..	2
TOTAL ..	482

BRIEFS

The Government of India, it is understood, is giving final touches to its policy regarding production of fertilizers to be allowed in the private sector. The policy is expected to be announced shortly. A retention price for fertilizers is envisaged.

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The Avro 748 turbo-prop aircraft, which India has planned to manufacture, will be fitted with the Marconi sub-miniature automatic direction finder, Type AD 722, says an announcement by the Marconi Wireless Telegraph Company of England.

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The next meeting of the Import Advisory Council will be held here on Saturday, August 27. The Export Promotion Advisory Council will meet on the following day.

UNDER SECRETARY TO ... 2 - AUG 1960 PUBLIC DEPARTMENT

WORLDGRAM

India

Production Programme of Bhopal Factory: The Board of Directors of Heavy Electricals Limited, Bhopal has approved a 3-crore production programme for July 1960—March 1962, which includes the manufacture of switch-gears, transformers and capacitors. The possibility of further increase in the output during this period is being examined. A higher range of switch-gear and transformer manufacture will start from 1962. The Board has also finalised arrangements for the import of machinery for the second and third phases of the project, when production of traction and industrial motors, heavy rotating plants, water turbines and rectifiers will be undertaken.

*

Automobile Hand Tyre Inflator Industry: The recommendations of the Tariff Commission that protection to the automobile hand tyre inflator industry need not be continued beyond December 31, 1960, have been accepted by the Government of India. In the resolution, Government have drawn the attention of the Indian Standards Institution to another recommendation of the Commission that I.S.I. should take up the formulation of a standard for seamless brass tubes required for the industry.

*

Mixer Commissioned at Durgapur Steel Works: At the Durgapur Steel Works the first 800-ton metal mixer of the steel melting shop was commissioned recently. This 'drum-type' inactive hot metal 'mixer', together with a similar unit constitutes the store house for molten basic iron before it is charged in the open hearth furnaces for further reduction into steel. So far, the steel melting furnaces at Durgapur were being charged with pig iron. With the commissioning of the hot metal mixer, molten iron will be charged with the help of 80-ton ladle into the open hearth furnaces. The hot metal — a huge cylinderical steel shell, with magnesite refractory lining — is 16 ft. in diameter and 31 ft. in length. The mixer is maintained at a temperature of 1,250 degree centigrade by coke oven gas and tilted by an electric tilting gear.

*

Khosla Team's Recommendations on Minor Irrigation Works: After several visits to different districts in the State of Andhra Pradesh, the Team on Minor Irrigation Works recommended a 3-point programme for improving minor irrigation projects. These are: implementing the Master Plan for restoring old tanks; utilisation of sub-soil water and drainage water as an extra source of minor irrigation; and regulating the capacity of tanks lost due to silting, by raising their levels and adopting wherever feasible, the Desilting-cum-Reclamation Schemes to reduce the area of submergence.

*

Tariff Protection to Wood Screw Industry: The Tariff Commissions' recommendations that protection to the wood screw industry need not be continued beyond December 31, 1960, have been accepted by the Government of India. In the resolution on the Commission's report which has been published recently, the Government have also taken note of the recommendation that steps should be taken to ensure that no export of wood screws takes place unless accompanied by a proper test certificate, regarding its quality and proper packing. Government have also drawn the attention of the wire manufacturers to the Commission's recommendation that, in the context of increased supply of billets to them, they should endeavour to meet more fully and expeditiously the demand of the wood screw manufacturers for steel wire. The need for taking urgent steps to improve the quality of wire rods and wires and confirm to Indian standard of specifications has also been stressed.

U.S.S.R.

Production of Baby Car: The first 1,500 Soviet "Zaporozhets" baby cars will be produced by the Zaporozhye car factory before this year is out. This will mark the beginning of the mass production of these new autos. The "Zaporozhets" can do over 80 kilometres an hours. It burns only 5.5 litres of gasolene per 100 kilometres and can travel 550-570 kilometres without refueling. The engine of the baby car is air-cooled, which is very convenient in winter. A special electric heater helps the driver to start the car in heavy frosts. This same device heats the car even when the motor is switched off. The car has tubeless tyres, a windshield washer, five-gear transmission and a special place for a radio set. The trial runs of the baby car, held for several past months, were successful. The Soviet car proved to have better road grip, endurance and negotiability than foreign cars of the same class—the "BMV" and the "Fiat".

*

Mechanisation of Kazakh Coal Mines: It is reported that 70 per cent of loading operations in Kazakhstan's coal mines are mechanised. This is a greater extent of mechanisation than that of any of the other coal mining regions of the Soviet Union. The cutting, breaking and delivery of coal in the stepes as well as underground haulage of coal and rock in the mine workings and loading on the railway cars have been completely mechanised. The mechanisation of the major jobs in ore and coal mining, iron and steel and other industries is soon to be completed.

United Kingdom

Tropical Medicine Research Board to be Set Up: A Tropical Medicine Research Board is to be set up to replace the existing Colonial Medical Research Committee, it was announced recently in the annual report of the Medical Research Council. The Board will advise the Overseas Research Council, which is responsible for general policy on overseas research and which will now take over the responsibility for the promotion and co-ordination of all research in the field of tropical medicine supported from public funds.

Yugoslavia

Some Significant Facts About Yugoslav Economy: Industrial production in Yugoslavia is now higher by 18 per cent than in the same period of last year. Agri-

cultural production, according to the present development and estimates has a chance to be fulfilled at the planned level in spite of some negative factors (poor fruit crops, less extensive areas under some industrial crops etc.) because the increase of the livestock fund, specially with agricultural organisations, as well as the realised programme for high yields in sowing and cultivation of main crops, make possible to exceed the planned tasks. Transport, trade and services mainly correspond to the above mentioned trends in industrial and agricultural production. Exports in the past months increased by 16 per cent, which is at present below the planned development, in which exports of agricultural produce lags behind, while exports of industrial products is realised above the planned level.

*

Import of Capital Equipment: Yugoslavia falls among the countries with intensive capital investments. These investments are accompanied by substantial purchases of capital equipment abroad. Capital investments include production machinery and parts which are imported by the domestic machine manufacturing firms and supplemented by their own production and installed in newly built factories. Over the last four years from 1956 to 1959 inclusive, the imports of capital goods had doubled. At the beginning of this period imports costed 20 billion dinars and reached the figure of 40.8 billion dinars in 1959.

Ghana

Export of Aluminium Sheets: An aluminium rolling mill is to be installed at the new industrial township of Tema, near Accra. The mill, which is to start operation early in 1962, will be capable of turning out large quantities of aluminium sheets to meet the entire market requirements of Ghana and will also provide additional capacity for the development of an export market. According to a release issued by the Ghana Aluminium Products Ltd., the mill will cost £1 million and will eliminate the need to import into Ghana many semi-fabricated aluminium products. The rolling mill will initially use imported aluminium ingot until such time that the aluminum smelter of the Volta River Project will be completed, when Ghanian ingot will be used. The installation of the rolling mill will be the second expansion to the aluminium plant at Tema which started production of roofing sheets in August 1959. Since then a second factory has been built to produce a wide range of aluminium products.

Turkey

Demirkopru Dam: The Demirkopru dam was recently opened in Turkey. Built by a large French public works company the Demirkopru dam is an earthen structure rising out of the mountaineous countryside on the Aegean sea. The project includes an electric power plant as well as a dam. In addition to the dam construction by a French company, other French companies supplied almost all of the hydroelectric equipment, making this project entirely French in character.

Italy

Investment Programme: It is reported investments in Italy increased overall by 8.4 per cent, or almost the average for the entire 1950-58 period, and considerably above for the last five years. It is necessary to emphasise the importance of the State's action in this field. Spending on public works and public utilities increased over the last 12 months by some 6 per cent. Other projects, which cannot, strictly speaking, be grouped together under these two headings, nor yet benefit by their appropriations, still did their part as they were planned to do, in encouraging project enterprise. Conservative estimates of the amount of money the State has spent on this sort of incentive investment put it at about twice the total spent on the public works utilities. A good idea of the effort expended on public works can be gained from the fact that appropriations for this purpose rose by 16.5 per cent during the last year. In addition to all this, there was the even greater increase in subsidised public housing.

Israel

Vegetable Export Drive Launched: A big drive to export vegetables to Europe was announced by Mr. Ben-Zion Yitzhar, Chairman of the Vegetable Marketing Board. He said that there were good prospects for the export of 5,000 tons of tomatoes, 8,000 tons of new potatoes, 5,000 tons of carrots and several thousand tons of onions. Trial consignments shipped to Europe last winter proved successful and had led to substantially increased orders this year.

O.E.E.C.

Fertilizer Production: Production of fertilizers continued its upward movement in 1958-59 in all organisation for European Economic Co-operation Countries (OEEC) namely Austria, Belgium, Denmark, France, Germany, Greece, Iceland, Italy, Luxumberg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and UK. While there was some slowing down in the rate of expansion of nitrogen output production nevertheless rose by 8 per cent to reach 3.7 million tons of nitrogen. Output of phosphate fertilizers also increased considerably compared with 1957-58 (by 6 per cent) to reach 3.7 million tons of P2O5, while the steady rate of expansion of 1957-58 (3 per cent) was maintained for potash fertilisers. Production amounted to 3.4 million tons of K2O in 1958-59.

I.F.C.

Investment in Venezuela: The International Finance Corporation has announced the commitment to investment U.S. $3 million in Siderurgica Venezolana, S.A. (Sivensa), to expand and modernize and diversify the company's facilities for producing steel products. Sivensa was founded in Venezuela in 1948. The IFC investment will help finance a large scale programme designed primarily to reduce manufacturing costs, to upgrade and diversify the products, and to increase rolling capacity from 60,000 to more than 90,000 tons annually. Total cost of the programme, including working capital is estimated at U.S. $6.2 million equivalent. Additional financing is being provided by a loan from the Corporation Venezolana de Fomento and by an increase of share capital and retention of earnings. The I.F.C. investment of U.S. $3 million will be in dollar notes maturing between 1962 and 1970, bearing 7 per cent interest payable in dollars.

NEWS IN BRIEF

INDIAN

An all-India survey of the pattern of unemployment of graduates has been undertaken by the Directorate General of Resettlement and Employment, Government of India. The survey, which covers a sample of about 22,000 graduates from various universities, aims at collecting information regarding their employment, income, etc.

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It is reported the co-axial cable manufacturing plant would produce 300 miles of co-axial cables per annum costing about Rs. 70 lakhs and would double the output on a multiple shift system in the next two years.

*

In 1959 the Soviet Union purchased from India 11.300 tons of tea valued at Roubles 68.4 million as against 10,700 tons in 1958 valued at Roubles 67.5 million. India and China are the important suppliers of tea to this market.

*

The Government of India has sanctioned the setting up of a unit for radio-active tracer studies at the Central Water and Power Research Station, Poona. This will enable development of utilization of isotope techniques in the solution of hydraulic problems.

*

Mr. Manubhai Shah, Union Minister of Industry inaugurated recently a pine oil factory at Hoshiarpur. The factory, which has been installed at a cost of Rs. 5 lakhs by the Prabhat General Agencies will produce 30 tons of oil a year and will add Rs. 16 lakhs to the national wealth.

*

The Scheduled Areas and Scheduled Tribes Commission, constituted under the Chairmanship of Mr. U. N. Dhebar last April, is expected to complete its work before the end of the year so that its recommendations may be available before the finalisation of the Third Plan

*

A press note issued by the Government of Maharashtra says, the whole of the outstanding balance of 3 per cent Bombay State Development Loan 1960, will be repaid at par on July 30 and July 31, with all interest due up to July 30.

*

The Central Water and Power Commission is conducting investigations on the possibility of generating power from hill-streams in Himachal Pradesh, Jammu and Kashmir, Northern U.P., Assam, Tripura and Manipur for electrification of centres in isolated and remote areas.

*

The employees of the Hindustan Insecticides Limited, which runs the State-owned DDT factories at Delhi and Alwaye (Kerala State), will be paid a sum of Rs. 60,000 in recognition of their efforts to increase production in 1958-59.

*

The President has given assent to the Rajasthan Seeds and Seedlings Bill, 1960. The legislation is intended to maintain purity of seeds and seedlings and to have agricultural produce of better qualities in the State.

FOREIGN

The United Arab Republic and Cuba have agreed to extend for one year the commercial agreement signed by both Governments in August last year.

*

There was an increase in production of refined copper in both US and countries outside the US during June, according to the Copper Institute. Crude output in countries outside the US comprised 207,221 tons of primary, against 196,798 (revised) in May and 178,387 in June of last year, as well as 3,201 tons of secondary metal against 3,391 and 995 respectively.

*

Iscor, South Africa's State-owned steelworks with mills at Pretoria and Vanderbiglepark, is expected to announce shortly an epansion plan involving the erection of a new mill to raise ingot production to about 4 million tons annually by 1970.

*

The US Agriculture Department has announced that increases in 1960 sugar quotas had been given to Haiti the Netherlands, Formosa, Panama, Costa Rica, and the Philippines, amounting in all to another 137,234 short tons. Earlier this month, the US cut Cuba's sugar quota by 700.000 tons

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Italy's Foreign Trade Ministry has announced a new list of goods for which export permits will be needed for shipment to all countries.

*

The participation in the 1960 Leipzig Autumn Fair, due to be held from September 4th to 11th, has been announced of 6,950 exhibitors from 40 States which will be showing their general technical consumer goods.

*

Two new developments in X-ray machinery have been reported one from London and the other from Edinburgh.

*

A British firm—Murphy Radio Ltd.—is to design, supply and install a radio control system for the 800-mile oil pipeline of the Burmah Oil Co. between Nahorkatiya, in Assam, and Barauni in Bihar.

*

Development of an instant brew of tea is believed by its American distributors, to be one of the most important advances in the long history of the tea industry. Already 5 per cent of the total tea sales in the United States are of the instant variety, a powdered tea to which boiling or iced water can be added to produce the drink instantly.

*

It is reported South Africa would have a dual coinage system, using pounds, shillings and pence as well as Rands and cents, for about 20 months after the changeover to decimalisation next year.

*

Ceylon is to have its first industrial estate shortly on a 70-acre site a few miles outside Colombo. Preliminary work should be completed in about two months and it is expectedly that the buildings for the factories would be ready for occupation early next year.

*

Hollands, trade balance took a less favourable turn during June. At Fls. 1,220 million exports were worth Fls. 34 million less than in the previous year. Imports, at Fls. 1,463 million were Fls. 49 million down compared with May.

COMPANY AFFAIRS

TATA OIL: RECORD PERFOMANCE

The Chairman of the Tata Oil Mills Company Limited has claimed that the year to March 31, 1960 has been the best in the Company's history. Production and sales have been higher than ever before. A particularly encouraging feature of the growth in the turnover during the year was the substantial increase in the sales of laundry and toilet soap at a time when the output of the organised sector as a whole was largely static. Despite substantial increase in the price of the raw materials and consumable stores used in the finished products, profits have shown an increase which enabled the Company to pay higher dividends to shareholders and a larger bonus to the employees.

The sale proceeds of laundry and toilet soap recorded an increase of approximately 11 per cent over last year, and those of glycerine also recorded an increase of 12 per cent. In view of the growing demand for refined glycerine, the Company has decided to install a glycerine refining plant at the Calcutta factory. The progress registered in the sales of all toilet preparations was maintained; total sales rising by 12 per cent over the previous year. The Company also made some progress in the field of exports which reached a figure of Rs. 30 lakhs as compared to Rs. 19 lakhs in the previous year.

During the year under review the Company added substantially to its manufacturing capacity. It acquired from Modi Sugar Mills of U.P. their soap plant of a capacity of about 7,500 tons per annum at a cost of Rs. 8.5 lakhs, and also negotiated to purchase the entire factory including building of the Amrut Oil Mills at Sewri, Bombay. The Company will set up a new factory on a site just outside Delhi. It is proposed to manufacture soaps, glycerine and vanaspati at this factory.

The gross revenue during the year was to the extent of Rs. 8.31 crores as compared to Rs. 6.64 crores in the previous year. The profit for the year after providing for depreciation etc. comes to Rs. 17.93 lakh against Rs. 10.15 lakhs during the previous year. The directors have recommended a dividend of Rs. 5.75 per share subject to deduction of dividend tax on ordinary shares as against Rs. 3.25 in the previous year free of income-tax. The directors have set aside Rs. 13.47 lakhs for depreciation.

The directors have obtained the consent of the Controller of Capital Issues to issue debentures of Rs. 1 crore carrying interest at the rate of 6 per cent per annum subject to income-tax. The Company has initially issued debentures of Rs. 50 lakhs and the balance will be issued as and when additional funds are required.

BETTER YEAR FOR HARINAGAR SUGAR

Strike conditions and go slow tactics of labour force troubled the Company during the last five years and therefore the working of the factory has not been satisfactory. During the year ended September 30, 1959 through the good offices of the Deputy Minister, General Administration and Irrigation and Power, Government of Bihar an understanding was reached so that there was no strike or slow down during the season 1958-59.

During the season the factory crushed about 48.5 lakh maunds of sugarcane and produced about 1.70 lakh bags of sugars, showing a recovery of 9.68 per cent. The sales of sugar improved significantly to Rs. 1.76 crores against Rs. 1.29 crores during the previous year. There was a net profit of Rs. 9.42 lakhs including the profit-earned from the farm (1.06 lakhs). The directors have proposed a dividend at the rate of 11 per cent subject to deduction of tax absorbing Rs. 1.10 lakhs. A sum of Rs. 3.25 lakhs has been transferred to investment reserve.

The Shangrila Food Products Ltd., a subsidiary company, suffered losses during the year to March 31, 1959. The directors have, therefore, decided to forgo the interest due on the loans advanced to the subsidiary Company.

UNITED PROVINCES SUGAR

During the year to September 30, 1959, the United Provinces Sugar Company Ltd., crushed a record quantity of sugarcane (40.21 lakh maunds) and produced 4.13 lakh maunds of sugar which also is the maximum quantity ever produced by the Company. As a natural corollary, the sales of sugar and molasses also were significantly higher at Rs. 1,48 lakhs against Rs. 93 lakhs during the previous year. The profits of the Company were also highest which came to Rs. 12.39 lakhs after providing for depreciation and other charges. The directors have proposed the payment of a dividend at 15 per cent for the year subject to deduction of tax, which will absorb a sum of Rs. 2.40 lakhs.

It is reported by the directors that the crushing during 1959-60 seasons comes to 48.74 lakh maunds of sugar which is an unprecendented quantity in the Company's history. The auditors have stated in their report that no provision has been made for the liability in respect of cane crushed on the formula prescribed by the Government. The directors have explained that such provision could not be made because the X factor in cane price linking formula has not been notified by the Government.

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COMMODITY NEWS AND NOTES

INCREASE IN MINERAL PRODUCTION

The total value of mineral production in India during the first quarter of 1960 is estimated at Rs. 373 million compared with Rs. 341 million in the corresponding period of 1959, according to the Indian Bureau of Mines. This does not include petroleum, minor minerals and minerals prescribed under Atomic Energy Act, 1948. The increase of Rs. 32 million or 9 per cent over the total value of production in January-March, 1959 was mainly due to the increase in the output of coal, iron ore, chromite, gold, dolomite and limestone. Coal was the leading commodity and was valued at Rs. 262 million which is about 70 per cent of the total value of mineral production. The value of metallic minerals produced during the period was Rs. 75 million of which the ferrous group of minerals accounted for Rs. 47 million while the minerals of non-ferrous group accounted for Rs. 28 million. The output of iron ore reached the peak figure of 2.6 million tons. The overall position is indicated by the quantity index of mineral production which stood at 105.9 in the first quarter of 1960 (Base first quarter of 1959 = 100). The rise in the index of mineral production was contributed by coal, metallic minerals and building materials.

RATES OF COMPOUNDED DUTY ON KHANDSARI SUGAR REDUCED

With a view to helping the manufacturers of khandsari sugar, working without the aid of sulphitation plants, the Government of India introduced a compounded levy scheme from March 1, 1960. Representations have since been received indicating the difficulties of the industry in paying duty at these rates during the galawat period.

In view of the special difficulties of the industry this year, the Government have decided to reduce the rates by one-third for the period July 23, to October 31, 1960. From November 1, 1960 the original rates will apply.

ALL-TIME RECORD IN AREA & PRODUCTION OF SUGAR-CANE CROP

The All-India Final Estimate of Sugarcane, 1959-60 puts the current year's area and production of the crop at an all time record of 5,178,000 acres and 75,038,000 tons in terms of cane (or 7,579,000 tons in terms of raw sugar 'gur') respectively, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the partially revised estimates of 4,803,000 acres and 70,456,000 tons in terms of cane (or 7,113,000 tons in terms of gur) for 1958-59, the estimate for 1959-60 shows an increase of 375,000 acres or 7.8 per cent in area and 4,582,000 tons (cane) or 6.5 per cent in production.

The increase in acreage during the current year has been reported mainly by Uttar Pradesh, the premier sugarcane growing State, and by Punjab, Bihar, Maharashtra and Rajasthan and has been attributed generally to favourable weather conditions during the sowing period of the crop.

ALL-INDIA FINAL ESTIMATE OF RAPESEED AND MUSTARD, 1959-60

The All-India Final Estimate of rapeseed and mustard for 1959-60 puts the current year's area and production at 7,167,000 acres and 1,037,000 tons as against the partially revised estimate of 6,012,000 acres and 1,025,000 tons for 1958-59, thereby showing an increase of 1,146,000 acres or 19.0 per cent in area and 12,000 tons or 1.2 per cent in production, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. The increase in area during the current year is accounted for mainly by Uttar Pradesh — the major rapeseed and mustard producing State — and partly by West Bengal and Bihar and is due mainly to favourable weather conditions during sowing period this year than last year. This increase has, however, been offset to some extent by decrease in area reported from Punjab and Rajasthan and attributed to unfavourable weather conditions at the sowing time.

The increase in production during the current year has been reported mainly by Uttar Pradesh and is attributed to increase in area. This increase has been offset to a large extent by the decline in production reported by Punjab, Rajasthan, Assam, Bihar and West Bengal. The decrease in these States is attributed partly to decrease in area and partly to unfavourable weather conditions during period of growth of the crop this year than last year. Production estimates of rapeseed and mustard in respect of Assam, Madhya Pradesh, Rajasthan, Uttar Pradesh (pure crop only) and West Bengal are based on the results of crop cutting surveys.



Company Meetings

THE TATA POWER COMPANY LIMITED

STATEMENT OF THE CHAIRMAN FOR THE YEAR 1959-60

TO THE MEMBERS,

This is the Jubilee year of the Tata Hydro-Electric Power Supply Company Limited, the oldest of the three Tata Power supply companies. It was incorporated on 7th November 1910, and will be fifty years of age in November of this year. The Tata Hydro-Electric system occupies a unique place in the family of Tata enterprises. It is one of the three great projects, to the planning and development of which the Founder gave so much of the last years of his life. When the late Mr. Jamshetji Tata, who might aptly be described as the Founder of Industrial India, first conceived the idea, in the nineties of the last century, of harnessing the rain water of the monsoons on the Western Ghats, the idea was unique, because although river valley projects had been developed in other countries, it was perhaps the first large-scale project for directly conserving rain water. After extensive preliminary investigation, the plan took final shape some years after the Founder's death. A licence for generating electricity was applied for and obtained in the year 1907 and the enterprise took shape with the promotion of the Tata Hydro-Electric Power Supply Company. The Company's power station at Khopoli started with 5 machines each of 8,000 kilowatts, or a total installed capaity of 40 megawatts.

2. Later the two sister companies were promoted—first in Andhra in August 1916 and then Power in September 1919—and in spite of passing through many vicissitudes, the three undertakings, operating as an integrated system, have continuously expanded and have, throughout, provided a high quality of service noted for its continuity and efficiency. Add to this the low cost of supply, as our rates consistently have been among the lowest in India and omparable with the lowest standard rates obtainable in other countries, and the Tata electric group can, I think with justice, claim that it has well and truly served the people of Bombay and the other areas over which our licences extend. Today, the installed capacity of the group, inclusive of thermal power, exceeds 470 megawatts.

3. Although the Jubilee to be commemorated in November 1960 is that of the Hydro Company, it is also that of the Tata Electric System as a whole. The other two sister companies have, therefore, agreed to take their place as co-equal members of the Tata electric group in the commemorative action that is proposed. The Directors of the three Companies propose to celebrate the Jubilee in a three-fold manner: first, to institute a Foundation of Rs. 1 lakh (to be contributed in the usual proportions by the three Companies) from which to finance scholarships for research on problems connected with electric power. The money will be paid to the Indian Institute of Science at Bangalore—another of J. N. Tata's great schemes—as an endowment for this purpose. Second, to give to each one of the employees of the three Companies, without consideration of rank and status, a Government of India Prize Bond worth Rs. 100. The total cost on this account will also be shared proportionately by the three Companies. If anyone of the staff who receives a Prize Bond is fortunate to win a prize, as I hope will be the case, he will have occasion to remember this Jubilee always. These payments will be made during the year 1960-61.

4. Third although the Jubilee may be considered to fall perhaps more appropriately within the accounts year 1960-61, your Directors have decided that, as it occurs in the calendar year 1960, the Jubilee bonus on dividends should be paid this year out of the profits for 1959-60. Quantitatively, an extra ½ per cent dividend might appear somewhat small, but as you will see from the Statement of Accounts in the Annual Report, it represents a fair contribution from the profits of the Company, and I trust that our dividend proposals will have your approval.

5. The year 1959-60 registers in the case of all three Companies larger energy sales, and therefore larger profits, except in the case of the Tata Hydro Company, where the increase in revenue from power supply is more than offset by the additional tax provision, which is relatively higher because there was no unabsorbed development rebate carried forward from previous years, as was the case with each of the other two Companies.

6. While the financial position of the Companies was sustained satisfactorily, the capital base increased and activities and revenues considerably expanded, the market value of the shares of the three Companies registered a substantial fall during the year. In the case of Andhra, the price of the Ordinary shares actually went below par, a thing which had not happened for nearly twenty-five years in the history of our Group's shares which once stood at a considerable premium and were universally regarded on a par with gilt-edged securities.

7. Considering the buoyant tone of the share market as a whole, the drop in the value of our three Companies' shares, clearly reflects the loss of confidence in these scrips which has resulted from the stringent limitation in profits and other restrictions imposed upon Public Utilities by the Electricity (Supply) Act and, more recently, from the introduction of the tax on dividends under the Finance Act, 1959.

8. I explained at some length in my statement last year the adverse effect of this unfortunate innovation on the reasonable return allowed to our Companies. The Federation of Electricity Undertakings has continued to press the claims of the industry for an improvement in the permissible return on the capital base, either by permitting the tax on dividends to be regarded as legitimate expenditure for calculating the reasonable return and clear profits or by increasing the standard rate of return. While we have been assured of sympathetic consideration there is yet no indication of Government's decision on these representations.

9. I mentioned last year that the manufacturers of the turbine-generators installed at Trombay were about to undertake certain modifications to the first two turbines. I am glad to say that this work has been completed. No. 1 turbine-generator has been proved to fulfil the contracted guarantees; tests on the second machine will be conducted shortly.

10. New Unit No. 3 has now gone into operation within three months of the target date. Its boiler is designed to burn coal in addition to refinery fuel. The Unit was started on refinery fuel, but will soon be switched over to coal firing. Coal comes to us from the Pench Valley areas, and we have reached satisfactory arrangements with the Railways for regular supplies. In addition, suitable reserves of coal will be stacked in our yard.

11. During the months March to June, when No. 2 Unit was out of commission for major modifications,

and No. 3 had not started, we had to lean rather heavily upon the Railway's power station at Chola to meet load demands. I would like to thank the railway authorities for the fine manner in which they co-operated with us. Despite this, there were a few days on which, owing to the demand being almost equal to available capacity, frequency differences and a drop in voltage occurred, causing some inconvenience to the public, which I much regret. On one day alone, however, throughout that critical period did we have to drop load to the extent of about 20 MW.

12. With three Units at Trombay now, the total installed capacity of the Tata system exceeds 470 MW; including Chola, the installed capacity of the Tata-cum-Railway system is nearly 600 MW. We are, therefore, in a position to meet a maximum system demand of about 500 MW against the present maximum of 442, but the growth in demand and energy requirements continues to increase at the cumulative rate of about 8 per cent per year. For the immediate future, we may expect some additional power from Koyna. According to Government plans, the first 60 MW set at Koyna is expected to go into commercial operation during the latter part of 1961; thereafter, at six-monthly intervals, the second, third, and fourth sets of 60 MW each will be brought into service. By the middle of 1963, therefore, when the first stage of Koyna development is completed, we will be assured of 115 MW of additional power from this source, the balance being required to meet other local commitments.

13. The second stage of Koyna development, rated to yield another 240 MW, may be carried out between 1963 and 1965. However, with the inter-State agreement limiting the diversion of water from the Krishna river basin, the limited capacity of the transmission lines connecting Koyna with our system and the reservation of a substantial amount of power required for use in the Southern Maharashtra region, our system can expect to receive no more than 250 MW altogether from Koyna. If Government's plans for the second stage of Koyna go through, we will have by 1965 on the Tata/Koyna/Railway inter-connected grid a firm load-carrying capability of about 700 MW.

14. Studies made by our engineers indicate that the system peak demand will also have grown to about the firm capacity of this inter-connected grid by the end of 1965. What after that? Planning for additional power beyond 1965 has commenced. Two alternatives are being considered: (a) Nuclear power plants, and (b) hydro-cum-thermal development. All of us have heard of the Central Government's intention to set up a nuclear power plant of 300 MW capacity at some suitable location some miles north of Bombay. This plant we are told, will be inter-connected with Surat and Ahmedabad in the north and our system and Koyna in the south. An inter-connected grid such as this extending over many hundreds of miles, with power stations with varying capacities of generating units from 10 MW to 150 MW will create many intricate and difficult technical problems. Our engineers are studying the possible repercussions on our system. We believe, that the commercial operation of a project of this type, dimension and complexity, will take more than 5 years to materialise. It might, therefore, be more prudent to plan some further power development within our own area, independent of the Central Government's project. If necessary at a later stage, these plans could be co-ordinated with the Government project.

15. We are in close touch with the Government of Maharashtra and its State Electricity Board, whom we shall consult in planning further expansion to our system beyond 1965. Development of hydel power on our system, of necessity, will be restricted. Perhaps, a small hydro plant could be installed on the tail race waters outside Bhira on the Kundalika river. This will give additional peaking assistance, but will not, to any substantial extent, meet the demand for additional power beyond 1965. Similarly, on the completion of the new tunnel at Bhira, an additional machine could be installed at the Bhira power station, but even that will add very little to the system capacity. We are, therefore, left with the possibility of considering further thermal expansion at Trombay.

16. May 1, in conclusion, on behalf of the shareholders, the Board, and myself express our thanks to all employees of the Company who have served us so well during the year.

11th July, 1960

J. D. CHOKSI
Chairman.

THE CENTRAL WAREHOUSING CORPORATION

Speech of the Chairman, Shri B. B. Ghosh at the Third Annual General Meeting held on 16 July 1960

Gentlemen,

I have great pleasure in welcoming you to this third Annual General Meeting of the Corporation. The report of the Directors and the annual accounts, which have been presented to you, give an account of the working of the Corporation for the year 1959-60. The report of the auditors has been appended to the balance sheet and profit and loss account. The Director of Commercial Audit has also carried out his audit, on behalf of the Comptroller and Auditor General, but his report has not yet been received.

2. You will notice that during the year under report, there was a significant increase in the number of shares subscribed which was due mainly to the purchase of 4,000 shares by the Life Insurance Corporation. I hope this will act as an encouragement to others. I would specially appeal to the Scheduled Banks to participate in this venture. Apart from this being good and safe investment, I would point out that the banks would distinctly benefit from the development of good warehousing facilities throughout the country. I feel we shall also benefit greatly from their association. It is not desirable that a scheme of this nature should be left entirely or mostly to Government.

3. You will also notice from the report that there has been a steady progress in the actual working of the Corporation. The number of centres has risen from 9 to 26. The stocks deposited at Central warehouses increased from 1,63,000 maunds on 31st March, 1959 to 5,17,000 maunds on 31st March, 1960. The number of commodities handled has risen from 30 to 60. The maximum overall occupancy during the year has been 83 per cent and the minimum as high as 60 per cent. With the increase in business, the financial results have also shown improvement. Broadly speaking, the warehouses, which were started the year before, showed a profit while those started during the year under report are expected to show a profit during the current year. The excess of expenditure incurred directly on the warehouses over earnings dropped from Rs. 1,25,000 during the previous year to only Rs. 19,000 during the year under report. Receipts from storage charges increased from Rs. 76,000 to Rs, 3,81,000 during the same period. There is justifiable reason to feel optimistic about the future. At the initial stage, most of the warehouses have had to be started in whatever accommodation was available on hire. As we make progress in our construction programme and succeed in having warehouses of the economic size and as the total number of warehouses increases further, we can reasonably hope to realise not only our expenditure in the field but also the expenditure on the headquarters organisation. I understand construction work has been undertaken at 20 centres.

4. I should draw attention to another favourable trend in our working. The number of producer-depositors taking advantage of our facilities has shown a marked increase during the period under report. Our main object is to cater to the needs of the producers, either direct or through producers' co-operatives. You may be interested to know that a Central Warehouse has been set up at Delhi with a view to catering to the needs of the Federations of consumers' co-operatives and also to provide cold storage facilities.

5. I mentioned last year that the progress of the Central Corporation should not be judged merely by the development and success of the Central Warehouses, but also by its contribution, financial and otherwise, to the development of the state warehouses. The Central Corporation subscribed Rs. 13,00,000 to the share capital of the state corporations during the year. This brings the total of share capital contributed by the Central Corporation to approximately Rs. 1 crore. The number of state warehouses rose from 42 during the preceding year to 148 during the year under report. The state warehouses rose from 42 during the preceding year to 148 during the year under report. The State Corporations are also, generally speaking, making steady progress.

6. Every warehouse, Central or State, has become our agent for carrying the message of 'warehousing'. I venture to say that largely due to them, there has been a general awakening of consciousness throughout the country of the need and utility of warehousing facilities in any scheme of rural or agricultural development. It is now generally agreed that whether for the development of agricultural production or for the development of co-operatives or even for storage of Government's own stocks, proper storage or warehousing facilities are an essential requirement. There is only some argument occasionally as to the agency which should provide these facilities. As long as we are in a position to provide satisfactory facilities at a reasonable charge, in competition with others, we have nothing to be afraid of.

7. Before I conclude I would like to express on your behalf and on behalf of the Board of Directors our appreciation of the work of the officers and staff of the Corporation.

8. I now invite you to consider the annual accounts and the report of the Directors which have been presented to you.

THE LIFE INSURANCE CORPORATION OF INDIA

Statement by Shri P. A. Gopalkrishnan, ICS, Chairman, at the 52and Meeting of the Life Insurance Corporation of India, held in Bombay on 25th July, 1960 to discuss Annual Report and Audited Accounts for the year 1959.

I have great pleasure in welcoming you to this special meeting of the Board which has been convened mainly to consider the draft Annual Report and Audited Accounts for 1959. These have already been circulated to all the Members. I wish to take this opportunity to review the steady and satisfactory progress made by the Corporation after it was established on 1st September, 1956.

NEW BUSINESS

2. You will remember that the Corporation secured a new business of Rs. 345 crores in 1958 which was 22 per cent more than that of 1957. In 1959, our new business amounted to Rs. 429 crores recording an increase of 25 per cent over that of the previous year. The number of new policies issued has also steadily increased to 1.15 million in 1959, which is about 41 per cent more than the number issued in 1957.

3. A small amount of foreign business is also done by the Corporation and is included in the figures quoted above. During the period between the 19th January and 1st September, 1956, there was considerable uncertainty as to whether the Corporation will do new business in foreign countries. Because of this uncertainty, many of our good agents in those countries left us to join our competitors. Even when we finally decided to do foreign business, we excluded doing of new business in Ceylon, Burma and Pakistan. Owing to these reasons, our foreign business amounted only to Rs. 5.40 crores in 1957. In 1958, it was Rs. 5.62 crores. I visited East Africa in the latter half of 1958 and Malaya and Singapore in early 1959. As a consequence of my visit, we took various measures for increasing our business in those countries. The results of these measures are reflected in our increased new business in 1959 which amounted to Rs. 9.47 crores. The improvement of business thus brought about in 1959 continues in this year also.

4. Although the Janata Scheme is not working successfully in all the places where it was started, the number of Janata policies issued has been gradually increasing. 21,208 policies were issued in 1957, 24,325 in 1958 and 28,705 in 1959, the sums assured being Rs. 1.17 crores, Rs. 1.61 crores and Rs. 2.01 crores respectively. We have recently introduced another scheme which has more or less the same objective as the Janata, namely, extending insurance to sections of the population which would otherwise remain uncovered. Under this scheme, policies are issued without medical examination in rural areas which are inaccessible and where there is paucity of doctors. These policies are issued only up to total sum assured to Rs. 2,000. We have to watch the working of this scheme for two or three years before we decide to extend it all over the country.

LAPSE RATIO

5. Questions have been asked in certain quarters about the stability of the increasing business secured by the Corporation. We have made a detailed analysis of our lapse experience during the years 1957 and 1958. The figures for 1959 are being collected for analysis. You will find from the analysis already made that the

Corporation's experience in the matter of lapsation of business is distinctly better than the experience of the companies before nationalisation. The net lapses which amounted to 7.3 per cent of the mean business in force in 1954 and 7.6 per cent in 1955 came down to 6.4 per cent in 1957 and 5.1 per cent in 1958. The percentage of lapses is thus steadily coming down.

6. It is also a matter for satisfaction that our business in force has increased enormously after nationalisation. It took all the companies in India several decades to build up a business in force of Rs. 1,220 crores at the end of 1955. The Corporation's business in force at the end of 1959 was Rs. 1,964 crores, recording a net increase of Rs. 744 crores, that is, more than 60 per cent. The number of policies in force on 31st December, 1959 was nearly 7 million, representing an increase of 45 per cent over that at the end of 1955.

ECONOMY OF MANAGEMENT

7. The next question to be considered is the economy of management. Here also, we have set up a record which should be deemed satisfactory. I would like to recall in this connection that we took over all the staff of the old companies with their emoluments protected. Then we considerably increased our administrative expenditure by standardizing their scales of pay which meant in several hundreds of cases a considerable increase in the emoluments which they were drawing before nationalisation. On the other side, we reduced our premium income by reducing our premium rates by Re. 1 per Rs. 1,000 sum assured below the Oriental rates and by removing various extras, such as extras on the insurance of female lives. The net result would have been an increase in our renewal expense ratio but for various measures of rationalisation adopted by us. Our progressive increase of new business has also contributed considerably to the fall in our renewal expense ratio. This ratio came down to 15.89 per cent in the accounting year 1956-57 from the combined renewal expense ratio of 17.3 per cent of all the companies in India in 1955. It came down further to 15.46 per cent in 1958. In introduced a system of budget control with effect from 1959, which was approved by the Board. The result has been extremely satisfactory since the renewal expense ratio in 1959 has come down to 12.92 per cent, which compares favourably with that of some of the best companies in the past.

PROGRESS INDICATIONS

8. I shall now refer to some other figures which indicate the progress of the Corporation. Our Life Fund, which stood at Rs. 380 crores on the day of nationalisation, has increased to Rs. 493 crores at the end of 1959. Our total assets have similarly increased from Rs. 414 crores to Rs. 552 crores. Our annual income consisting of premiums and income from investments has been steadily going up until it crossed the hundred crore mark in 1959 amounting in that year to Rs. 105 crores. With increasing business and investments, this income should go up further in future years.

9. Our disbursements to policyholders and their beneficiaries by way of settlement of claims have also been increasing year after year. In 1959, we paid out Rs. 28 crores, of which about 25 per cent were claims arising from death, the balance representing maturity benefits. Since the nationalisation of life insurance, the Corporation has paid about Rs. 82 crores in all on account of claims.

10. While we have, thus, every reason to be satisfied with our performance so far, we have to examine how far we are realizing one of the fundamental objectives of nationalisation of life insurance, namely, the mobilization of resources for the successive Five-Year Plans of the country. Here, I should admit that we have only touched the fringe of the problem. It is true that we have increased the business in force from about 11 per cent of the national income in 1955 to 15 per cent in 1959. There are countries in the world, particularly the United States and Canada, where the life insurance business in force exceeds the national income. Canada is the leader in this respect with life insurance in force amounting to 157 per cent of the national income in 1958. Our population is poor by comparison and the saving potentiality is much less in this country than in the highly industrialized countries like the United States and Canada. Nevertheless, it should be our endeavour to expand our business to the maximum possible extent every year to that more and more resources can be contributed by us for the economic development of our country.

11. As you are aware, the Corporation has started with a modest Five-Year Plan of its own from 1959 and has fixed Rs. 1,000 crores as the targest of new business in 1963. Although there are reasons to believe that the potential business in the country is very much more, this target has been fixed on realistic grounds after taking into account the Corporation's capacity to expand its organization consistent with the maintenance of efficiency. We had inherited from the old companies all sorts of staff who had varying degrees of experience, whose methods of working were not uniform and who needed training before they could be fitted into the Corporation's way of working. We have since then recruited additional staff every year who also stand in need of training. In order to meet this need and to strengthen and equip our organization to handle the increasing volume of business, we have recently started one training college for junior officers and training courses for our clerical staff at almost all the headquarters of our divisions. The eleven training schools that we started over a year ago for our development personnel have already made much progress in training our Field Officers and agents. I hope that these training institutions will enable the Corporation to function efficiently when business flows in accordance with our Plan.

12. Before nationlization, the private companies were operating from their headquarters in big cities and the number of centres in the country, where they had their offices, was only 97. The Corporation has, on the other hand, a widely decentralized organisation and the number of branch and sub-offices has been increased from 216 on 1st September, 1956 to 345 at the end of 1959. A further increase in the number of offices has been sanctioned in 1960. Every care is taken to see that none of the new offices opened by us turns out to be an uneconomic proposition. The method that we have adopted is to start with a development centre where a Field Officer or Assistant Branch Manager is posted to organise business without the aid of an office. When the annual business procured increases beyond a certain limit, the development centre is upgraded into a sub-office which is in effect a miniature branch office. When the sub-office begins to procure more than about Rs. 70 lakhs of business, it is up-graded into a full-fledged branch office. This gradualness of our expansion ensures that we don't take any avoidable risk while expanding our organization in the country. In the next three or four years, our growing net-work of offices should be in a position to serve every nook and corner of India.

13. No large insurance company in the world can operate efficiently without the aid of machines. Millions of premium notices and receipts have to be sent out every year and millions of calculations are necessary in connection with the collection and analysis of statistics, maintenance of acounts and periodical valuations. The output of our employees can be increased considerably by switching over to modern electronic and other equipments, thus reducing our expenses of management and making more and more surpluses available to our millions of policyholders. We have been studying this question for some time and have come to the conclusion that at the rate at which we are expanding, we have no alternative but to resort to the latest machine techniques if our service to policyholders is not to suffer and if we are to reduce our expenses at a rapid rate. I shall be bringing up proposals in this connection as soon as I find it possible to do so.

14. Meanwhile, everything possible is being done to improve our system of working as well as the output of our employees. The average output of a Field Officer was Rs. 4.9 lakhs of new business in 1957. It increased to Rs. 6.5 lakhs in 1958 and to Rs. 7.5 lakhs in 1959. The average output of our agents has similarly increased from Rs. 31,067 of new business in 1957 to Rs. 37,494 in 1958 and to Rs. 44,435 in 1959. These improvements have come about as a result of persistent efforts on our part to improve the quality of our field force instead of depending merely on numbers. When our administrative training has continued for a sufficient time I have every hope that the output of our clerical employees will also register a similar improvement.

15. You are aware that we had a programme for decentralizing the policies of the old companies and getting them serviced by the appropriate divisional offices of the Corporation. The first phase of this programme has now been completed and the policies of 139 companies have been decentralised up to the end of June 1960. The next phase of the programme will be taken up shortly.

16. You will remember that the total book value of our Stock Exchange Investments was Rs. 338.59 crores on 31st December, 1957. The market value of these investments had depreciated by Rs. 8.02 crores of which the depreciation of the investments taken over from the erstwhile insurers was Rs. 7.28 crores. We made a contribution of Rs. 8.02 crores to the reserve for investments which, together with the previous reserves, now stand at Rs. 13.32 crores. As at 31st December, 1959, the book value of our Stock Exchange Investments pertaining to life business was Rs. 409.82 crores while the market value was more by Rs. 4.68 crores. Nevertheless, we propose to leave the reserves intact which will be a cushion against any future developments of an adverse character.

17. As you are aware, we have set up an Investment Research Section in our Investment Department and this Section has been systematically analysing the balance sheets of all the companies whose shares are quoted on the Stock Exchanges of the country. The Investment Committee is thus provided with all the necessary data before its advice is taken on investments to be made. In the case of new industrial ventures which approach us for investments, searching enquiries are made and all relevant data are carefully examined before the Investment Committee is asked for its advice. We thus make sure that all the investments that we make are in sound concerns and bring us returns which we consider attractive. We have also been reviewing the investments that we inherited from private companies and selling all those which are found to be unprofitable. Thus, we are constantly endeavouring to improve the quality of our investments.

18. Before I close this statement, I would like to convey my thanks to all the Members of the Corporation for the assistance and co-operation that I have uniformly received from them. My thanks are also due to the Members of the Investment Committee whose advice has been most useful for the Corporation in the matter of investments. I should also like to put on record my appreciation of the invaluable services rendered by our field force and our office personnel including officers who have contributed in no small measure to the progress of the Corporation.

INDIAN COPPER CORPORATION LTD.

Address delivered by Mr. Patrick E. G. W. Parish, O.B.E., Chairman of Indian Copper Corporation Ltd., at the Annual General Meeting of the Company for the year ended 31st December, 1959, held on the 27th July, 1960.

Gentlemen,

Your Directors' Report and the Accounts for the year ended 31st December, 1959 have been in your hands for some time. I once again welcome this opportunity to give you a short outline and some further information on the results of the working of your Company during the year, together with some comments concerning copper prices which are of interest and affect your Company's working results.

GENERAL REVIEW

It is a fact that, if all Copper Mines throughout the world worked to capacity production would exceed current consumption. In that event prices would be bound to fall. During the year 1959, however, strikes took place in various mines, especially in America, with the result that production was curtailed, world stocks were reduced and a consequent rise in price took place.

For the first ten months of the year the average London Metal Exchange price for this metal fluctuated within small limits around £230 per ton, and thereafter steadily increased to a maximum figure of £255 per ton in December. There were further increases in price for the first few months of this year, followed by a small decline, but at present the price appears to be steady around £255 per ton.

As regards the future, it would seem that, if settled conditions return, stocks will increase and prices are likely to fall unless some of the world's larger producers voluntarily agree to restrict output.

WORKING REVIEW

Your Company's production of Fire-Refined Copper during 1959, but for an unfortunate breakdown in the Smelter during December necessitating the annual shutdown for repairs a month early, should have been another record. However, it is expected that the shortfall of 1959 will be made good during this year, provided there are no other unforeseen setbacks.

Copper consumption in India at present is about 50,000 tons per annum against which your Company, the only indigenous mine, produces about 8,000 tons. Naturally the price at which our Copper is sold is linked to the price of imported metal.

The more copper we can produce the less foreign exchange will be required for imported metal. The steady increase in production during recent years is planned to continue in line with the further development of the Mine. This will obviously require considerable further capital expenditure which will have to be met in the years ahead. In particular, a new Crushing Plant, Smelter and a small Concentration Plant will shortly be required to deal with the increased ore output and these items alone will cost something in the neighbourhood of £1 million.

Prospecting throughout our leasehold continues,

but results so far cannot be regarded as particularly favourable and do not at present indicate that any major deposits which might be equal in size to your Mosaboni and Badia Mines are available. These prospecting operations have been intensified over recent years; it is premature to forecast what final results will eventually be obtained.

Ore reserves have again increased from 4,034,147 short tons to 4,203,547 short tons despite the decrease of 35,793 short tons in Badia Section. This has been achieved by concentrating on development at depth in the Mosaboni Mine and on development of the new small mine—Surda.

The satisfactory final results for 1959 are directly attributable to the increased selling prices. As I predicted last year, the working costs have increased due to the necessity of mining at greater depths. There has also been a further increase in these costs as a result of lower production and heavy maintenance charges.

Once again,I am pleased to inform you that during 1959 relations with the employees remained satisfactory. The three-year Agreement with the Mines and Works Unions is at present under review and negotiations are taking place between the Management and the Unions to try to arrive at a new settlement.

KYANITE

The demand for our raw material in world markets continues to be satisfactory despite the increased consumption of synthetics and competition from other sources. New world markets are being sought and there are hopeful signs that provided prices can be kept at competitive levels, it may be possible to recapture certain established markets, particularly in America. Our exports to the USA last year amounted to approximately 20 per cent of all our exports.

At the moment I have nothing further to report concerning the suits in regard to your Company's Kyanite Leases, as they are subjudice in the Supreme Court.

ELECTROLYTIC PROJECT

All matters appertaining to the Electrolytic Project for the installation of a Refinery and Foundry for the manufacture of Electrolytic Copper and Wire Bar have been finalised, and I am pleased to report that a start has already been made to implement the scheme. The proposal is to utilise some or all of the Company's production of copper supplemented, if required, by the importation of Blister Copper for the Refinery. At the same time the production of Rolled Copper and Brass Sheets will be continued as in the past. The target date to commence production of Electrolytic Copper is the end of 1962.

ACCOUNTS

The profit for the year before providing for Taxation, Depreciation and Reserves amounts to £1,202,259. Your Directors have decided to place £175,000 to Depreciation and £125,000 to General Reserve. Income Tax and Super Tax on profits for the year amount to £439,949.

Your Directors recommend a Dividend of 27 per cent subject to deduction of tax, which gives a slightly higher net yield than the Dividend of 18 per cent free of tax paid in the previous year. You are no doubt aware that, under the Income Tax laws, dividends now have to be declared subject to deduction of tax. With these proposals £107,121 will be carried forward.

STAFF

I think you will agree that we have had another satisfactory year and I am sure that I speak for you all in extending our thanks to the General Manager, Mr. N. A. B. Hill, to the Staff both at the Mine and at the Works, and to the workers, all of whom have contributed to the results during 1959.

LEADING
MANUFACTURERS
OF
QUALITY SPUN
YARNS PREFER
'GRASIM RAYON STAPLE FIBRE'
The
Gwalior Rayon Silk Mfg. (Wvg.) Company Limited
(Staple Fibre Division)
P. O. BIRLAGRAM (Nagda)
Western Railway
Telegram:
'GRASIM'
Telephone:
88 RATLAM:

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
April 1959 ..	113.1	97.5	116.2	116.2	108.4	107.9	108.0	111.9
May ,, ..	116.1	98.6	115.8	119.5	108.1	108.5	108.4	114.0
June ,, ..	118.7	97.6	115.9	120.3	108.2	109.3	109.1	115.6
April 1960 ..	118.6	103 1	118.7	134.2	123.2	116.9	117.8	120.5
May ,, ..	119.9	107 3	118 6	140.1	125.4	118 9	119 8	122.7
June ,, ..	120.4	109.5	118.5	139.6	127.2	118.6	119.8	122.9
18-6-1960 ..	120.0*	108.5	118 6	139.0	127.0	119.2	120.3	122.8*
25-6-1960 ..	120.4	110.5	118.6	138.9	129.0	118.5	120.0	122.9
2-7-1960 ..	121.7	110.5	118.7	138.2	129.5	118.5	120.0	123.4
9-7-1960 ..	123.8	110.5	118.8	136.6	130.3	118.1	119.8	124.2

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	--	—	-	-	105	104		106	—	—	—
1952												
1953	321	337	250	143	351	441	380	150	330	151	154	141
1954	346	363	275	140	349	453	387	151	351	147	156	145
	342	359	244	138	327	408	373	139	341	148	140	138
1955												
1956	322	338	218	130	321	371	364	133	321	134	135	132
1957	336	352	244	142	347	424	397	151	358	152	146	145
1958	352	368	259	150	364	448	422	162	374	157	158	152
	376	394	274	150	384	468	447	165	401	157	169	161
1959												
	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 August	401	420	311	156	406	468	504	165	433	164	178	173
September	403	422	319	156	399	465	510	162	434	162	179	173
October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168*
February	399	418	294	161	389	468	511	165	448	167	167	168*
March	395	414	287	157	392	464	510	165	446	166	168	168*
April	402	421	—	155	392	463	511	165*	446	162	163*	168*
May	402	421	—	153	396	461	—	165*	452	166	163*	168*
June	—	—	—	154	—	460	—	—	462	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 22-7-1960 High	22-7-1960 Low	22-7-1960 Average	15-7-1960 High	15-7-1960 Low	15-7-1960 Average	8-7-1960 High	8-7-1960 Low	8-7-1960 Average	1-7-1960 High	1-7-1960 Low	1-7-1960 Average
Gold (per fine tola) —	132.22	130 00	131.05	130.69	128.62	129.62	129.84	128.50	129.07	128.31	125.78	127.35
Silver (per 100 fine tolas)	222.06	216.50	219.42	220.12	216.94	218.86	217.56	216.06	217.02	216.69	214.06	215.61

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	2	3	4	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	516,23	309,26	855,49	35,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54	526,75	328,26	855 00	31,97	44,48	8.98	442,79	51,40	59.56	321 29
1954-55	559,02	351,86	911,55	32,66	53.91	9.50	468,39	84,66	60.68	339,74
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653.34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,80	619.19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59 ..	735,93	860.33	1,596,26	40.30	83,99	7.74	766,56	133 27†	56.37	565,14
1959-60 ..	745.83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144.49†	53.87	725,20
Average of Fridays										
January .. 1960 ..	754,54	1131,99	1,886,54	46,23	78,23	6.89	841,75	158,76†	53.03	773,37
February ,, ..	748,29	1149.47	1,897,76	45,11	72,06	6.17	889,52	159.19†	55.26	767,23
March ,, ..	768,84	1154.11	1,922,96	56,88	79,67	7.10	930,20	166 34†	57 02	749 40
April ,, ..	800.17	1162.83	1,963 01	51,40	89 55	7.18	950.14	177,77†	57.46	729 23
May ,, ..	785,27	1193,71	1,978,98	48,84	90,72	7.05	964 21	167.88†	57.21	744,91
June ,, ..	790 17	1202 95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
Week Ending										
17-6-1960 ..	796 81	1199,06	1,995 87	46,97	104,24	7.58	979 99	153 84†	56.81	740,43
24-6-1960 ..	786,80	1216 31	2 003 11	46,57	107,34	7.68	976.31	149,56†	56 21	739,72
1-7-1960 ..	790 28	1218.40	2 008,68	48,67	107,08	7.75	978,32	149,34†	56.14	744 47
8-7-1960 ..	782,65	1221.90	2,004.55	49.66	105.47	7.74	988,41	149 93†	56.79	749 04
15-7-1960	787,37	1211,84	1,999,21	50,61	121,62	8.61	987,92	140,41†	56.44	732,24

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54	1,793,97	1,229,43	564,54	549,83	14,71	
1954-55	1,920,63	1.311,77	608,86	599,16	9,71	+29.26
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+126.65
1956-57	2,312,89	1 556,50	756 39	744,74	11,65	+263,69
1957-58	2,388,83	1,606,60	782.22	762,36	19,87	+128,57
1958-59 ..	2,498,75	1 724,53	774,23	754,98	19,25	+75 94
1959-60 ..	2,697,57*	1,858,08*	839,49*	817,70*	21,29	+109,92
December 1959 ..	2,519.56	1,752,73	766,84	752,06	14,77	+98,82*
January 1960 ..	2,589,94	1,793,78	796,16	778,08	18.08	+47,27
February ,, ..	2,619 71	1,825,55	794 16	778,57	15,59	+70,38
March ,, ..	2,700,41	1,861 43	838,98	817,19	21 79	+29,77
April ,, ..	2 747 41*	1,916,59*	830 83*	810.24*	20.58	+80,70
May ,, ..	2,724 70*	1,897,73*	826,97*	807,87*	19,11	+47.00*
						—22,71*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1952-53=100)

Average of weeks ended Saturday	Govt. & Semi-Govt.	Debentures	Preference shares	Variable Dividend Industrial Securities: Total	Tea	Coal	Sugar	Cotton Textiles	Jute Textiles	Cement	Paper
1957-58†	98.3	99.6	88.0	125.4	143.5	89.1	159.7	119.9	63.4	125.2	159.6
1958-59	99.9	100.1	87.2	137.3	145.2	107.1	163.9	113.6	80.2	129.0	184.8
1959-60	101.2	101.8	92.2	155.3	160.1	113.7	178.6	129.2	96.6	136.0	208.9
April 1959 ..	100.7	101.7	91.0	149.0	153.8	120.0	170.5	114.5	97.6	134.8	206.5
May ,, ..	100.7	101.8	92.2	150.8	160.8	118.7	172.5	120.6	94.6	134.6	199.9
June ,, ..	100.8	101.8	92.1	149.8	160.5	115.7	168.7	118.7	94.6	135.6	196.8
July ,, ..	101.0	101.8	92.1	154.1	159.7	118.5	176.6	121.1	98.7	139.9	204.2
August ,, ..	101.2	102.1	93.2	153.9	157.7	116.2	176.7	123.9	98.9	137.3	207.1
Sept. ,, ..	101.4	102.1	93.6	153.1	150.8	113.0	177.3	125.0	97.7	135.5	212.2
October ,, ..	101.7	102.1	93.4	156.1	148.5	111.7	184.0	131.9	98.8	135.9	214.2
Nov. ,, ..	101.6	101.9	92.6	157.2	162.1	109.6	186.7	133.6	99.8	134.7	223.4
Dec. ,, ..	101.5	101.7	91.7	157.6	166.0	105.4	185.0	134.6	95.1	132.1	213.0
January 1960 ..	101.5	101.7	91.3	158.7	167.4	107.5	183.2	141.5	94.5	135.1	209.2
February ,, ..	101.4	101.7	91.2	158.3	165.7	111.2	178.9	139.9	92.9	134.7	206.9
March ,, ..	101.3	101.5	91.1	165.0	169.9	117.4	182.9	144.6	96.0	141.9	215.2
April ,, ..	101.3	101.3	90.8	166.5	168.4	119.5	184.9	144.5	95.1	142.8	222.6
May ,, ..	101.2	101.1	90.1	173.4	169.4	124.0	190.1	148.4	94.0	146.2	233.5
June ,, ..	101.1	101.0	89.4	175.3	172.9	122.9	195.4	152.2	94.7	146.1	234.6
25-6-1960	101.1	101.1	88.7	175.4	171.9	122.9	194.2	153.7	92.7	146.8	233.8
2-7-1960	101.2	101.0	88.3	175.8	170.3	123.2	193.2	155.5	92.1	148.9	232.8
9-7-1960	101.2	101.0	87.4	174.9	168.6	122.6	192.9	155.9	91.3	148.3	230.6
16-7-1960	101.2	100.8	87.1	176.4	168.2	122.9	194.1	159.2	91.0	148.4	230.7

†Average of 40 weeks.

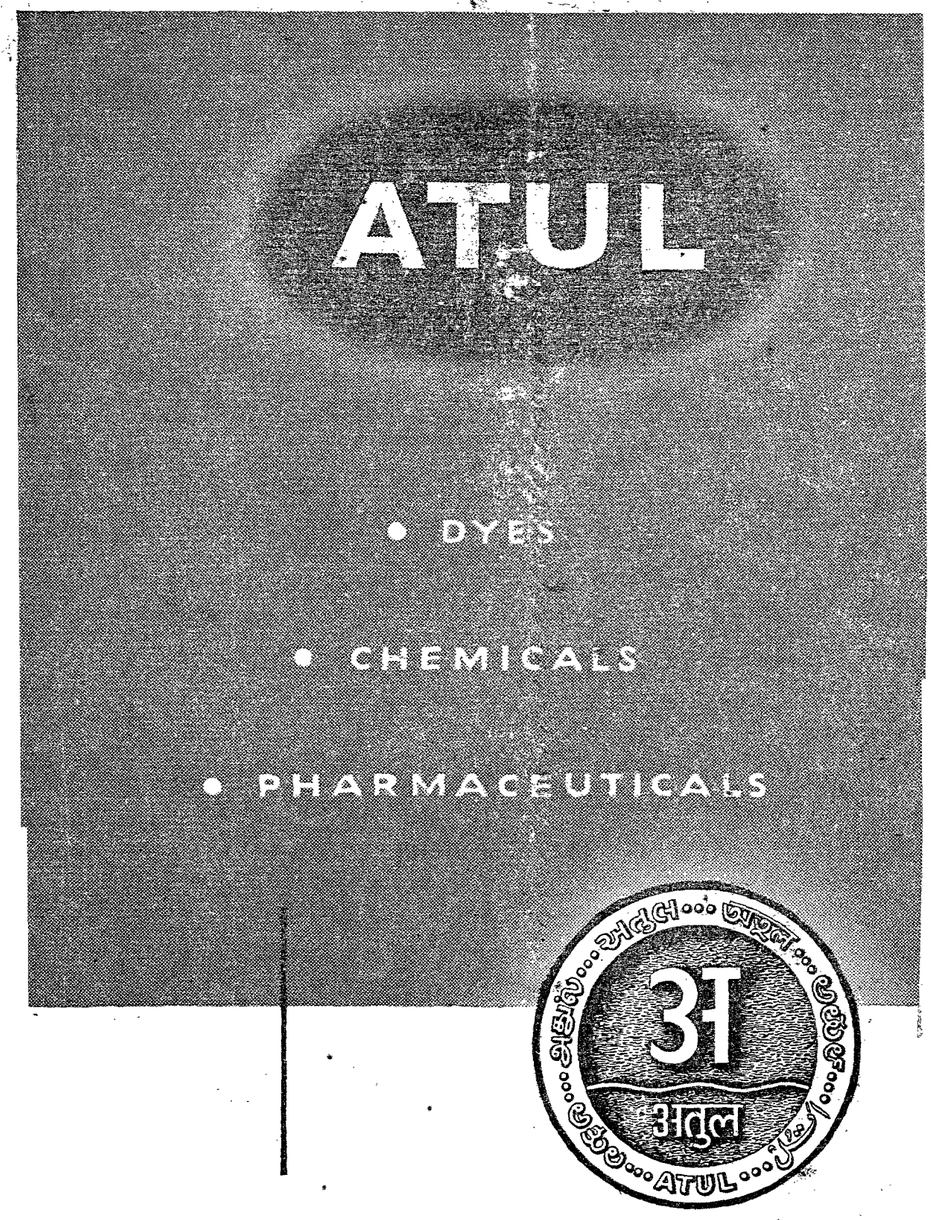
Treasury Bills

GOVERNMENT OF INDIA TREASURY BILLS

(In lakhs of rupees)

Period	Transactions with the Public: Amt. offered	Amt. tendered	Total Sales (4+5+6)	Amt. sold by tender: Against maturing Treasury Bills	Against Cash	Sales of Intermediate Treasury Bills	Amt. discharged	Sold in favour of Reserve Bank	Total Amount outstanding*
..	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951-52 ..	—	—	—	—	—		—	1,335,50	314,34
1952-53 ..	42,00	65,60	42,00	1,17	40,83		30,00	1.233,09	315,29
1953-54 ..	56,50	91,38	56,50	3,46	53,04		56,50	1,309,06	334,95
1954-55 ..	23,50	37,97	23,50	38	23,12		23,50	1,523,81	471,87
1955-56 ..	55,50	86,25	55,50	2,60	52,91		54,50	1,994,09	595,25
1956-57 ..	1,00	1,03	1,00	—	1,00		14,00	2,737,58	835,70
1957-58 ..	—	—	—	—	—		—	4,236,65	1,295,12
1958-59 ..	81,00	122,06	86,79	4,01	76,99	5,79	61,29	4,644,56	1,225,32
1959-60 ..	102,00	122,40	139,25	32	101,68	37,25	133,52	5,011,87	1,297,60
Jan. 1959 ..	9,00	9,20	9,00	—	9,00	—	9,00	718,20	1,183,54
Feb. ,, ..	8,00	10,99	8,50	1,96	6,04	50	19,64	106,94	1,172,86
March ,, ..	8,00	8,10	8,00	—	8,00	—	9,65	383,69	1,225,32
April ,, ..	8,00	8,00	8,00	—	8,00	—	7,00	490,91	1,273,62
May ,, ..	10,00	10,85	10,00	—	10,00	—	10,50	417.28	1,317,88
June ,, ..	8,00	9,33	8,24	—	8,00	24	8,00	396,28	1,330,71
July ,, ..	9,00	13,90	18,20	—	9,00	9,20	10,00	726,44	1,305,32
August ,, ..	8,00	9,05	10,36	—	8,00	2,36	8,00	241,38	1,330,28
Sept. ,, ..	9,00	10,19	14,14	—	9,00	5,14	8,24	329,97	1,325,14
Oct. ,, ..	10,00	13,66	20,30	—	10,00	10,30	18,20	666,92	1,283,08
Nov. ,, ..	8,00	14,95	15,50	—	8,00	7,50	10,36	273,40	1,320,23
Dec. ,, ..	8,00	8,40	8,28	32	7,68	28	16,14	193,92	1,176,13
Jan. 1960 ..	8,00	8,07	10,06	—	8,00	2,06	18,30	727,72	1,228,87
Feb. ,, ..	8,00	8,00	8,12	—	8,00	12	15,50	247,42	1,195,51
March ,, ..	8,00	8,00	8,05	—	8,00	5	8,28	300,24	1,297,60
April ,, ..	10,00	10,79	12,01	—	10,00	2,01	10.06	686,24	1,262,06
May ,, ..	8,00	9,12	9,30	—	8,00	1,30	8,00	277,72	1,293,56

* At the end of the period.



THE ATUL PRODUCTS LTD.
Atul, via. Bulsar,
Western Railway.

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UNDER SECRETARY TO GOV
9 - AUG 1960
PUBLIC DEPARTMENT

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Principles of a Price Policy

SLOWLY, but relentlessly, economic affairs are impressing their urgency upon the current Indian scene. Temporarily at least, our preoccupation with the People's Republic of China has been reduced, and while internal political forces, like those presented by Nagaland and the perilous state of passions in Assam, might appear to demand the highest priority, the accent is now elsewhere. A new and dangerous foreign exchange crisis is looming ahead; this calls for a prompt, and, may be, drastic, reappraisal of current policies. The drain on the sterling balances in the last return of the Reserve Bank of India of another Rs. 7 crores has served to highlight a deteriorating situation. India must make up her mind either to obtain the foreign exchange for which she has spaciously planned in the Third Five-Year Plan, or to restrain the implementation of schemes based on its availability. Nothing that the Finance Minister said in his fairly optimistic review in Parliament on Wednesday should make one overlook the point that much more has to be done on the foreign exchange front than either he or his officers have hitherto designed. We need not be too querulous because the task has been beyond the capacity of the small staff which has been designated for this purpose, but the removal of an Additional Secretary dealing with foreign exchange in the Ministry of Finance is a major blunder for which the Finance Minister must be deemed personally responsible. Without further delay the post should be recreated, and a major responsibility imposed on an Additional Secretary to plan a bold campaign for keeping India's foreign payments in balance.

While a new foreign exchange crisis looms ahead, the major accent is on internal prices. The current confusion has been in no way allayed by confident pronouncements by the highest Government authorities that the price line will be held. That the price line can be held with existing Plans and existing policies will never be believed by any intelligent section of the community, and it is time that the Government of India recognized that its assurances in this respect are looked upon merely as defences for inaction on the linking of wages with rising prices. The credit of the Government — and what might be more serious, the credit of the currency — can be severely injured by this ostrich-like approach.

What then has to be accomplished? In the first place, a new psychology of emergency has to be created to deal with prices as on a war footing. The Finance Minister has been responsible over the last twelve months for a degree of complacency both in fiscal and other policies which cannot be defended. But it is largely the level of expenditure in the Plan and not the Finance Minister's policies which are the instruments of inflation. Unless consumer goods production can be raised very substantially and measures for implementation thereof taken with immediate effect, inflation is inevitable with the current level of consumer demand. What then is to be done?

For the purpose of holding the price line by production of more consumer goods, policy must centre round food and cloth. In the current year, failure to import raw cotton under PL 480 in time has helped in raising the price of cloth. Now that restrictions on imports have been removed, it may be possible to get in six months out of mills at least 500 million yards of additional cloth.

What is required is a firm directive forthwith to the Textile Commissioner to allow mills to operate on all lines so as to meet the demand of the country without any inhibition of any kind. The position can well be reviewed at the end of the six months and if — which is unlikely — the handloom industry needs protection, it can be instituted in a few directions which call for the highest priority. But blanket prohibition must be avoided if existing textile prices are to be turned back. The capacity is there; why cannot it be fully exploited? Largely because we are being ruled by ghosts of the past.

On the food front, Mr. S. K. Patil's buffer stock of wheat should be employed not merely to stabilise prices, but to set them back by, say, 5 percentage points. This raises political issues, particularly at a time when support prices are being recommended to provide incentives for foodgrain production. But it is likely that agriculturists would gladly accept support prices between 10 to 15 per cent below the current prices if only they could be assured that at that level they would be maintained for the period of the Third Plan. The country should be prepared, in an all-out effort, to guarantee a support price for particular crops such as rice and wheat with immediate effect. Meanwhile, the buffer stocks of wheat, and whatever imports of rice can be arranged from Thailand and elsewhere, must be operated as a lever to hold prices within a firm ceiling. With food and cloth prices stabilised, there must be a fiscal policy which is designed to cut back deficit financing to perhaps half the level that was originally contemplated in this year's Budget. There must inevitably also be a cut-back in Government expenditure.

With foodgrains price supports and enhanced fertilizer production in the longer period, increased cloth production with the removal of all impediments to production and a cut-back in Government expenditure and of bank credit for non-productive uses, the elements of a price policy have been described. At first sight, these look simple, but each is invested with a political component which makes its implementation difficult. It is time that the Government of India took its political courage in both hands. The Congress Party's stock is sufficiently high to take political risks. This is the time for keeping faith with the people. It is both politically wise and economically expedient that it should act without delay on the lines described. It may be a long time before an equally good opportunity for the display of political imagination and economic discipline comes again.

The Sixteenth State of the Union

THE announcement made by the Prime Minister this week in the Lok Sabha about the constitution of a new State, the Nagaland, climaxed the negotiations that had been going on in the Capital between the Naga delegation representing the Naga People's Convention and the Government of India. It is hardly two months since the All-India Congress Committee met in Poona when a resolution was passed discountenancing any further division of States. And yet, the demand of the Nagas for the separate State has been conceded. The leader of the Naga delegation, Dr. Imkongliba Ao, and his colleagues have reasons to be satisfied that they came and conquered. Apart from the merits of the case, it is obvious that it is the over-riding need for security based on strategic considerations on the north-eastern border that has influenced Government's decision because a Naga state as now proposed cannot stand on all fours with a unilingual State.

In retrospect, going over the developments over the last few years, it would appear that the conceding of the demand was inevitable and the only logical step that the Government could have taken. Though the distinct customary and cultural features of the Nagas were safeguarded by the sixth schedule of the Constitution, they did not seem to have taken kindly to it and had in fact totally boycotted the elections to the autonomous bodies proposed thereunder. It was hence that the area had to be administered by the Assam Government itself directly. But thanks to the policy of the Assam Government, a fear was engendered that what was being attempted was the assimilation of the Nagas and these apprehensions were exploited by the extremist elements under the leadership of Phizo, who demanded a sovereign state for the Nagas. Then followed a period of unrest when trouble spread over the entire Naga Hills district involving the Indian Army in large-scale military operations. However, at a convention held in Kohima in 1957, the moderate elements led by Dr. Ao, who was a former lieutenant of the rebel leader Phizo, demanded that a separate administrative unit of the Naga Hills District of Assam and the Tuensang frontier division should be formed under the direct control of the Central Government. This proposal was meant as an interim arrangement pending a "permanent" political settlement with the Indian Union.

The constitution of a separate administrative unit no doubt helped to restore order to some extent, but the activities of the rebels continued, causing considerable concern to the Government. It was as a consequence of the initiative of the Government itself that a convention was held at Mokokchung in October 1959. Its importance lay in the fact that the idea of a sovereign independent State was once and for all abandoned. On the other hand, a series of demands was formulated, the principal one being the constitution of a separate State within the Indian Union to be known as Nagaland under the Ministry of External Affairs with a Governor and administrative secretariat, a Council of Ministers and a Legislative Assembly. The Delhi parleys revolved round this major demand but the difficulty was over the constitution of a viable State consisting of a population of less than 4 lakhs and with an annual revenue of Rs. 500,000. Few could have, therefore, expected that a satisfactory settlement could have been reached over the substance of the Naga demand and almost all the proposals made at the Naga People's Conventon excepting only a few could be found acceptable to Government. The agreement now reached provides that the same person will be appointed the Governor of Assam and the Governor of Nagaland and the existing jurisdiction of the Assam High Court over the area comprising the new State would continue. The agreement also envisages a transitional period when the Governor will exercise a special responsibility for law and order while he will be advised by a Council consisting of the elected representatives of the various tribes of the area.

The Nagas could not have hoped for more than the arrangement now contemplated, since the area has neither the population nor the resources that a modern State needs to sustain its sovereignty. The fact that the area is situated in a strategically vital stretch of the Indian frontier is a compelling reason why its fortunes should be integrated with those of the Indian Union. At a time when Phizo has stepped up his propaganda offensive against India in London in a bid to prevent a settlement, the Government of India has acted with commendable foresight and has given a healing touch to a vexed problem. While the future of this experiment will be watched with great interest, there are certain questions that remain to be answered. Firstly, how far the moderate elements during the interim period will be able to win back the extremists which is after all the *raison d'etre* of the new arrangement. Secondly, what can be the real purport behind the insistence of the Naga leaders that, the new State should be under the Ministry of External Affairs? Here, there can be room for doubt as to why it should be put on a special footing unlike the other States. Thirdly, what will be the reaction to the constitution of the new State when there are signs elsewhere making a similar demand. For example, it is conceivable that the Punjabi Suba demand, whose sting seems to have been taken by firm Government action for the time being, may again get a new lease of life. Again, thanks to the language problem, there is already restiveness in the other hill districts of Assam which may make a similar claim for the partition of the State. Thus, by a paradox, the very attempt to pacify the Nagas by yielding to their demand may give rise to more troubles. This is not to deny the potential value of the agreement reached with the Naga leaders. What is necessary is that Government should not give further weight to the impression growing that any demand backed by "sanctions" can be had if only relentlessly pursued.

Better Late than Never

THE long-awaited statement embodying Government's decisions on the Central Government Employees' Pay Commission's Report was placed by the Union Finance Minister, Mr. Morarji Desai, on the table of the Lok Sabha on Tuesday. The fact that it has taken so long for the Government to finalise its decisions on matters of vital interest to its two million employees—the Pay Commission's report was submitted about a year ago—needed, but did not receive, full explanation. The irksome delay in taking decisions and making them known has undoubtedly generated a feeling of unrest amongst the Government employees, and was certainly a major cause of their recent strike.

It is, however, heartening to note that the Government has not allowed its judgment to be vitiated by its successful handling of the strike and has, within its limited resources, approached the problem of the emoluments of its employees with understanding. The decisions announced on Tuesday are generally in line with the reports appearing in the Press before the strike and the Pay Commission's recommendations. In some cases they are even better than what was anticipated. The Government has done well in rescinding its earlier decision to give effect to the revised pay scales and dearness and compensatory allowances from November last. They are now to come into force from July 1, 1959, and the arrears, instead of being credited to the employees' provident fund, are to be paid in cash. To avoid any injustice being done to employees who might be adversely affected by the new scales, the Government has quite appropriately decided that if they so choose, they can opt for the existing scales.

Equally heartening are the new concessions announced by Mr. Morarji Desai in respect of retirement benefits and deductions on account of compulsory provident fund. In modification of the Pay Commission's recommendation that all Central Government employees should subscribe at least 6¼ per cent of their pay to General Provident Fund, the Government has reduced the rate to 6 nP. per rupee and has given a concession to Class IV employees to contribute even at a lower rate. The date for effecting compulsory deductions has also been brought forward to April 1, 1960. This will surely help the low-paid employees to have some additional cash at their hand. The liberalisation in retirement benefits, announced in November last, by the Government's decision now to accept the Pay Commission's recommendation that special pay should also count for pension in full if the post to which it was attached was held in a substantive capacity and the extent of half in all other cases should go some way in helping the retiring hands.

The temporary staff, which at present forms the majority in various Government establishments, will derive much comfort from the Government's acceptance of the Pay Commission's suggestion that the permanent requirements of all categories of staff should be speedily determined and action taken to convert temporary hands into permanent ones, within the limits permissible, as early as possible. This should help in improving the efficiency of the temporary employees for it removes the Democles sword from over their head.

A major bone of contention between the Government and its employees, which has been the cause of much resentment among the latter, is the question of linking dearness allowance with cost of living. The Government has decided to accept the Pay Commission's recommendation in this regard that if during a period of 12 months the consumer price index remains on an average 10 points above 115, it should review the position and consider whether an increase in dearness allowance should be allowed and, if so, at what rate. This may provide ammunition to the critics for during the strike-eve negotiations with the representatives of the employees, the Government, it is understood, had shown some flexibility on this point; it was reported to have offered to neutralise to the extent of 50 per cent of the 10 points increase in cost of living and settle about the rest through arbitration. It would perhaps have been better to reiterate this position in the statement. This offer presumably was made on its merits; it should not have been made in weakness.

The fitment formula too appears to be a bit faulty inasmuch as it authorises the Government to stop increments in cases where initial salary on fitment in the new scale exceeds a certain limit, till the time the difference is fully absorbed in increments due. It is a well-recognised practice that increments should not be stopped for more than a year in such cases, lest the efficiency of the persons concerned should suffer. The excess amount is continued to be paid to the employees as personal pay and is adjusted gradually against their future increments over a period of three to five years. The Government will do well to look into this matter and, indeed, to recognise that here too justice delayed is justice denied.

A DELHI DIARY

A NEW STATISTIC

ALTHOUGH this is not mentioned in the best circles, I propose to produce today what the Americans call a new statistic. This is that there have been eight murders in Delhi within the last ten days. The solution for this problem apparently is not to have quicker and more summary justice, but to issue a directive to police officers to devote more time to "field" duties. I am a little surprised to find this prescription for the outbreak of murders, seeing that not very long ago many policemen were present near a scene of a murder in Connaught Place in broad daylight. Nor do I expect much from the new instruction making compulsory for Superintendents of Police to visit scenes of a "heinous" crime soon after its occurrence. Surely, all this should have been unnecessary. The fact that the directive has received wide publicity quite apart from the aforesaid eight murders implies that something is rotten in the State of Denmark. I have it from high authority that when one quotes Hamlet, one is protected from the consequences of libel. I sincerely hope I have not been misled.

BLACK-OUT WITH REGULARITY!

Residents of the less affluent localities of the City have another curious problem (or is it a scourge?) created for them. This week as I went to deliver my Diary and say "Hello" to the Editor, I found him a little worried that his Assistant Editors could not keep to the schedule of work. There was a frank discussion and the Editor was surprised to learn that much of the trouble arose out of the black-out which is clamped on some parts of the city twice every night with a regularity that can be hardly missed. This black-out has made its appearance in the past few days to the complete dismay of everyone — whether one wants to work or relax or retire after the day's exertion. Imagine the breakdowns of electricity recurring day after day and depriving the citizens of Delhi (already too much harassed by humidity in the weather which has touched a new peak, in the last two decades, I am told,) of the elementary amenity of the fan. While most of the inmates have to resign themselves to the vagaries (or helplessness?) of those who manage the Delhi Electricity Undertaking, it is not an unusual spectacle to find women emerging into the streets with children in their arms. I am told (and is it not some saving grace?) that this reputation for efficiency is not demonstrated in quarters where the high-ups reside. A matter of protocol?

ROUND ABOUT TURN

I must now assume a more agreeable mood. May I, in the first place, record the happiness that has been felt in Delhi at the Prime Minister's ascendancy over the Working Committee of the AICC in regard to the election of one-third of the members of the Working Committee! Most people have forgotten the point that at the Poona meeting of the AICC, the Prime Minister lost to the conservatives in the voting on this point. Now, almost the same members of the Working Committee have submitted to his good judgment, and the interesting question is being asked in Delhi who is holding the baby? It would appear that many members of the AICC supported the aforesaid conservative members of the Working Committee in their stand against the Prime Minister's proposal. Now that the members of the Working Committee have accepted the Prime Minister's view, the public reaction is: where are the unfortunate people who were led by the majority in the Working Committee? The answer is: nowhere. This is how the democratic principles make us all the creatures of chance.

Most of the people to whom I have talked on the subject are happy that on this matter the Prime Minister has not yielded and that in his quiet and somewhat persistent manner, he has won the last round. No one in his senses had any doubt that, if the Prime Minister worked hard enough, he could change any resolution of the AICC. Both in respect of the strike and after Assam, people are saying that he has, in fact, acquired a new stature which is considerably greater than the one he had six months ago. Journalistic truth is thus as fickle and feminine as history. I have now come to realise that there is only one excellent golden rule if one does not wish to make a mistake: it is called Silence. Unfortunately, it is a rule which would put me out of business and I venture boastfully to hope this would cause some displeasure amongst "The Eastern Economist" readers.

PARLIAMENT'S TAME OPENING

Parliament opened on August 1, when, I regret to say, I was not present to applaud the brave deeds that were likely to emerge on that day. The opening has, however, been extremely tame and neither the Finance Minister who made a statement on his foreign tour, nor the Defence Minister who, responding to a question carefully put by Mr. Feroze Gandhi, promised a rise in every soldier's salary and pension benefits, has raised any enthusiasm. I have never seen a session of Parliament opening so tamely, but perhaps this is only the lull before the storm.

WHAT MIGHT HAPPEN?

We are still awaiting the Supreme Court's decision in the Nanavati case and the result of Mr. Vishnu Sahai's new enquiry into the Defence Ministry's Canadian deal. It seems the Secretary of the Cabinet has now become the most skilful non-judicial tribunal that exists in the country for major problems of embarrassment for which a mere judge by application of rigid judicial procedure is considered inadequate. Only one hopes that the impression will not be created that when enquiries are held by the Secretary of the Cabinet they are convenient to the Government. A little more imagination in the appointment of officers designed to hold rapid enquiries might, I think, raise a happier feeling in the public mind that no lapse from high judicial objectivity is contemplated. I do not like the word white-washing which I have heard twice this week, although it may have been in another connection. Cannot departmental enquiries always convey the impression that the whole truth and nothing but the truth is being sought?

CHALLENGE AND RESPONSE

A very short time ago, I raised a gallant cry to welcome in Mrs. Srimavo Bandaranaike. This week I have been rebuked for my excessive enthusiasm by the hasty, and may I submit, intemperate manner in which the Prime Minister of Ceylon is approaching Ceylon's Fourth Estate. Since we have had a Press Commission—and we seldom do anything really dangerous—we cannot criticise Mrs. Bandaranaike's Press Commission in the process of being born. But long before the Commission has even assembled, she has banned the entry of an issue of "TIME" about which, it appears, the only complaint is that it has been critical of her. Is it a crime to have said that she is in favour of birth control? If not, what is the crime? If there is no crime, why is a democratic country curtailing the freedom of the Press? I ask these questions praying for an adequate reply so that we, gentlemen of the Press, will not need to be ungallant to a lady!

ARGUS.

THE WEEK'S NOTES

Congress

HIGH COMMAND AND THE ELECTIVE PRINCIPLE

THE CONGRESS WORKING COMMITTEE, which met last week, made news by its decision to reverse the Poona verdict of the A.-I.C.C. relating to the composition of the Working Committee. Then, the proposal made that one-third of the members of the Working Committee should be elected was rejected amidst great excitement when the entire Working Committee (with prominent members like Pandit Pant and Mr. Morarji Desai abstaining) ranged on one side while Mr. Nehru voted with the minority in favour of Mr. Hanumanthayia's proposal for a partially elected Working Committee. This was interpreted as a "defeat" for Mr. Nehru and there were speculations as to why Mr. Nehru should have supported the principle of an elective element in the Working Committee, though earlier he did not give any indication that he would support such a move. By the same token, the present decision of the Working Committee has been hailed as a "success" for Mr. Nehru. What is intriguing, however, is the report that a majority of the members of the High Command, who spoke at last week's meeting favoured either a wholly elected or a wholly nominated Working Committee. This is quite ununderstandable.

Writing in the **A.-I.C.C. Economic Review** soon after the Poona Session, the General Secretary, Mr. Sadiq Ali, said that it was conceded by even critics that there were dangers inherent in the elective process being extended to the whole Working Committee. There was the fear that it would result in disunity and lack of cohesion and it would prevent any firm action being taken by the Working Committee which is after all more an executive body rather than a deliberative one. If this were so, what could have prompted some members of the Working Committee to plead for an entirely elected committee? The members ultimately, however, seemed to have reconciled to Mr. Nehru's view that the proposal for a partial elected committee should be given a trial. This has great significance. It means that there is a recognition of the "wind of change" emanating from the rank and file of the Congress Party which the Working Committee members cannot afford to ignore. It was apparent to observers even at the Poona session that many members of the A.-I.C.C. were forced to vote against their belief because of pressure and powerful lobbying. Therefore, it is not quite correct to say, as Mr. Sadiq Ali had tried to argue, that from the speeches made at the session, it was not clear how the mind of the entire body of the A.-I.C.C. was working on this issue.

In any case, the recent decision of the Working Committee means that the Congress Executive will now to some extent throw itself open to different shades of opinion in the A.-I.C.C. It will also mean that to some degree there will be a measure of decentralisation of responsibility and leadership since all along a nominated Working Committee was having the last word on all policy decisions without allowing the rank and file of the party to have any voice in the formulation of policies. An unseemly wrangle over this issue thus seems to have been forestalled so that when the A.-I.C.C. meets next in October, it can straightaway concentrate on making the necessary constitutional amendment to give effect to the new proposal.

Swatantra

OWNING LEADERS

THE FOUNDER of the Swatantra Party, Mr. C. Rajagopalachari, had often claimed that if Mahatma Gandhi had been alive, he would have supported the Swatantra Party policies and programmes. Apparently, this was based on his belief that the doctrine of trusteeship and the policy of decentralisation that the Swatantra Party has adopted correspond to what Gandhiji had in mind. However, the "trusteeship" that Mahatma Gandhi envisaged was meant for a different ethos altogether and it will be a travety to claim that it can be practised in its spirit in a modern industrial society. Recently, speaking at a meeting in connection with the General Council of Swatantra Party in Bombay, Rajaji went a step further and said that had Lokamanya Tilak been alive today, he would have supported the cause of his party and he claimed that the Swatantra movement was a logical and continuous corollary of what Tilak stood for, namely, **Swarajya**. It is a queer way of buttressing one's party plank by invoking the support of leaders who are no more. Tilak in his days was considered an extremist as opposed to the moderate elements who wanted to extend their co-operation to the British Raj even while fighting for the ultimate independence. There is nothing to warrant the belief that Tilak was either a leftist or a rightist as it is understood in modern economic parlance. There is also nothing to show that on economic issues, Tilak had committed himself to any particular programme. At this rate, one can go far back into aeons of time, and the Swatantra leader may well invoke the support of the author of the Bhagavad Gita himself, of which he is a devoted student. As long as he was in the Congress, Rajaji used to assert his independence even against Gandhiji though he was sometimes in the minority of even one. It was his contention that if a particular policy was good, one should be able to stand by it on its own merits. That was why even when he had the implicit support of Gandhiji to propagate his ideas of partition, he did not reveal this fact on the ground that if what he held were true, it should be supported irrespective of whether it had Gandhiji's approval or not. Apparently much water had flowed since then. However, it will be a salutary principle, if leaders of political parties, even while paying tributes to leaders who are no more, do not claim them for their own party propaganda, if there are no definite circumstances to warrant it.

Britain

CABINET CHANGES

THE BRITISH CABINET reshuffle that was announced by Mr. Macmillan last week has aroused much interest because of the speculations in the British Press over the impending changes. The most important are that the Treasury goes to Mr. Selwyn Lloyd and the Foreign Office to the Earl of Home. Mr. Peter Thorneycroft, the former Chancellor of Exchequer, who resigned over differences of policy comes back as Minister of Aviation. Most of the comments, however, relate to the appointment of the Earl of Home. There has been criticism not only from the Labour Party, but also by even a considerable section of the members of the Tory Party that since the Foreign Office is one of the great offices which generally serves as the "launching pad" for the premiership, it should not be given to a member of the House of Lords. The objection here is that the House of Commons will be denied its legimitate right to question the Foreign Secretary on many important matters of policy that come before it. On the other hand, in support of Mr. Macmillan's proposal, the point has been urged that in view of the heavy burden that has now

been thrown on the Foreign Secretary, it will be better if he is relieved of the necessity to nurse his constituency and also worry himself perpetually over the tyranny of the division labby. Secondly, it is becoming more and more clear that the Prime Minister himself has to take a good deal of the burden of conducting the Foreign Office in view of its growing importance. Since in any case, the Prime Minister is in the Commons, on major questions he will be able to do full justice to them. It is obvious that much can be said on both sides but it will be difficult to substantiate that the appointment of Lord Home will, in any way, diminish the authority of the House of Commons. The fact is that this great office, by a curious paradox, is getting steadily downgraded so that the holder of this office can at best play second fiddle to the Prime Minister. To the extent that the Foreign Secretary need not be looking forward to the possibility of succeeding to 10, Downing Street, his energy may perhaps be now concentrated on his own work at the Foreign Office (which is so back-breaking) without any dissipation of energy.

Middle East

IRAN, ISRAEL AND THE U.A.R.

THE ARAB NATIONS often react sharply, and even violently, to anything which can be interpreted as a factor contributing to the strengthening of Israel's position. Their antipathy to Israel is to some extent understandable for they have an age-old enmity with Jews, but to give vent to it on unconfirmed reports and exaggerated fears is something which can hardly be justified.

In this category probably falls the sharp reaction of the United Arab Republic and the Arab League to reports suggesting "recognition of Israel by the Shah of Iran". Following these reports, the U.A.R. has recalled its ambassador in Tehran and the Arab League is said to have appealed to its member States to effect economic boycott of Iran. It is intriguing how the U.A.R. Government has allowed itself to be swept off its feet and taken the precipitate step without perhaps fully ascertaining the facts from the Iranian Government. A spokesman of the Iranian Government has since clarified the position and denied that Iran in the recent past has taken or contemplated to take any step which has altered or could alter the status quo in respect of its relations with Israel. He has contended that Iran had recognized Israel on de facto basis some 10 years ago when it sent a representative to Tel Aviv to look after the interests of its nationals, who included Jews in no small number. This representative, however, had to be withdrawn a couple of years later due to financial difficulties into which Iran ran consequent upon the nationalisation of its oil industry. Since then no other representative has been sent. According to Iran's Charge d'Affaires in New Delhi, there is no move afoot to send any representative to Israel in the near future. Nor does the Iranian Government intend to make the recognition of the Jewish State de jure.

In the circumstances, the United Arab Republic's action to recall its ambassador in Iran appears to be hasty. By this step the U.A.R. Government has exposed itself to the charge of trying to interfere in the internal affairs of Iran. Now that the Iranian Government has clarified its position, can it be hoped that the cordial relations between Iran and the United Arab Republic will be re-established at none-too-distant a day?

Sales Tax

REPLACEMENT BY EXCISE DUTY

THE OPTIMISM about an early acceptance by the States of the Union Finance Minister's proposal to bring more commodities in the orbit of the scheme of replacement of sales tax by an additional excise duty, evoked by the repeated representations of the trade and the successful working of the system in the case of textiles, sugar and tobacco, has proved to be misplaced. As reported elsewhere in this issue, the State Ministers who assembled in New Delhi last week-end to consider the problem, more specifically in connection with four commodities — silk fabrics, matches, paper and vegetable products — have dispersed without achieving much. While they agreed to extend the scheme to silk fabrics, they could not come to an understanding in respect of the other commodities. Though the official statement issued at the end of their meeting does not go beyond stating that the scope of the scheme could not be widened further owing to different views having been expressed, it is understood the main objections came from three or four States. One State is reported to have objected to the extension of the scheme on the ground that it amounted to incursion on the part of the Centre into a sphere specifically reserved for the States under the Constitution. The other principal objection was based on revenue considerations; it was contended that the scheme deprived the States of a very flexible source of revenue.

It is not easily comprehensible how the Constitution stands in the way of expanding the scope of the scheme when it is already in operation in the case of three commodities and any change in the rate of the levy can only be effected in consultation with the States. Moreover, the scheme only envisages collection of the tax at a single point at the production stage by the Central Government which has to pass on the proceeds, minus cost of collection, to the States. Besides, the proposal was to expand its scope to cover a few other selected commodities, the States being left to devise their own policies in regard to the rest. So far as the objection on revenue considerations is concerned, it is doubtful whether the States will be able to augment their resources by increasing the incidence of the tax on a particular commodity individually to the extent they will be able to do if they work in unison. It is also ironic that some State Governments should be thinking in terms of raising sales tax rates at a time when every effort needs to be made to hold the price line and when the object of raising revenue to no small extent — approximately 25 per cent — can be achieved easily be checking evasion of the tax or reducing the cost of its collection. Considering the relief it would bring to the small trader in respect of maintaining elaborate account books, it is hoped that the dissident States would revise their opinion at an early date and give their consent to widen the scope of this useful scheme.

The tripartite Industrial Committee on Cement, which met in New Delhi recently agreed that the period of operation of the recommendations of the Cement Wage Board should be five years from the date the recommendations came into effect. However, the matter could be reviewed by the Industrial Committee at the end of four years, if the workers' representatives so desired. The Committee also agreed that a central machinery should be set up to clarify doubts, if any, regarding the Wage Board's recommendations and to ensure uniformity in the interpretation of the recommendations. The Central Government should decide on the form and composition of such machinery in the light of suggestions made by members of the Committee.

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By

ODYSSEUS

CASTE AND CLASS DISTINCTIONS are supposed to be contrary to the democratic spirit, but they are clearly in line with human nature the world over. Most of us are members of several overlapping communities, a family, a profession, a social class, a village, a town, a county, may be a tennis club, a university, etc. and finally of a nation. In each one of these groups, we find it more comfortable to observe accepted rules of conduct, and the stranger is looked at askance until he makes himself acceptable to the group. This may not be the way it ought to be, but it is the way that it is from Delhi to Washington D.C. and from China to Peru. We may readily admit that it is frequently difficult for one group to convey its ideas to those living in another.

I am prompted to these thoughts by an article in the quarterly review published by a leading advertising firm, Messrs. Young and Rubicam Ltd., 8, Baker Street, London W.1., which, although directed to a British audience, draws attention to a problem which, in one form or another, exists in all countries. One of the more difficult parts of the advertisement copy-writer's job, says the "Y and R Quarterly," is to allow for the differences between his own background and that of the people to whom his advertisements are directed. The classic example of this, I may incidentally recall, was the slogan — "Keep that school-girl complexion" — made famous some 30 years ago by an American soap manufacturer. It made perfect sense in the U.K., but was merely puzzling when used in India and translated into India's indigenous languages. "What," asked a million Indian village mothers, "is a 'school-girl complexion', and who wants one?"

At the extremes, of course, economic differences are fundamental: the rich are the best prospects for Rolls Royce cars and Britain's 2,000,000 old age pensioners are not seriously in the market for any but the basic consumer goods. But in the middle 75 per cent of the U.K. income scale, differences in outlook may be as important as differences in income in determining expenditure.

In illustration, the "Y & R Quarterly Review" discusses the characteristics of a traditional British working class community. The basic fact is that both men and women tend to live in the same district throughout their lives. By and large this is also true of life in the Indian mofussil, with the possible exception that participation in melas and pilgrimages make the Indian villager slightly more travelled than the average British working class man or woman, who tend to look for work within reach of home. This contrasts with the middle classes who are generally ready to move within reach of a suitable job and to move again in search of advancement.

MARRIED COUPLES

Marriages in U.K. working class communities are generally between men and women from the same neighbourhood, and after marriage they continue to live nearby. For example, in Bethnal Green, a London borough, more than two out of three married people, of whichever sex, with parents alive, were found to live within two or three miles of their parents.

As in India, many couples start their married life in their parents' houses, although more often with the parents of the wife than of the husband, and they will usually live nearer the wife's than the husband's parents when they leave for a home of their own. In Bethnal Green, 51 per cent of the married women, whose parents lived in the borough, lived either in the same house or in the same street as their parents compared with 28 per cent of the married men. Because of this, both husband and wife retain after marriage many of their premarital habits. The husband spends much time with his friends, who are not ordinarily his wife's friends and whom he does not usually invite to his home. The wife sees much of her relatives, especially her mother, on whom she depends heavily for advice and for help in the house and with the children — a situation which can often be paralleled in India.

Because the wife can call on her relatives for help in the house and because neither husband nor wife depends by any means exclusively on the other for companionship, there is little sharing of domestic tasks; the wife has her clearly defined role and the husband his, and he is unlikely to help in washing the dishes or in minding the children. Further, the wife is unlikely to know how much her husband earns. She is given her weekly "pay packet" on which she is expected to run the house and to clothe herself and the children. But, within her sphere, she is fully responsible: even with so important a household purchase as a carpet relatively few working class women take their husbands along to share in the choice. In a recent survey, Young and Rubicam found that 69 per cent of recent carpet purchases by working class families had been made by the wife, without her husband's help, whereas in middle class families only 41 per cent of wives had chosen the carpet without their husbands.

All this is in strong contrast to post-war British middle class life in which newly marrieds normally set up homes of their own, and, free of their parents, share their leisure interests, the looking after of the children, and the household chores.

The conditions of British working class life are also reflected in the attitudes of parents towards the upbringing of their children. Working class parents are much less self-conscious about education than middle class parents, who are constantly pre-occupied by anxiety to try to ensure that their children get the best possible start in life by having had the best education that they can afford. Most middle class children are sent to boarding schools. One curious result of this was noticed during the years that national military service was compulsory. The sons of working class parents, who had never before been away from home, were usually homesick and unhappy and took a while to settle down, whereas middle class boys were self-reliant and fully useful soldiers from the start, because they had been accustomed to 36 weeks in the year away from their parents since the age of 7 or 8.

British working class parents do not have the sole responsibility for bringing up their children. Grandparents, particularly the wife's mother, play a large

part than in the more independent middle class family unit. Then again, working class parents are less beset by anxiety about their children's success in adult life. There is relatively little that most wage earners can do to influence the course of their working lives, and the general attitude is that, once they are grown up, the young people must make their way as best they can. This implies no lack of concern for their children's happiness; on the contrary, working class children are often treated with what, in middle class eyes, is excessive indulgence.

FACTORS OF CHANGE

The British working class outlook, which springs from a close-knit community of relatives and lifelong friends, is vulnerable to any factor that tends to separate a family from its background. Perhaps the most powerful factor for change since the war has been the housing policies of many U.K. municipalities, which have been moving families from densely populated areas to new houses on large estates, often a good distance away. Since 1931, for example, over 41,000 people from Bethnal Green (1931 population: 108,000) have been rehoused on London County Council estates, many of them outside the county. It was not possible to organise the simultaneous migration of the three generations, grandparents, parents, and children, so that many married couples have been thrown largely on their own resources.

The result has been to undermine the rigid segregation of the role of husband and wife and to promote a much closer personal relation between them. From a middle class viewpoint, this is desirable, but these working class families have not found it easy. Many, especially the women, have suffered from loneliness and many have found it difficult to adjust to their new conditions of living.

Social mobility, that is movement from one social group to another, mainly because of changes in occupation, is another factor of change away from the traditional British working class outlook. Some working class families complain that friends or relatives who have got on in the world no longer wish to know their less successful contemporaries. Suspicion is probably mutual, because those working people who are still pursuing their traditional occupations and ways are apt to be on the look out for signs of superiority in those who have got on and to imagine slights where none are intended. Hitherto, the feeling has also been strong that a man who betters himself is guilty of disloyalty to his class. But social mobility usually means a physical change of address, to a better house in a distant suburb, and this is a more important reason than snobbishness for loss of contact with less ambitious relatives.

But these are not the only factors that are slowly transforming the British working classes, weaning an ever increasing number of them away from automatic political loyalty to the Labour party, and transforming them into supporters of the Conservatives. Even among those remaining in Bethnal Green, the old style family relationship was disappearing among the younger married couples. A new companionship is arising between man and woman, which reflects the rise in status of the young wife and children which is one of the great transformations of post-war Britain. When money was scarce in pre-war Britain, the ways in which working class man could spend it were limited; he tended to spend half a crown watching a football match with his other men friends on a Saturday and then go off to a pub. Today with an average earnings of £11-10 a week (compared with £3 pre-war, he goes shopping with his wife on a Saturday, after which he plays a set of tennis or a round of golf with her.

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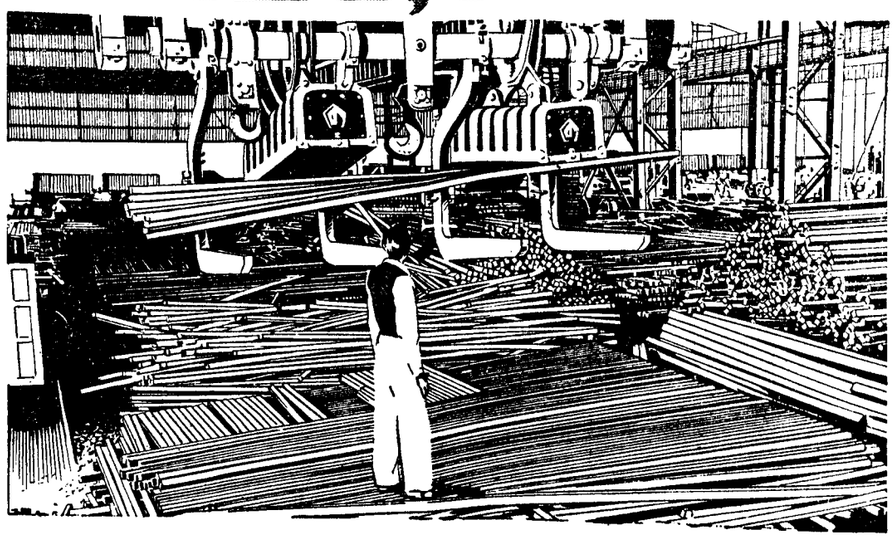
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The Re-rolling Mills will convert these billets into a variety of finished marketable products like bars, rods, wires and other light sections. With these supplies, the long-felt need for larger quantities of billets by the country's Re-rolling industry has been met. A small quantity of Bhilai billets has even been exported abroad.

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PSHS 12

The European Scene

STEADY EXPANSION IN WEST EUROPE

From Our Special West European Correspondent

PARIS, July 31.

WITH the exception of automobile manufacturers, West European industry has shown no anxiety about the stagnation of the American economy, whose output index (based on 1957) was at 110 and 109 in May and June this year, compared with 109 and 110 in May and June last year. Certainly, Europeans would welcome a resumption of expansion in the U.S.A. They thought they would get it when Mr. Khrushchev turned on the cold-war tap again, but Congress was content with a limited increase in arms outlay although the budget is in surplus. Now they are banking on a Democrat victory in November to stir the sluggish U.S. giant to more activity. Without taking too seriously Mr. Kennedy's rhetoric about "the new Frontier", they calculate that the Democrats will bring back a more facile and less prudent financial policy than that practised by the Eisenhower Administration. But the question is not of overwhelming importance, for the Europeans now feel more independent of U.S. business conditions and, meantime, they are well satisfied with the steady expansion that is going on in their own economies. The optimism that was reported here in January and confirmed in June has not faltered, and now extends to the outlook for the rest of this year and the first months of 1961.

When the Finance Ministers of the Six met in Rome earlier this month, they agreed that the prospects were favourable for their region as far ahead as one could see, and they singled out the case of Italy as showing remarkable progress. The vigour of the Italian industrial expansion was commented on at some length here last week, and so can be omitted from the present review. The solidity of Italian achievement is gaining wider recognition, and it was instructive to hear ex-Finance Minister Antoine Pinay warning the French the other day that they would have to increase their rate of progress if they were to keep up with, not only the West Germans, but the Italians too. The West German situation, also, was described here three weeks ago: expansion there is so dynamic that the authorities are having to sit on it, for fear that the burden of demand on the economy exceeds the supply of manpower. German stock markets are booming so much that the Bundesbank thinks the position is becoming unhealthy, and has just warned banks to restrict advances that might be used for share speculation. Meantime, German foreign exchange reserves have reached record peaks; in July, for the first time ever, they exceeded 28,000 million Deutschmarks.

In the case of Belgium, it is impossible to say anything definite about the economic situation because the country is in the throes of the Congo crisis. The Brussels bourse, dominated for generations by Congo mining shares, has naturally gone to pot, and the unloading of Congo shares by foreigners has depressed the value of the Belgian franc. The "audacious gamble" that the Belgians, we said here in June, were making in the Congo has very decisively failed — without anybody else being the gainer, least of all the Congolese. The deal between M. Patrice Lumumba and an obscure financial adventurer called Edgar Detwiler is probably not worth the paper it is written on, but when the dust settles it will no doubt appear that almost nothing remains of Belgian interests in the country. The attempt of the Belgian mining companies to split off the province of Katanga (where their most profitable investments are) as an "independent" nation was too barefaced to have a chance of succeeding. The Belgians will have to reconcile themselves to the loss of several thousand crores of investments, of about 6 per cent of their national revenue and of the contribution of Congolese minerals to their balance of trade. The situation will be considerably less disastrous for them than for the Congolese, but it will be some months before one can make a sound assessment of Belgium's prospects.

Turning to Holland, we find that the position presents a general similarity with that of West Germany: continuous, rapid expansion whose further progress is threatened only by limited manpower supplies. This limitation is unexpected in Holland, for the Dutch have a high birth rate and have been liberally expatriating migrants for a decade past, notably to Australia. But the boom that began in 1958 and still continues has overtaken labour supplies despite notable increases in productivity last year and this year. Dutch expansion is not based as heavily on exports as the German, because Dutch workers are accustomed to receiving a bigger share of national prosperity than their docile German colleagues. The result is that private consumption this year will increase as fast as the national product, i.e. imports are growing faster than erports. The consequent reduction in the trade surplus can be easily afforded. Nonetheless, this situation cannot be prolonged indefinitely; once an expanding economy runs up against the limit of manpower resources, it must restrain consumption and exports to the pace set by productivity increases. The OEEC, in a report on the Dutch economy, has just advised the government to increase taxes and control credit, while warning against raising the price of money, for fear of competitive bank rate increases in neighbouring countries.

There remains France, where the moderate expansion, that began soon after the surgical shock of the monetary reform, continues unabated. The only dispute is whether it is going as fast as the country could afford. After rising fairly fast at the close of last year, industrial production remained steady in the spring but now seems to be moving up again. This momentary hesitation was enough for the exponents of expansion-at-any-price — of whom there are a larger number in France than elsewhere — to begin shouting for heroic inflation; even the cautious M. Pinay thought it was time to recall that the purpose of his reform had not been to increase the Bank of France's gold reserves. The government, wisely, did not take any drastic action until the size of the harvests was known; it is now assured that crops will be excellent and so there is room for more daring action without jeopardising the currency. In practice nothing special will be required of the government, because the full force of the budget deficit will make itself felt in this second half of the year, and that will be all the stimulation that the French economy needs.

There is no general manpower shortage such as there was at the height of the inflationary boom in 1957, although output has much increased since, thanks to productivity improvements. There is even a certain amount of unused capacity in industry. These three circumstances — good crops, plentiful labour, and some idle machines — encourage industry to think that it can achieve useful increases in output between now and the end of the year without affecting prices. The Chamber of Commerce of Paris in its latest letter forecasts a rise in industrial output of 7 or 8 per cent in the second half of the year, compared with 1959; above the average will be aluminium (up to 16 per cent), chemicals (15 per cent) and steel (11 per cent). On the demand side, the stimulus will come mainly from exports and investment, rather than from private consumption. A recent fall in the French import bill was mistaken by some observers for a sign of stagnating industrial activity, but is in fact due to the replacement of Middle East oil by oil from the Sahara, paid for in francs. This trend will continue, thus strengthening France's trade position month by month.

That completes the picture of general economic expansion in Continental West Europe; the contrast with the stagnation in the U.S.A. is striking. But the most interesting feature of this steady progress is that it is being achieved with virtually stable prices. This stability is almost universal in the industrial West, a fact which suggests that its cause is the most general one possible: namely, the stability, and in some cases the decline, of raw material prices, combined with the continued weakness of freight rates. Since the end of 1958, U.K. price indices have scarcely moved; indeed this is the real reason why the West German authorities have been making such determined efforts to control German prices — Britain and West Germany are keen competitors in the export markets and one can never afford to inflate more than the other. Thus, although the West German price index rose only from 110 to 114 between January 1959 and May 1960, Bonn imposed three successive increases of bank rate, four increases in banks' obligatory reserves, two decreases in the amount of paper accepted for re-discount, the "sterilisation" of foreigners' deposits and various other minor restrictionist measures, not counting numerous warning notices served on banks by the Central bank. The whole programme probably constitutes the most persistent use of the monetary weapon ever made anywhere — all to control a movement of prices that a few years ago would scarcely have been regarded as significant

The point is that, since the return to convertibility and multilateral trade — and particularly with the Common Market where trade barriers have fallen faster than elsewhere — no country can suffer its prices to rise more than its neighbours' without immediately feeling the consequences. The weakness of commodities and freights explains why it has been possible for the West to keep prices stable; the return to freer trade and capital movements explains why it has been absolutely essential to do so, even in countries that are trying to achieve a more rapid rate of economic expansion than, say, Britain and the U.S.A. It is probable that this is keeping the rate of growth below what it could be in some countries, such as France and Italy, where there is no restraint imposed by manpower supplies as in Germany and Holland.

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Full particulars can be obtained at any of the Offices of the Reserve Bank of India or branches of the State Bank of India or at any treasury or sub-treasury in the State of Orissa.

UNDER SECRETARY TO G[illegible]

Economic Report from the U.S.

ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

By GUY SIMS FITCH

WASHINGTON, Aug. 3.

THERE is general agreement that the projected Organization for Economic Co-operation and Development (OECD) will have beneficial effects for all free nations as it helps meet the emerging international economic problems of our day. These problems are highly complex, and relate primarily to two related aime: the acceleration of economic growth around the world, with all that this involves in stepping up aid for developing lands from nations now in position to increase their assistance programmes; and the promotion of a healthy and generally non-discriminatory multilateral trade. This new organization took a significant step forward just a few weeks ago, when it was approved at the Ministerial meeting in Paris of the United States, Canada, the 18 nations that have been members of the old Organization for European Economic Co-operation (OEEC), and representatives of the European communities. The fact that the United States and Canada will assume full membership in the new organization indicates the widening of its geographic scope beyond purely European matters.

It was recognized last January, when U.S. Under-Secretary of State C. Douglas Dillon — who also represented the United States at the recent July meeting — met with representatives from Canada and Western Europe, that the old OEEC would have to be revitalized, or be replaced with a new organization. This would have to be an organization equipped to deal with today's problems rather than those of the previous decade, which had been met so ably by the OEEC. For this purpose, a working group was set up, out of which grew the proposals for an OECD. These proposals, recognizing the new economic problems of the world, went far beyond the regional limitations of strictly European concern, and embraced international trade and aid as vehicles for a better life for all people everywhere.

Before such an organization could become a reality, however, two basic questions had to be faced. How far would its authority extend in the field of trade, and what would its relations be to the Development Assistance Group (DAG), nine-nation technical body of capital exporting countries, designed to consult on aid problems and methods. It was finally decided that OECD would deal with matters of general trade policy, including relations between the six-nation European Economic Community (EEC) and the seven-nation European Free Trade Association (EFTA). And through a trade committee would offer a forum to which members could bring their questions and problems.

As for DAG, the decision was to continue its functions within OECD, through the medium of a development assistance committee. Like DAG, this would be primarily a technical body. It would not itself become involved with specific aid programme, which would be handled elsewhere. With these matters settled, the chief result of the July Ministerial meeting was the establishment of a preparatory committee to complete the draft charter for the new organization. It will begin its work in September, and will report to the member governments by November 10. This draft text is expected to contain wording relating to OECD's relations to other groupings, such as the United Nations and Latin American bodies. To get the work of the OECD started, a Secretary-General already has been elected. He is Thorkil Kristensen, of Denmark, a man highly regarded in the field of international economics.

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NITROGEN PRODUCTION IN THE PRIVATE SECTOR

The East India Distilleries & Sugar Factories Limited, Madras, have completed their arrangements for the establishment of a factory to produce 51,000 tons of nitrogenous fertiliser (ammonium phosphate) per year, at Ennore, near Madras. A contract for all the machinery required has been placed with Simon-Carves Limited, Stockport, England, and Calcutta, and the factory is expected to go into production in June, 1962.

The project will be financed by an issue of Ordinary Shares to the Company's existing shareholders at a premium of 10s. per Ordinary Share of £ 1 each. This issue will realise £ 825,000 (Rs. 110 lakhs), of which £ 282,000 (Rs. 37.6 lakhs) is subscribable in sterling by shareholders on the London register, and £ 543,000 (Rs. 72.4 lakhs) in rupees, by shareholders on the Madras register. In order to ensure the maximum accrual of sterling, it has been arranged that the London part of the issue shall be underwritten by S. G. Warburg & Co., Limited. Additionally, the Company has arranged loans of £ 600,000 (Rs. 80 lakhs) from the Commonwealth Development Finance Co. Limited, London, £ 250,000 (Rs. 33.3 lakhs) from Simon-Carves Limited, England, and Rs. 180 lakhs from The State Bank of India.

The Government of India has accorded all the necessary sanctions.

Special Article

THE INCOME DISTRIBUTION OF INDIA'S MIDDLE CLASSES

SEVERAL surveys have been conducted in the past in order to determine the pattern of consumer expenditure of working classes in industrial centres but no official survey has hitherto been undertaken to assess the pattern of consumer expenditure of the middle classes. This gap is now being filled by the Central Statistical Organisation in collaboration with the National Sample Survey, the Indian Statistical Institute and the Labour Bureau of the Government of India. One recent survey has obtained useful information about both income and the consumption pattern of the middle classes in India. Tentative results of a sample survey of about 3,600 families carried out in 1958-59 are now available. This new information will assist ultimately in the construction of a suitable cost of living index for the middle classes and will explain how far the incidence of direct and indirect taxes has been instrumental in increasing their burdens in the recent years.

It may be stated here that the families of self-employed income group are excluded from the present survey. In other words, the primary object of this survey has been to determine the relative importance of the different items of consumer expenditure of the middle class employees alone. According to the criteria followed by the Central Statistical Organisation, the middle class family represents the social class standing midway between the working class and the upper class. It is not necessarily the same as the middle income group on the income scale.

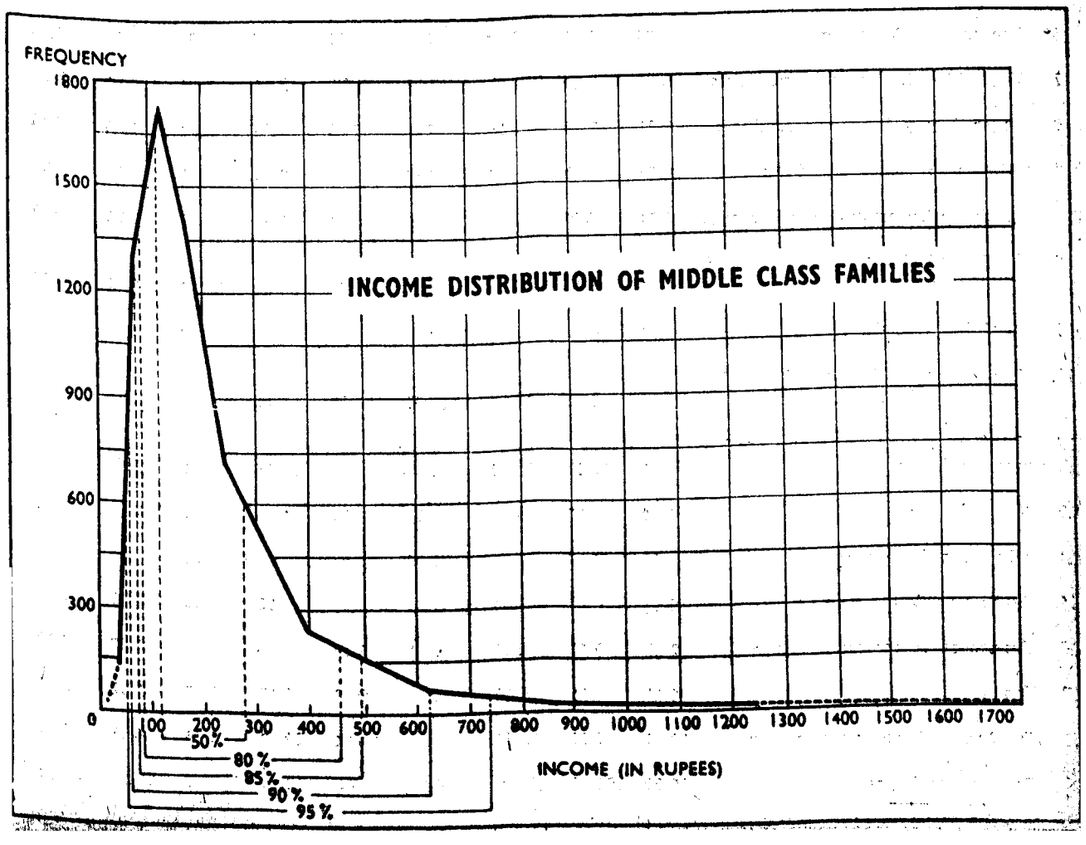
The pattern of income distribution of the middle classes is given in the graph below which shows that the bulk of the middle class families are concentrated between the income groups Rs. 60 to Rs. 750 per month. The number of families with an income of Rs. 750 and above are less than 3 per cent of the total families surveyed. In the same manner, families with an income of less than Rs. 60 per month are less than three per cent. In other words, 95 per cent of the families are concentrated in the income range Rs. 60 to Rs. 750 and they are to be deemed as typical middle class families for purposes of analysis.

An interesting fact thrown up by this survey is the "unusual" behaviour of the middle class families in the four metropolitan cities of Delhi, Bombay, Calcutta and Madras. The income distribution of the middle class families in these cities is distinctly different from other major towns and cities. Table I below illustrates this fact. In the case of the metropolitan

TABLE I.

DISTRIBUTION OF FAMILIES BY INCOME

Monthly income group (in Rs.)	Percentage of families to the total number of families			
	Metropolitan cities (A)	Other major cities (B)	Other towns (C)	Combined
1. Below 60 ..	0.89	4.51	2.84	3.02
2. 60—99.99 ..	4.75	17.42	17.26	15.53
3. 100—149.99 ..	14.84	22.40	25.85	23.37
4. 150—199.99 ..	19.29	15.09	19.32	18.17
5. 200—299.9 ..	22.55	20.84	18.68	19.81
6. 300—499.99 ..	21.66	12.44	10.44	12.56
7. 500—749.99 ..	7.42	4.82	4.19	4.82
8. 750—999.99 ..	3.56	1.24	0.64	1.21
9. 1000—1499.99 ..	2.37	0.62	0.57	0.84
10. 1500 & above ..	2.67	0.62	0.21	0.67
TOTAL	100.00	100.00	100.00	100.00



cities, highest frequency occurs in the income range of Rs. 200 to Rs. 300 per month. In the case of the other major cities and towns it lies much lower in the income range between Rs. 100 to Rs. 150. This suggests that the middle class families in the four metropolitan cities have, on the average, income range almost double of those in other major cities and towns.

The consumption pattern of the middle class families in the various income brackets is summed up in Table II below. The first fact that strikes the eye is that the pattern of consumption changes with income. 60 per cent of the families studied have little difference in the consumption pattern and lie between the income range of Rs. 100 to Rs. 300 p.m. This is an indicator of the marginal differences in preferences and, probably of needs, of the middle class families in this income range. This table also highlights the fact that the expenditure pattern in the lowest income brackets of the middle class conforms to that of the working classes. This is depicted particularly by the higher percentage of expenditure on food. Naturally this lends support to the grievance of the lower middle classes that the increasing inflationary pressures are lowering standard of living of this class to that of the working classes.

It would be interesting to compute precise incidence of indirect taxes on the consumer expenditure of the average middle class family. Unfortunately, the details made available in the present survey are not sufficient to make an accurate estimate. Rough calculations have, however, been made in order to estimate the probable incidence of the direct taxes and it has been found that about 6 per cent of the total expenditure is siphoned off by way of indirect taxes. There are items like sugar in whose case excise duties come to as much as one-third of the retail cost per unit. Similarly, there are commodities like cloth, tobacco, beverages which are subject to both the sales tax and the excise duties. At the lower end, the incidence may be as low as two per cent, while at the higher ranges the total incidence of taxes is estimated to be about 15 per cent of total expenditure. Obviously, the incidence will fall very unequally over all income groups when additional taxation is undertaken during the Third Plan.

TABLE II.

PERCENTAGE EXPENDITURE ON VARIOUS GROUPS AND SUB-GROUPS OF ITEMS BY INCOME

Monthly income (Rs.)	Below 60	60 to 99.99	100 to 149.99	150 to 199.99	200 to 299.99	300 to 499.99	500 to 749.99	750 & above	All classes
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Cereals & cereal products	23.16	18.32	15.60	14.29	13.60	11.11	9.54	6.45	12.76
2. Pulses & pulse products	3.34	2.73	2.41	2.34	2.07	1.72	1.38	0.94	1.94
3. Milk & milk products	6.36	7.36	8.43	9.23	9.53	9.29	7.89	7.51	8.73
4. Condiments & spices	2.79	2.43	0.02	2.37	1.81	1.57	1.31	0.99	1.80
5. Vegetables & vegetable products	2.71	2.86	2.88	3.26	3.08	2.88	2.83	2.64	2.95
6. Sugar, honey & related products	2.31	2.38	2.58	2.63	2.63	2.39	2.14	1.59	2.40
7. Tobacco & tobacco products ..	0.78	1.13	0.97	0.82	0.83	0.90	0.85	0.88	0.90
8. Alcoholic beverages & intoxicants	0.34	0.03	0.04	0.05	0.04	0.05	0.17	0.36	0.09
9. Total food, beverages, tobacco & refreshments	**59.41**	**52.08**	**49.27**	**47.55**	**46.61**	**42.45**	**39.60**	**32.72**	**44.68**
10. Total fuel & light	**5.31**	**4.99**	**4.45**	**4.46**	**4.37**	**3.94**	**3.57**	**3.49**	**4.19**
11. Total housing, household requisites & services	**11.16**	**10.06**	**12.69**	**11.63**	**11.97**	**13.49**	**14.60**	**19.97**	**13.21**
12. Total clothing, bedding, head wear & footwear	**10.41**	**11.97**	**11.36**	**13.02**	**12.31**	**11.35**	**11.44**	**10.49**	**11.78**
13. Medical care	1.46	3.17	4.18	3.06	3.24	4.56	2.34	2.97	3.48
14. Education & reading	3.28	3.57	3.67	5.13	6.63	6.39	7.38	5.62	5.63
15. Recreation & amusement	0.98	0.97	1.14	1.21	1.57	1.53	1.93	2.36	1.51
16. Transport & communications ..	2.41	3.55	3.00	3.11	3.26	3.70	5.29	9.17	4.10
17. Taxes	0.11	0.15	0.13	0.24	0.37	0.47	1.27	6.52	1.04
18. Total miscellaneous expenditure	**13.70**	**20.90**	**22.23**	**23.34**	**24.74**	**28.77**	**30.79**	**34.02**	**26.14**
19. Total expenditure	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

THE BUSINESS WORLD

Why Victimise Viscose?

By CROESUS

ONLY the wearer knows where the shoe pinches, as the adage goes. Had it not been for a timely representation to the authorities by the Association of Man-Made Fibre Industry, I do not think many would have discovered the mischief potentiality of a seemingly innocuous amendment to Section 56A of the Indian Income-tax Act, 1922. There is currently before Parliament the Taxation Laws (Amendment) Bill, 1960, which seeks to incorporate this amendment. What the amendment seeks to do is to insert under the heading "Chemicals (Other Than Fertilizers)" item No. 5 reading "Man-Made Fibres Other Than Viscose Rayon" to deny to viscose rayon exemption from supertax, which the authorities have rightly proposed to extend, under this amendment, to some specific industries.

I am not quite sure whether the authors of the amendment themselves would really wish to deny the viscose rayon section of the man-made industry this benefit. For, it cannot be that they are unaware of the importance of the viscose rayon industry. It may not be out of place to recall here that the very idea of starting the rayon industry in India was prompted by the desire to meet the shortage of long-staple cotton in the country and thereby save foreign exchange on importing it — a contingency which not only persists, but has become pronounced. Thanks to the viscose rayon industry, it has been possible to do with only a minimum quantity of imported long-staple cotton. It is well-known that, since India started the manufacture of staple fibre (another form of viscose rayon), our dependence on long-staple cotton has been substantially reduced. Moreover, viscose rayon admittedly still retains the prime position among man-made fibres, and, apart from its other advantages, offers a potential line of export by reason of its quality and cheapness alike. Above all, this section of the industry has been contributing to the national exchequer a sizeable amount by way of taxation. Only recently, the Government raised the level of the excise duty on this commodity. Perhaps it might be argued that, by granting exemption of supertax to viscose rayon, the Government would lose revenue. As a matter of fact, whatever the Government may lose currently by granting such exemption is certain to be more than off-set by what it would ultimately gain as a result of increased production.

There are a few other important considerations, besides, which entitle the viscose rayon industry to the special concession that industries to which section 56A is proposed to be made applicable would receive. For instance, the new tyre-cord industry has to depend to a very considerable extent on viscose rayon. It is estimated that the demand for heavy duty tyre-cord yarn in the country would be of the order of some 30 million pounds, but, as against this potential demand, the capacity of the units already licensed to produce tyre-cord yarn amounts to just around 8 million pounds. If the entire demand for heavy duty tyre-cord yarn in the country is not to be met out of imports at the cost of precious foreign exchange, which we can ill afford today, the only alternative left to us is to encourage the viscose rayon industry to expand its capacity. And, if this is to be the desideratum, the authorities must afford the industry more incentives and not take away even those it may be enjoying today.

Again, rayon has a number of uses, as, for example, making of transparent paper, a field which has yet to be fully exploited. Rayon transparent paper, technically called "cellulose film", is in great demand for packaging purposes, and a steady growth in demand for cellulose film in other countries should convince any one that there is unlimited scope for the development of this commodity in our country which is rapidly expanding its industrial base. It should not also be forgotten that, with the rise in the standard of living of our people, the demand for rayon also will increase appreciably, as the country's entire demand for textiles cannot be met by natural fibres alone.

By and large, the expansion of the viscose rayon industry does not also present serious problems with regard to supply of raw material, although presently chemical pulp is being imported. Arrangements are already in progress to manufacture wood pulp from our own indigenous raw materials, so as to reduce the need to import foreign raw pulp at a heavy price.

Then again, considering the use and the scope for continuous research which the viscose rayon industry has opened up in other countries, it would be short-sighted for our Government to do anything to impede the progress of this important industry.

There is yet another, and perhaps a very important consideration, viz. that the new units of the industry which have yet to establish themselves have been set up with foreign collaboration, and, by all evidence it seems inevitable that this country should seek foreign institutional collaboration in respect of a number of other industries as well. In view of this, it is doubtful whether it is prudent to deny to the viscose rayon industry what is after all a minor taxation advantage and disturb, if not scare away, potential foreign investors.

Taking all these factors into consideration, the Association of Man-Made Fibre Industry has submitted a detailed representation to the Union Ministry of Commerce and Industry, in which it has made what I regard as a very reasonable suggestion. It has only asked the phrase "man-made fibres other than viscose rayon" in the present wording of the amendment to be changed to read "man-made fibres, including cellulose film." It is to be hoped that the authorities would view this suggestion with all the care that it merits and accept it without too much fuss.

Role of Agricultural Economics

IT would be an interesting speculation to ascertain the main contributory factors to the considerable emphasis that agriculture has received in the draft outline of the Third Five-Year Plan. If I may venture an answer, this is due, in a large measure, to the silent, imperceptible, but nevertheless important, work of those who have believed in, and worked for, putting agricultural economics on the map. Although it is true that, with the advent of planning, the study of economics of agriculture and the diverse problems of rural life has assumed a special importance, it is due to the pioneering work of institutions like the Indian Society

of Agricultural Economics and of individuals like Sir Manilal Nanavati who have laboured for it unflaggingly for well nigh two decades that we find the problems of agricultural economics receiving the attention that they have begun to receive today in this country. No less a person that Mr. L. K. Elmhirst, Founder-President of the International Conference of Agricultural Economists, England, has, therefore, paid a deserved tribute to Sir Manilal in a recent special number of the Indian Journal of Agricultural Economics in these words: "Thanks to the founding of the Indian Society of Agricultural Economics in 1940 (actually, the society was established in 1939) and to its leadership since 1942 by Sir Manilal, the attempt to measure in figures what can be done, or what has been tried, and to study the factual results, positive or negative, has become established practice among a new generation of agricultural economists in India."

But the struggle that had to be faced before this could happen constitutes a saga of heroic effort and undivided attention to a great cause. Mr. J. J. Anjaria, Chief of the Economic Division of the Planning Commisson, in his tribute to Sir Manilal, has given us a glimpse of this struggle. I think he has summed it up in this one sentence: "Most of us have read in books of determined men being able to overcome all kinds of difficulties; I have seen one in Sir Manilal." But it is not in India alone that it has taken such a long time for agricultural economics to make a place for itself. Mr. Elmhirst has recalled in his article the defeat of an attempt, in the early days of the establishment of the F.A.O., to drive home the need for a judicial balance of science and economics in the drawing up of any programme of rural betterment for an underdeveloped economy. The more I peruse this, the more I feel compelled to quote the following observation of Mr. Elmhirst, as it epitomises the futility of the efforts of our planners:

> "Classical economists, professional statisticians and political theorists have, from time to time, offered panaceas for all rural problems, but they have not always seen the varying nature of conditions from region to region or the need to examine every link in the chain from the point "A", the financing, initial sowing and cultivation of the crop, through harvesting, processing, storage, grading, packing and distribution to the point "Z" when the product reaches its final point of consumption."

Nowhere is this more glaringly brought out than in the case of cotton.

It is only the agricultural economist that can tackle rural problems, for he knows how best to remove all the obstructions, economic, social, and psychological. But not all agricultural economists can be expected to play this role successfully. It is only those who have had the chance to get experience at first hand of the application of social science to the problems at their doors, as it were, that can handle these problems. Perhaps this explains why people like Dr. George F. Warren of Cornell University in New York and Dr. Orwin, the pioneer of agricultural economics teaching in Britain and, to no small extent, Sir Manilal himself have been as eminently successful as they have proved to be. And, more than anything else, I attribute the success of Sir Manilal in his mission to propagate the study of agricultural economics to his extremely lovable nature. On this point I cannot improve upon what Mr. Anjaria has said: "Few men with ideas and with a record of success are lovable. They like to "give" but never to "take," so that, while they receive politeness, they rarely win affection. Sir Manilal has always been responsive to what even youngsters say." This is also my happy experience, as it has been my privilege to meet Sir Manilal not infrequently for informal chats.

Business Notes

States Loans

ANOTHER 75 CRORES

THE STATE GOVERNMENTS have announced their borrowing programme for an aggregate amount of Rs. 75 crores. The terms of the new loans appear to be generally satisfactory and quite in line with the market expectation. In view of the fact that there was comparatively sluggish demand for long-term loans, the present offer of 9 year loans seems to be quite appropriate. The yields of these loans are higher than those of the prevailing State loans. The new States of Gujarat and Maharashtra also are in the market for Rs. 5 crores and Rs. 10 crores respectively for financing their development projects and the issue price of these State loans is at par. The loans of other Governments are to be issued at a discount ranging from 25 nP. to 50 nP. The redemption yield in respect of loans offered at par is 4 per cent, for the loans issued at Rs. 99.75 the redemption yield is 4.035 per cent and for those issued at Rs. 99.50, it is 4.07 per cent. The details in respect of these loans can be found elsewhere in this issue.

Four States — Maharashtra, Madhya Pradesh, Madras and U.P. — have offered conversion facilities in respect of 3 per cent loans maturing in 1960 which are placed at Rs. 13.57 crores. It is expected that a considerable part of this sum will be offered for conversion which may be anything around Rs. 12 crores. A net amount of Rs. 63 crores is, therefore, expected to be raised which is considered to be well within the capacity of the market. In spite of a certain amount of stringency in the money market, fair support can be expected from the commercial banks. In this connection it may be added that if some relief is given to the banks regarding the impounding of additional deposits, the response can be still more encouraging. The LIC and semi-Government institutions are also expected to come forward. Considering the fact that in the first four years of the Second Plan, the States have borrowed an aggregate amount of Rs. 228 crores from the market, the total net borrowings for the Second Five-Year Plan would be of the order of Rs. 290 crores. This seems to be a fairly reasonable account.

Foreign Trade

EXPORTS TO WEST ASIA AND AFRICA

CLOSE ON the heels of its first study examining the scope of increasing our exports to South East Asia and Oceania, the World Trade Department of the Indian Chamber of Commerce have brought out another study 'India's Export Trade with West Asia and Africa'. At a time when increased efforts are being made to increase and diversify our exports, the publication of this study is of considerable interest. The countries selected in this study are Aden, Afghanistan, Iran, Iraq, Pakistan, Saudi Arabia, Turkey, Egypt, Syria, Sudan and Ghana. At the moment very little is imported by these countries from India. For instance, out of India's total exports of Rs. 616 crores in 1959, the share of West Asia was only Rs. 40 crores. The main goods that are exported to West Asia and Africa are cotton manufactures, jute goods, tea and tobacco. Our imports from these countries are of raw cotton, raw jute, fruits and petroleum products which amounted to Rs. 80 crores in 1959 out of our total imports of Rs. 837 crores. So far as our trade with East Africa is concerned, India is having a persistent trade deficit. In 1959, India exported to Africa goods worth Rs. 40 crores and imported goods worth Rs. 45 crores. The main exports to East Africa are cotton and jute manufactures, drugs and medicines, boots and shoes, spices, coir manufacture and leather. In this, cotton and jute manufacture constituted about 16 per cent of the total exports.

The main competition to Indian goods in these markets comes from the U.K., West Germany, Japan, Hong Kong and China. For instance, it may be mentioned that out of Aden's total imports from all countries during 1959 valued at £35 million (excluding petroleum products valued at £37 million), the U.K. accounted for £6.68 million, India £4.3 million, and Japan £4.12 million. Even Pakistan, in spite of her geographical contiguity with India, obtains the bulk of her requirements from the U.K., the U.S.A., Japan, France, etc. This is unfortunately a projection of politics as relations between India and Pakistan have not been cordial since partition. The position, however, promises to improve and there is already evidence of increasing goodwill and desire for better economic relations.

The study is hopeful of increasing the scope of exports to these countries as they are at present set in reorienting their economies. With rising incomes, it is expected they would definitely import more goods. India could certainly establish a foothold in these markets, if proper attention was devoted to the question of prices, packing, publicity and promptness in delivery. Techniques of marketing will also have to be more imaginative and aggressive in case the challenge from competing countries was to be effectively met. Although the suggestions made by the Indian Chamber of Commerce regarding prices, packing etc., are well known, they need to be reiterated to ensure that they are implemented, with speed and efficiency.

Copper

INDIAN COPPER'S SATISFACTORY PROGRESS

MR. PATRICK E. G. W. PARISH, Chairman of the Indian Copper Corporation Ltd., pointed out at the recent Annual General Meeting of the Company that the profit of the Company for the year 1959 before providing for taxation, depreciation and reserves amounted to £1,202,259. The dividend recommended was 27 per cent subject to a deduction of tax. Although the Company's production of copper was only 8,000 tons against copper consumption of 50,000 tons in India, steady increase in domestic output is planned. This, of course, will require, Mr. Parish outlined, considerable further capital expenditure, in particular a new crushing plant, smelter and a small concentration plant to deal with the increased ore output costing something in the neighbourhood of £1 million. The prospecting operations have also been intensified, but it was premature to forecast the results. The position in regard to the demand for raw material, kyanite, in world markets, Mr. Parish stressed was satisfactory and in spite of the increased consumption of synthetics, the exports to the U.S.A. last year amounted to approximately 20 per cent of all the company's exports.

As regards the electrolytic project, the heartening factor was the completion of all arrangements for the installation of a Refinery and Foundry for the manufacture of Electrolytic Copper and Wire Bar. In the scheme that is now planned it is proposed to utilize some or all of the Company's production and also, imported copper, if necessary. The production at the electrolytic project is likely to commence by the end of 1962.

Engineering

JESSOP'S COMMENDABLE RECORD

JESSOP AND COMPANY holds an important position in the engineering industry and has played a significant role in the industrialisation of the country. During the last three years the shortage of steel has considerably handicapped its progress. Sir B. P. Singh Roy, K.C.I.E., Chairman, Board of Management, pointed out recently at the annual general meeting that the Company has been having the bulk of certain items of steel in hand to wait until the missing items or the 'matching steel' comes to hand. In spite of this minor hindrance the Company has been able to go along with its plans of production according to schedule. The major expansion schemes, started in 1955 and 1956, have now reached the production stage.

The Coach Work Section of the Company has been able to complete the first stage of its contract for electric multiple unit coaches and the last of 16 three-coach units were delivered recently. The second stage is now in hand and the first of 18 three-coach units will leave the works shortly. More contracts are being received by the Company so that this section of the Company will be busy until late in 1962. The Company has also attained its target of furnishing and finishing of metre gauge passenger coaches at the rate of 24 coaches a month. It has established the manufacture of metre gauge bogie motor and parcel van which is entirely of a new design.

In connection with the distribution of preference shares the Company faces the problem posed by the new system of company taxation. Preference shares of the Company bear a dividend of 5 per cent free of tax. Last year such an amount was proposed so that after deduction of tax at 30 per cent, it still left 5 per cent in the hands of the shareholders. With the deletion of Section 18(3E) of the Income Tax Act by the Finance Act, 1960, it is no longer possible to provide additional money for tax on dividends. To change the rate of distribution the Articles of Association in respect of Preference Shares have to be changed, which needs the consent of not less than 75 per cent of both classes of shareholders. This is virtually impossible. It is hoped that necessary amendment of the Finance Act will be considered to save such companies from this dilemma.

Labour

LABOUR POLICY IN THE THIRD PLAN

THE LABOUR policy enunciated in the Draft Outline of the Third Plan is just an extension of what has been evolved in the Second Five-Year Plan. The Code of Discipline is to be enforced rigorously, greater emphasis is to be laid on voluntary arbitration, Works Commitees are to be strengthened and the field of workers' education is to be enlarged. While strengthening the movement of workers' education and enforcing rigorously the Code of Discipline is desirable, it is problematical if the emphasis laid on strengthening the Works Committees is likely to serve any useful purpose, particularly when they have proved a failure in the past. Greater and greater doubts are being expressed more emphatically than before about the satisfactory nature of the existing machinery of settling industrial disputes. The Fifteenth Indian Labour Conference, on the basis of the agreement between the parties, had indicated the content of the need-based minimum wage for guidance in the settlement of wage disputes. Under the present conditions the need-based minimum wage cannot be accepted as there does not exist the capacity to pay that wage. What, as a matter of fact, at present needed is the stabilisation of prices as the rising price line has been the root cause of many of the industrial disputes. It is a pity that the problem of holding the price line has been put off once again when in fact a clear policy ought to have been formulated for it.

It is specified in the Draft Outline that the Employees' State Insurance Scheme will be enlarged and more resources and attention will be devoted to the prevention of sickness. No doubt, it is encouraging, however, it needs to be emphasised that hospital facilities must be improved considerably. The Code of Efficiency and Welfare of the workers that is proposed in the Draft Outline might help in cultivating the right kind of attitude on the part of the management and the workers, and thereby productivity in general. But better gains can only be achieved as is realized by the planners by rationalisation of work loads, work-methods and the functions of management.

In the Draft Outline agricultural workers are the least attended to. Except for the mention that their needs and problems should receive special consideration, there is nothing concrete specified to improve their standards of earnings. Even the Minimum Wages Act has not been enforced for the agricultural workers, while legislation after legislation has been passed to confer benefits on industrial workers. This, indeed, is a noticeable lapse.

4 per cent

MAHARASHTRA

STATE DEVELOPMENT LOAN, 1969

ISSUE PRICE AT PAR.

OPEN ON THE 29TH AUGUST 1960

The loan will be closed as soon as total of approximately Rs. 1,000 lakhs has been subscribed and in any case not later than the close of business on the 3rd September 1960.

The applications for the loan will be received at –

a) the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras, Nagpur and Bangalore,

b) the branches of the State Bank of India within the State of Maharashtra, except at Bombay and Nagpur and at places mentioned in (c) below,

c) the branches and Treasury pay offices of the State Bank of Hyderabad within the State of Maharashtra,

d) the Government treasuries and sub-treasuries in the State of Maharashtra at places where there is no branch or Treasury pay office of the aforesaid Bank.

Full particulars can be obtained at any of the offices mentioned above.

Current Topics

GOVERNMENT'S DECISIONS ON PAY COMMISSION REPORT

In a statement to the Lok Sabha this week, the Finance Minister announced Government's decisions on the Pay Commission's report, accepting all the major recommendations which have a financial bearing. This embraces the general pay structure and a minimum wage of Rs. 80. On the question of dearness allowance also, which figured prominently during the negotiations preceding the last strike, there is no departure from the Commission's recommendations. The following are excerpts from the Finance Minister's statement.

THE new pay structure and the various recommendations of the Commission in regard to pay scales and pay rules have been accepted. In particular, Government have accepted the recommendation of the Commission regarding the minimum wage to be given to a Central Government employee. It was not possible for the Commission to make specific recommendations in respect of all categories of employees or offices of the Government of India, and they had suggested that these could be fitted by the Government into the general pattern of the new pay structure recommended by them after taking all the relevant factors into consideration. The fitting of thousands of posts, with various designations and nomenclature, involving nearly 20 lakhs of employees at present serving in over 500 existing rates or scales of pay into about 140 scales of pay recommended by the Commission was a task of considerable magnitude. Even so, the Government have already finalised pay scales which cover about 75 per cent of the employees, and almost all Class IV and workshop personnel. The remaining pay scales will also be finalised and issued very shortly.

Rules have been framed for giving effect to the revised pay scales, for fixation of initial pay in the new pay structure, the date of increment and other related matters on the lines recommended by the Commission. As a measure of rationalisation, the Commission had recommended considerably fewer scales to replace the existing large number of scales. An inevitable corollary of this is that though most employees will receive the benefit of improved scales of pay, a few might find the existing scales better than the revised scales. As recommended by the Commission, the rules will enable such employees to have the option to retain their existing scales together with dearness allowance at the existing rates. This will ensure that even in the few cases where an employee does not benefit by the revised scales, he suffers no loss of emoluments as a result of the introduction of the revised pay scales.

Following are the prescribed and revised pay scales denoted as A and B respectively of some categories of posts common to all or many departments of the Government of India. The scales were recommended by the Pay Commission and accepted by Government.

CLASS II POSTS

All posts on the standard Class II scale (other than those of economists and statisticians):

(a) 275|25|500|EB|30|650|EB|30|800. (b) 350|25|500|30|590|EB|30|800|EB|30|830|35|900.

CLASS III POSTS

1. Stenographers in non-Secretariat offices: (a) 80|5|120|EB|8|200|10-2|220. (b) 130|5|160|8|200|EB|8|256|EB|8|280|10|300; 2. Upper Division Clerks in Secretariat and 'included' offices: (a) 80|5|120|EB|8|200|10-2|220. (b) 130|5|160|8|200|EB|8|256|EB|8|280; 3. Upper Division Clerks in non-Secretariat offices: (a) 80|5|120|EB|8|200|10-2|220. (b) 130|5|160|8|200|EB|8|256|EB|8|280|10|300; 4. Lower Division Clerks in Secretariat offices: (a) 60|3|81|EB|4|125|5|130. (b) 110|3|131|4|155|EB|4|175|5|180; 5. Lower Division Clerks in non-Secretariat offices: (a) 60|3|81|EB|4|125|5|130. (b) (i) 110|3|131|4|155|EB|4|175|5|180; (Ordinary Grade) (ii) 150|5|175|6|205|EB|7|240 (Selection Grade).

CLASS I POSTS

Posts common to Secretariat offices:

1. Secretary: (a) 3,000; (b) 3,000; 2. Joint Secretary; (a) 2,250; (b) 2,250; (3) Deputy Secretary: (a) 1100|50|1300|1600|100|1800; (b) 1100|50|1300|60|1600|100|1800; 4. Under-Secretary: (a) 800|50|1150; (b) 900|50|1200; 5. Section Officer when held by a member of Grade II of the Central Secretariat Service: (a) 530|30|800; (b) 350|25|500|30|590|EB|30|800|EB|30|830|35|900.

In modification of their earlier decision, Government have accepted the recommendation of the Pay Commission that the revised scales of pay and dearness allowance should be given effect to from the 1st July, 1959, and arrears due for the entire period will be paid in cash. The recommendations of the Pay Commission in regard to house rent and compensatory allowances will also take effect from 1st July, 1959. Deductions on account of the compulsory provident fund scheme will not be made prior to the 1st of April, 1960, since that scheme is being introduced only from the commencement of the current financial year.

Government have accepted the recommendation of the Commission that if during a period of 12 months the consumer price index remains on an average 10 points above 115, the Government should review the position and consider whether an increase in the allowance should be allowed; and is so, at what rate.

The Government have accepted and already announced their decisions on the Commission's recommendations regarding the grant of gratuity to temporary and quasi permanent employees on their retirement, discharge from service, or death, and improvement of death gratuity in the case of permanent employees who die before completing five years of qualifying service, as also in respect of employees who are governed by the Contributory Provident Fund Scheme. The recommendations of the Commission for improvement or liberalisation of retirement benefits in the case of scientists and technologists have also been accepted and orders issued.

Government have accepted the recommendations of the Commission that the permanent requirements of all categories of staff should be speedily determined and that the margin of temporary posts should be the same for all classes of employees. Orders have been issued for converting existing temporary posts into permanent ones within the limit permissible and to confirm all eligible temporary persons as early as possible. The position will be reviewed periodically.

The Pay Commission have observed that it would be perfectly reasonable to require all Central Government employees to subscribe at least 6¼ per cent of their pay to a General Provident Fund, unless they are already required to subscribe at the rate of 8-1|3 per cent. The recommendation has been accepted by the Government except that the rate has been reduced to 6 nP. per rupee. However, on administrative considerations and also having regard to the fact that subscription at the minimum rate of 6 per cent of pay may cause harship to employees in the lower categories, it has been decided that Class IV employees drawing a basic salary of less than Rs. 75 a month may subscribe only Rs 4 a month, and other Class IV employees at Rs. 5. There will be no restriction if anyone voluntarily wishes to subscribe at a higher rate. The date of introduction of the compulsory provident fund scheme is 1st April, 1960.

A DELHI NOTEBOOK

LESS AID FROM UN

REPORTS from New York suggest that India may receive this year less aid than last year under the UN Expanded Programme of Technical Assistance. One of the chief reasons for this, it is stated, is the growing needs of Africa.

Last year India received under this programme $2,337,000 for project costs and $826,421 worth of equipment and supplies. The amount sanctioned for project costs in the first six months of the current year is $1,811,581, as against $1.95 million in the corresponding period last year. The figure went up from $1.95 million in middle of last year to $2,337,000 before the end of the year, partly due to the division of the Contingency Fund and partly owing to the utilization by India of a series of Soviet experts financed by the Soviet Union on rouble basis. The UN Secretariat sources are credited to hold the view that though these factors may push up later this year also the amount provided for project costs in India, it is still likely to be below last year's figures. The decrease, however, may be only small.

The UN sources anticipate that unless overall contributions increase appreciably in the coming years, the needs of the newly independent countries might have to be met at the cost of countries like India.

SWISS CREDIT FOR INDIA

India and Switzerland have signed an agreement providing for the purchase of Swiss capital goods by India for her development programmes on credit basis. The credit is for a period of 10 years covering transactions of the value of 100 million Swiss francs (Rs. 10.9 crores). Of this amount, a sum of 60 million Swiss francs will be made available immediately and the balance of 40 million Swiss francs later. The credit will be provided by a consortium of Swiss banks on mutually agreed terms. It will be guaranteed by the Swiss Government within the framework of its Federal Law on Export Risk Guarantees.

Indian imports of specified capital goods under this agreement will be in addition to the imports under the normal import policy of the Government of India which provides for non-discriminatory licensing so far as imports financed from India's own free foreign exchange resources are concerned.

Discussions on this agreement were initiated last year during the visit of the Finance Minister, Mr. Morarji Desai, to Switzerland at the invitation of the Swiss Government.

HELPING COAL PRODUCTION

Mr. H. E. Longden, the coal expert whose services were lent to the Government of India by the British Government in response to its aide memoirs to various Governments seeking advice on the ways and means to increase coal production in the public sector, has submitted his report, it is learnt. A West German coal expert is also here for a similar purpose. He is expected to finalise his recommendations in the near future. A high-power three-man U.S. team, sponsored by the Indo-American Technical Co-operation Administration, too is coming out shortly to this country under this scheme. Besides, a couple of coal experts from the United States have been here recently on their own initiative to look round the prospects of coal development in India.

During the Third Five-Year Plan period, production of coal by the public sector company, the National Coal Development Corporation, is likely to increase considerably. Though no definite targets have yet been adopted, it is understood, the Corporation will have to undertake coal output to the tune of 45 million tons a year. This obviously will require elaborate planning. The advice from foreign experts has been sought by the Government of India to assist the N.C.D.C. in this task.

RESEARCH ON FERRO-ALLOYS

The National Metallurgical Laboratory, Jamshedpur, has embarked on a major research programme to study the suitability of Indian raw materials for production of ferro-alloys. The Laboratory will also develop methods for the production of special ferro-alloys like low-carbon ferro-manganese and low-carbon ferro-chrome. A pilot smelting furnace with a capacity of one ton ferro-manganese per day is being installed at the Laboratory. The pilot furnace is expected to yield useful information on process efficiency, power and electrode consumption, percentage recovery, and other relevant data on various production techniques.

Ferro-alloys are essential in the production of all types of steel. Their function is to provide the alloying element to be incorporated in steel and, at times, act as an agent for removing impurities in the course of smelting operations. Common ferro-alloys in use are ferro-silicon, ferro-manganese, ferro-titanium, ferro-chromium, ferro-vanadium, ferro-molybdenum and ferro-tungsten. Excepting ferro-manganese and ferro-silicon, other ferro-alloys are largely imported. The value of imports in the first six months of 1959 was, about Rs. 5.8 lakhs.

For setting up the tools and alloy steel industry in the country, the full range of ferro-alloys will have to be produced indigenously. Raw materials for the production of all ferro-alloys, excepting ferro-molybdenum, are available in the country. With the proposed establishment of an alloy and tool steels plant in the public sector for producing special steels, the importance of developing production techniques for ferro-alloys can be hardly over-emphasised.

NORWAY LIBERALISES IMPORTS

The Norwegian Government, it is learnt here, has liberalised import restrictions on over 300 items with effect from July 1. Among the items which have been freed from import restrictions, and are of interest to Indian exporters, are: frozen and preserved vegetables of various kinds; fresh and dried fruits; some fats and oils, jams and preserved fruits; fruit and vegetable juices; printing inks; glues and resins; some kinds of plastic and synthetic rubber products; glass jars; safes; crown corks; certain musical instruments; furniture; brushes; sports goods, fountain pens; some types of jewellery; antiques more than 100 years old, etc.

EXCISE DUTY FOR SALES TAX

The Committee of Chief/Finance Ministers of States, which met here last week-end to consider the replacement of the existing Central and States sales taxes on certain commodities such as silk fabrics, matches, paper and vegetable products, by the levy of additional excise duties by the Centre, agreed that sales tax on silk fabrics should be so replaced. In respect of the other commodities, different views were expressed and it was decided not to pursue the matter until further experience was gained on the working of the existing additional excise duty scheme on sugar, tobacco and textiles.

WORLDGRAM

India

Loan for Indian Railways: A loan equivalent to $70 m. has been made by the World Bank for the improvement and expansion of the Indian Railways. The loan will cover the greater part of the foreign exchange required for the final year of the railway programme under India's Second Five-Year Plan ending March 31, 1961. The railway programme has been a central part of the Plan accounting for about one quarter of all public expenditure under the Plan. The Bank's loan is for a term of 20 years and bears the interest at 5¾ per cent per annum including the one per cent commission which is allowed to the Bank's special reserve. Six private commercial banks are participating in the loan without the World Bank's guarantee to the extent of $2.5 million representing the first maturity and part of the second which falls due between January 1964 and July 1964. The Bank has now lent $328 million for the Indian Railways, the largest amounts ever lent by it for a single project.

*

Manufacture of Fluorescent Tubes & Rods: The new State of Maharashtra will soon witness the establishment of new plant for the manufacture of fluorescent tubes and rods. Messrs. Pimpri Glass Works, Bombay, announce having been granted industrial licence by the Government of India to set up the factory in Bhandup, Greater Bombay Area, with a sanctioned capacity of 3 million tubes per year. The proposed production of fluorescent tubes and rods will not only meet entirely needs within the country but also leave a substantial surplus for export abroad. Negotiations for the purchase and erection of the plant and machineries are in progress and the whole plant is expected to be put into commission during the middle of next year.

*

Central Revenue Collections for May 1960: The revenue realised from important dutiable items in the first two months of the financial year 1960-61 amounted to Rs. 103.05 crores; of this, Rs. 53.88 crores were collected during May, 1960. The corresponding figures for the first two months of the financial year 1959-60 were Rs. 87.28 crores and Rs. 44.16 crores for May, 1959. Details under various heads are as follows:

(In lakhs of rupees)

	May		April-May	
	1960	1959	1960-61	1959-60
1. Customs	13,07	11,19	24,51	23,29
2. Union Excise Duties (excluding coal cess and salt cess) ..	33,27	28,16	64,30	54,73
3. Corporation Tax ..	1,46	62	2,98	1,33
4. Income Tax	5,47	3,57	9,43	6,36
5. Estate Duty	10	12	25	29
6. Taxes on Wealth ..	19	18	64	58
7. Expenditure Tax ..	*	3	3	4
8. Gift Tax	2	2	8	7
9. Opium	30	27	83	59
TOTAL	53,88	44,16	103,16	87,28

* Less than one lakh.

*

Export Risks Insurance Corporation: The Export Risks Insurance Corporation issued 135 policies during the period January 1, 1960 to June 30, 1960 as against 110 policies issued during the corresponding period last year. The Corporation, which started underwritng risks involved in exports on credit terms in October 1957, had a total of 269 policies, with a maximum liability of Rs. 6.74 crores, in force on June 30, 1960, as against 198 policies with a maximum liability of Rs. 6.64 crores on June 30, 1959.

New Process for Producing Aluminium: A press release issued recently by the Indian Aluminium Company Ltd., states that Aluminium Ltd. has approved the construction of new facilities at Arvida, Quebec for the production of aluminium by a basically new process. The process had been under development by Aluminium Ltd. for some years through the laboratory and pilot plant stages. It employes its principal raw material bauxite of roughly similar grades to that required by the conventional process for the production of commercial aluminium. The new process does not appreciably reduce the large power requirement which is an outstanding characteristic of the conventional process. It does, however, give promise of substantial savings in other elements of production cost and in the investment required per ton of capacity. The new facilities designed as an experimental unit will have a capacity of 6,000 to 8,000 tons of aluminium per year. They will be operated primarily for the purpose of confirming the conclusions already reached concerning the production costs obtained with the new process. It is expected that the new facilities will be available within two years. Their capital cost will be of the order of $4,00,000. The new process is covered in a large number of countries by patents belonging to Aluminium Ltd.

*

Export Incentive Scheme for Cotton Textiles: The Cotton Textile Export Incentive Scheme will be extended to the export of ropes, tapes, newar, twine, webbings and braids manufactured out of cotton yarn. This has been announced in an import trade control public notice. The licences will be granted by the Joint Chief Controller of Imports and Exports, Bombay, once in a quarter on the basis of exports effected in the preceding quarter.

*

Small Saving Securities: The Government of India have framed rules providing for nomination facilities to holders of 10-year Treasury Savings Deposits Certificates and 15-year Annuity Certificates. Under the rules, the holders of the certificates can nominate a person or persons who, in the event of their death will be entitled to the certificates and to the payment of amount thereon wihout production of a succession certificate, etc. This facility will however be restricted to individual holders only and will not be available in respect of certificates held by two adults jointly or a guardian on behalf of a minor or by an institution.

U.S.A.

Supply of Cotton under P.L. 480 Programme: An agreement has been signed between the Governments of India and of the United States for the import of an additional quantity of 400,000 bales of cotton under title I of PL 480 programme. Two thirds of this quantity will be available in staple length below 1-1/16 inches and the remaining 1/3rd will be in staple length up to 1-3/16 inches. The cost of the cotton, including 50 per cent of the cost of transportation in American ships, will be $41.6 million (Rs. 19.8 crores). These imports will be paid for in rupees by the Government of India. The agreement indicates that 85 per cent of the rupee sale proceeds will be available to Government of India for economic development. Arrangements have also been made to licence the import of a further quantity of two lakh Indian bales to be procured, from usual commercial sources. Since the inception of PL 480 programme in India in 1956, raw cotton worth $87 million (Rs. 41.4 crores) and covering a quantity of about 8 lakh Indian bales has been received from the United States. The over-all total of US economic assistance to India till 29th July is over $3.5 billion (Rs. 1,666 crores).

*

Self-Sufficiency in Fire-Fighting Equipment: Messrs. Fyr-Fyter Company of USA, known the world over,

as leading manufacturers of Fire-Fighting Equipments have now extended the benefit of their knowledge and experience to India. In collaboration with this firm, Messrs. Lakshmi Sprinklers, a new venture of Thakerseys, well-known in the textile world of Bombay, have started the manufacture of sprinklers for the first time in India under the Globe Sprinklers.

United Kingdom

BOAC Announces Highest-Ever Operating Profit: The Chairman of BOAC, Sir Gerard d' Erlanger, at a press conference in London recently in discussing the Corporation's annual account and report for the year ended 31st March 1960, stated that BOAC had made the highest operating profit in its history. The figure, he said, was over four and a quarter million pounds but, after payment of interest, the surplus on BOAC's own operations was reduced to £2,77,813 compared to a deficit of two million pounds the previous year.

*

Loan for Indian Fertilizer Plant: The Commonwealth Development Finance Corporation Ltd. has signed an agreement with East-India Distilleries & Sugar Factories Ltd. of Madras for a loan of £600,000 as part of the financing of a compound ammonium phosphate fertilizer plant to be erected at Ennore, near Madras. The plant will have an annual capacity of about 51,000 tons, and will contribute towards increasing the yield of food and cash-crops in South India. Announcing the loan, a CDFC spokesman said: .'The solution of India's food problem is probably the most important matter facing the Indian Government today." The East India Distilleries plant has been designed and is to be erected, by the British firm of Simon-Carves Ltd. It would be the first fertilizer factory in India to manufacture compound ammonium phosphates.

*

Orders from India for Aircraft-Towing Tractors: The Indian Air Force and the Indian Navy have placed orders with David Brown Construction Equipment Ltd. of Huddersfield, England for Taskmaster aircraft-towing tractors. The machines will be used for ground handling of aircraft of all kinds, and in the case of the Navy will spend most of the time afloat, on board the aircraft-carrier INS Vikrant.

*

Rise in National Income: Total production of goods and services in the United Kingdom rose by about 3 per cent between the fourth quarter of 1959 and the first quarter of 1960, according to estimates of national income and expenditure issued by the Treasury in London on July 29. On the same basis of comparison, personal incomes rose by 2 per cent and wages and salaries by 1 per cent. Consumer's expenditure also rose by 2 per cent and personal savings were, therefore, practically unchanged. Total investment rose by 3 per cent, seasonally adjusted. Public investment was slightly down, but private investment rose sharply.

France

Electric Equipment and Tools for Viet Nam: Three million new francs worth of electric equipment and tools will be delivered by the French Mission for Technical and Economic Aid to the Viet Nam Technical Centre of Phutho, in the suburbs of Saigon, for a physics laboratory, a chemical laboratory, an electronic measuring laboratory, and an electric equipment testing laboratory. This Technical Centre includes three advanced technical schools: one for public works and surveying; a second for industrial arts and electricity, and a third for the training of naval officers in bridge-building and the use of equipment for the Merchant Marine. At present, 441 students are enrolled in the school and of these 225 are studying engineering.

U.A.R.

First Five-Year Plan: When the United Arab Republic, having completed its political unification settled down in 1958 to implement its aim of building a new state, it inaugurated the first of the series of Five-Year Plans for general economic development. The first phase of this development was finished in 1959—two years before its target date and has increased the national income a thousand million pounds, nearly 20 per cent of which has come from industry. This progress has been made possible by the introduction of the most modern machinery and automation into existing factories, as well as by investment in new enterprises. The cost of modernisation and new investment was originally reckoned at Rs. 357 crores. Actually, over Rs. 420 crores have already been spent and estimates for the total cost now exceed Rs. 462 crores. The necessary capital came in great part from the national income; the balance was covered by foreign loans from Russia, West Germany and Japan. In the light of the great success of the First Five-Year Plan, two important decisions have been taken; first, to double the national income in 10 years instead of the 20 originally envisaged, and, second, to begin the Second Five-Year Programme in 1960 instead of 1962.

Pakistan

Electric Trains on Pakistan Railways: Pakistan Railways are exploring the possibility of introducing electric trains on the 200-mile route between Narayangunj and Chittagong in East Pakistan and from Khanewal to Rawalpindi and Sibi to Quetta in West Pakistan. A consortium of European countries, France, West Germany, and Belgium, will shortly undertake a survey of Chitagong-Narayangunj track. British and Japanese railways are also taking part in the survey.

Austria

Exports to the Soviet Union: Austria's exports to the Soviet Union increased in 1959 against 1958 by 66 per cent to reach 874 million schillings, imports by 35 per cent to 768 million schilings. Between 1955 and 1959 exports to the Soviet Union have increased six-fold and imports seven-fold. The share of the Soviet Union in Austria's overall exports increased between 1955 and 1959 from 0.8 per cent to 3.5 per cent, in imports from 0.5 per cent to 2.6 per cent.

Yugoslavia

Exports for 1960: Yugoslav exports amounting to 175.2 million dinars are planned for 1960. This sum is 32 billion dinars larger than based on efforts begun several years ago to increase the exports of products of a higher degree of manufacture as compared to the larger exports of agricultural products.

I.F.C.

Investment in Finland: The International Finance Corporation announced recently a commitment to invest US $150,000 in a well-known Finnish textile manufacturing group comprising the companies Tricol Oy and Oy Kutomotuote Ab. The investment will help finance the construction and operation of a new plant, expansion of production and, re-location of part of the group's operation. Total cost of the project is about US $825,000 equivalent. In addition to the IFC investment, about US $5 lakhs is being provided by loans from Finnish banks and financial institutions. The balance is to be provided by the group's operations. The IFC investment will be in dollar notes maturing between 1962 and 1968 bearing 6.75 per cent interest payable in dollars. In addition IFC will receive in Finnish marks additional payments related to sales. IFC's commitment is subject to completion of the necessary legal formalities.

THE TATA IRON AND STEEL COMPANY LIMITED

NOTICE

Extension of date for submission of coupons and applications in respect of new Ordinary shares.

NOTICE is hereby given that the extended period for submission of **coupons** in respect of the new Ordinary shares in terms of the Company's Circular dated the 12th October, 1959, expires on the 29th July, 1960. As some shareholders have not yet exercised their right to obtain shares by submitting the requisite new Ordinary share coupons, the Directors have extended the period for submission of such coupons to 29th September, 1960, and the Company's bankers have accordingly been authorised to receive applications on and after the 30th July, 1960 upto but not later than the 29th September, 1960 in respect of such coupons Provided that along with each such application with the required coupons and the moneys to be received with such application interest at the rate of 9% per annum (which the Directors have decided to charge) shall be paid to the Company's bankers as under:

(i) For applications with new Ordinary share coupons from **resident** shareholders from 16th December, 1959, to the date of payment; and

(ii) For applications with new Ordinary share coupons in the case of **non-resident** shareholders from 1st June, 1960 to the date of payment.

The Directors have also resolved that the last date for receiving applications in respect of new Ordinary **shares** from the **non**-resident shareholders which was 29th July, 1960 be extended upto 29th September, 1960 provided that along with each such application and the moneys to be received with such application interest at the rate of 9% per annum thereon (which the Directors have decided to charge) from 1st day of April, 1960 to the date of payment shall be paid to the Company's bankers.

No application received from resident shareholders on and after the 16th December, 1959 and from non-resident shareholders on and after the 1st June, 1960 in respect of new Ordinary share coupons and no application received from non-resident shareholders on and after the 1st April, 1960 in respect of rights to new Ordinary shares will be entertained by the Directors unless interest is paid as aforesaid. No such application will be entertained after the 29th September, 1960.

The above extension of date does not apply to applications in respect of "A" Second Preference shares or "A" Second Preference share coupons, the last date for submission of which is 29th July, 1960.

Dated at Bombay this 28th day of July, 1960.

By Order of the Directors
For and on behalf of
THE TATA IRON AND STEEL COMPANY LIMITED
Tata Industries Private Limited
Managing Agents

J. J. BHABHA
Agent

ALLAHABAD BANK
LIMITED
INDIA'S OLDEST JOINT STOCK BANK

ESTABLISHED 1865
Affiliated to The Chartered Bank

HEAD OFFICE : CALCUTTA
14, India Exchange Place,

Authorised Capital	**Rs.**	**1,00,00,000**
Subscribed Capital	**Rs.**	**60,00,000**
Paid-up Capital	**Rs.**	**45,50,000**
Reserve Fund	**Rs.**	**1,08,00,000**

BANKING BUSINESS
OF EVERY DESCRIPTION
TRANSACTED

M. J. Maclaren,
General Manager.

To give your
TEXTILES
Distinctive Finish
USE



Quality Yarn

(Prop. The Century Spg. & Mfg. Co. Ltd.)
Bombay - 1

NEWS IN BRIEF

INDIAN

Iran has asked India to supply her with 50,000 tons of wheat by the diversion of ships carrying American wheat to this country. It is understood India has agreed to meet this request. The proposal is also acceptable to the U.S. Government subject to the settlement of details.

*

The Government of India have accepted the Tariff Commission's recommendation that protection to the calcium lactate industry need not be continued beyond December 31, 1960. The Government's resolution on the Commission's report has been published.

*

Industrialists who have purchased plots of land or houses at Faridabad are required, under the existing rules, to pay 20 per cent of the price in cash and the balance adjusted against compensation payable to their Directors and shareholders.

*

The rules for registration of students in connection with the Preliminary and Intermediate Examinations, for qualifying as Company Secretaries, have been published by the Department of Company Law Administration.

*

The Dandakaranya Development Authority has, decided on a programme for movement of 1,200 displaced families every month from West Bengal to Dandakaranya. The movement will start from October this year.

*

The Government of India have approved the Sone barrage project under which a 4,722-foot long barrage-cum-bridge will be reconstructed on the river Sone — a tributory of the river Ganges — at a point five miles above Dehri in Bihar.

*

The minimum economic size plantation for the profitable cultivation of Jasmine has been estimated at 50 acres. It has also been shown that the plantation, which begins to flower from the third year, reaches peak production in the fifth year with a yield of 2,000 lb. of flowers per acre.

*

It is reported all the States, except Punjab and West Bengal, have agreed to conduct an annual sample census during August every year so as to determine the annual increase in population.

*

The Government of India have reconstituted the Coir Board with effect from 26th July for a three-year period. The new Board will have 33 members, besides Mr. P. V. S. Sarma, the present Chairman, who will continue to hold that post.

*

About 93 per cent of the total volume of concrete was placed on the dam and connected works at the Rihand Project in Uttar Pradesh by July 1, 1960. The works in the power house, control room and the out-door switch-yard are also progressing satisfactorily.

*

During the year 1958-59, the National Instruments Factory at Calcutta, a public sector enterprise, earned a profit of Rs. 2.48 lakhs after setting apart Rs. 3.93 lakhs for depreciation.

*

India Trade Centre was inaugurated in Baghdad recently by the Iraqi Minister, Sayid Abdul Latif Alshawf.

FOREIGN

Mr. Richard Bell, Parliamentary Secretary to the Finance Minister told the House of Commons in Ottawa recently that Canada plans to join the proposed 20-nation Organisation for Economic Co-operation and Development.

*

Kenya's coffee crop in 1960 is certain to exceed 30,000 tons, Mr. N. R. Solly, Chairman of the Kenya Coffee Board has stated. Last year's crop was more than 23,000 tons, all of which had been sold. This year there was an unusually large early crop, estimated at about 15,000 tons.

*

Pakistan will start getting part of a consignment of 300,000 spindles and 3,000 looms early next year for which credit has been finalised with Japan. The credit terms are based on a down payment of 5 per cent at the time of contract signing; 5 per cent at the time of the opening of the letter of credit and 5 per cent at the time of shipment. The balance will be paid in 16 half-yearly instalments.

*

It is reported the British Government is giving aid totalling £7,600,000 to Singapore.

*

An agreement for the manufacture of Boby water treatment plant in the Benelux countries and the rest of Europe, excluding Scandinavia and Italy, has been signed between N. V. Bronswerk, Amersfoort, Holland and William Bobby and Co. of Rickmansworth Herts.

*

The Italian Government is studying measures to liberalise gold imports, according to an announcement by the Italian Foreign Trade Ministry.

*

A Danish Company, Christiani and Nillson, has obtained a contract for the building of an Ord River diversion dam in the Kimberley district of Western Australia, at a cost of £A2,894,000. Its partner in the work will be Clough Construction, of Perth.

*

Output of man-made fibres in July was just over 16 per cent higher than a year earlier, according to figures issued by the British Man-Made Fibres Federation.

*

U.S. General Electric has announced cuts ranging from 15 to 40 per cent in list prices for a wide range of high-voltage switch gear.

*

Reduction in export levies on a number of Spanish exports have been published in an official bulletin. Export levies which were decreed for three years in July, 1959, following devaluation of the peseta were to be decreased gradually under the Government's plan.

*

A new edition of Taxation in Western Europe, first published last December, is issued now. As a guide for industrialists investigating continental markets, it includes comparisons and details of existing tax systems in Austria, Belgium, Denmark. Finland, France Federal Germany, Italy, Luxemburg, the Netherlands, Norway, Sweden, Switzerland, and the U.K.

*

The International Sugar Council decided recently to raise the export quotas of its producing members to 105 per cent of the "basic tonnage" which means an increase of 1.25 million tons or rather more than 20 per cent over their former levels.

4 PER CENT STATE GOVERNMENTS LOANS 1969

	Name of State	Amount	Issue price per cent
1.	ANDHRA PRADESH	Rs. 900 lakhs	Rs. 99.75
2.	BIHAR	Rs. 300 lakhs	Rs. 99.50
3.	GUJARAT	Rs. 500 lakhs	Rs. 100.00
4.	KERALA	Rs. 400 lakhs	Rs. 99.50
5.	MADHYA PRADESH	Rs. 500 lakhs	Rs. 99.50
6.	MADRAS	Rs. 1200 lakhs	Rs. 99.75
7.	MAHARASHTRA	Rs. 1000 lakhs	Rs. 100.00
8.	MYSORE	Rs. 400 lakhs	Rs. 99.75
9.	ORISSA	Rs. 400 lakhs	Rs. 99.50
10.	RAJASTHAN	Rs. 500 lakhs	Rs. 99.75
11.	UTTAR PRADESH	Rs. 700 lakhs	Rs. 99.75
12.	WEST BENGAL	Rs. 700 lakhs	Rs. 99.75

All the State Governments reserve the right to retain subscriptions up to ten per cent. in excess of the notified amount.

All the above loans will be repaid at par on 29th August, 1969.

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 29TH AUGUST 1960, AND CLOSE ON 3RD SEPTEMBER, 1960 (6TH SEPTEMBER, 1960 IN CASE OF KERALA LOAN) OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTION APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

All the loans will bear interest from 29th August, 1960.

Subscriptions may be in the form of **CASH/CHEQUE** in respect of all the loans.

3% Bombay State Development loan 1960 will be accepted AT PAR for conversion into the new loan of the Government of Maharashtra. Securities of 3% Madhya Pradesh Loan 1960, Madras Government 3% Development Bonds 1960, Madras Government 3% Loan 1960 and 3% U.P. Loan 1960 will also be accepted for conversion AT PAR into the new loans of the respective State Governments.

Interest at the rate of 3% per annum on the securities of Madras Government 3% Loan 1960 and 3% U.P. Loan 1960 tendered for conversion will be paid upto and inclusive of 28th August, 1960. In case of securities tendered in respect of Madras Government 3% Development Bonds 1960, 3% Madhya Pradesh Loan 1960 and 3% Bombay State Development Loan 1960 which are due to mature on 31st July, 1960, interest will be paid at the rate of 3% per annum upto and inclusive of 30th July 1960 and at the rate of 4% per annum from 31st July, 1960 to 28th August, 1960 inclusive.

APPLICATIONS FOR ALL THE LOANS WILL BE RECEIVED AT THE OFFICES OF THE RESERVE BANK OF INDIA AT BANGALORE, BOMBAY, CALCUTTA, MADRAS AND NEW DELHI.

APPLICATIONS will also be received at **PLACES WITHIN THE RESPECTIVE STATES** as follows:

i) At the office of the Reserve Bank of India at Nagpur in the case of Maharashtra loan

ii) At the branches of the State Bank of India and at treasuries and sub-treasuries in the case of Andhra Pradesh, Bihar, Kerala, Gujarat, Madhya Pradesh, Maharashtra, Madras, Orissa, Rajasthan and Uttar Pradesh Loans.

iii) At the branches of State Bank of India in the case of West Bengal Loan.

iv) At the branches and treasury pay offices of the State Bank of Hyderabad in the case of Andhra Pradesh and Maharashtra State Loans.

v) At the branches of the State Bank of Mysore (except at Bangalore, Mangalore and Gulbarga), the State Bank of India, the State Bank of Hyderabad and at Government Taluk.

vi) In the case of Gujarat Loan the State Bank of Saurashtra at Bhavnagar and its branches in the State of Gujarat will collect applications and forward them to the nearest receiving office.

Copies of Notifications and Applications Forms may be obtained at any Receiving Office.

Applicants tendering their applications at the offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, New Delhi and Madras will, in the event of oversubscription to the loan applied for, be given the option of transferring their cash refunds to any of the other State Government loans, which may not be fully subscribed by that time. To avail of this facility, the persons tendering their applications should complete the SPECIAL OPTION FORM copies of which are available on application from any of the above mentioned offices of the Reserve Bank of India.



for the future

Under the furrowed brow, his aging eyes see
his child grow to manhood. He gives his all: care
and protection, knowledge culled from experience.
And prepares him to meet the future.

Soon the youth will learn from life.
Soon will come the struggle to achieve.
Soon he will be part of the striving . . .

The striving and effort for a better world.
A world that offers a little more—
a little less of the care, a little more of the joy.

Today, as in the past, our products help to make homes cleaner, healthier, happier. But today we are also working for . . . Tomorrow, when the evergrowing urge for better living will demand still greater efforts. And we shall be ready with wider service, new ideas, new products . . .

Today and Tomorrow... Hindustan Lever serves the home.

PR. 4-X52

UNDER SECRETARY TO THE GOVERNMENT 9 - AUG 1960 PUBLIC DEPARTMENT

Company Meeting

JESSOP & COMPANY, LIMITED

The Speech by Sir Bijoy Prosad Singh Roy, K.C.I.E., Chairman, Board of Management, Jessop & Co. Ltd.

Gentlemen,

Once more I have pleasure in welcoming you here today at this the Twenty-Eighth Annual General Meeting of your Company.

This Meeting has unfortunately been delayed as just before the Accounts, which are now before you, had reached the final stage of printing, non-compliance through oversight of certain provisions of the Companies Act was discovered. The matter was purely technical, but before publishing and presenting the Accounts to you the Board of Management thought it proper to bring it to Government's notice with a view to resolving any legal implications. The position has been fully explained in the Board of Management's Report to you.

The year ending 31st October, 1959, was one of consolidation and of continued improvement to the manufacturing potential of your company, and the results are even better than at first sight as I think you will agree if you will bear with me.

The shortage of steel referred to at both the last two annual general meetings continued with increasing severity during the year under review. It was thus exceedingly difficult to maintain production and the greatest credit is due to all those who not only maintained output but actually increased it in the face of this and other difficulties. The steel position is now improving but this welcome change is having, initially, its disadvantages. For any contract steel is needed in a variety of sizes and shapes and it is not possible to start work on that contract until supplies of all those varieties are available in balanced quantities. We have for long been used to having the bulk of certain items of steel in hand and having to wait until the missing items, or 'matching steel' as we call it, come to hand. With the improvement in steel supplies we are now receiving more steel and the missing items are fewer, but they are still there and as important as ever. Thus we find that funds locked up in materials have risen sharply while production itself is still hampered by these shortages. We hope that now that indigenous steel is generally more freely available Government will be abie to concentrate on imports of those types and sizes which are in short supply and that the situation will improve. In fact there are welcome signs to that effect.

Last year I was able to tell you that the major expansion schemes started in 1955 and 1956 had reached the productive stage and I can now tell you that all these have attained their full target rate of output. The quantum of imports required for these products also has been considerably reduced and the work done at Dum Dum has greatly increased, though this fact, involving as it does, the substitution of an item previously imported by one made by ourselves naturally does not show in the sales figures by which output is normally judged.

We have now completed the first stage of our contract for Electric Multiple Unit Coaches and the last of sixteen three-coach units was handed over to the Eastern Railway early this month. For this stage we imported the motor coaches, one to each three-coach unit, in the knocked down condition and we assembled and finished it at Dum Dum. We made the two trailer coaches required for the train set. All the bogies, both for motor and trailer coaches, were imported.

Work on the second stage of this contract is now in hand and the first of eighteen three-coach units will leave our Works for Bombay next month. For this second stage we are making all the motor coaches as well as all the trailers, the bogies still being imported. The quantum of work done at Dum Dum will be some fifty per cent more than in the first stage although its effect will not be reflected in the sales figures.

I am glad to tell you that we have recently secured a further contract for this E. M. U. Stock, again for Bombay, and this will keep the section of the Coach Works concerned busy until late in 1962. For this contract we will build all the bogies at Dum Dum. This will require an extension to the Coach Works which is already in hand.

The Furnishing and Finishing of Metre Gauge Passenger Coaches has now reached its target rate of 24 coaches a month, a coach every working day. We completed the first 150 of these coaches in June last and are now working on the next 300. We also have on our books a further order for 450 coaches and this will keep us busy until towards the end of 1962.

The production of Road Rollers has also reached its target rate of 200 a year and we have fully implemented the terms of our manufacturing licence. The proportion of manufacture at Dum Dum has risen from about 35 per cent in 1957 to about 63 per cent today, an increase of 80 per cent in the work done per roller quite apart from the increased number of machines turned out. The balance 37 per cent consists of the engine, previously imported but now made in Madras, and the transmission which is outside our present manufacturing licence.

The manufacture of the new heavy eight-wheeled BOX Wagon referred to in my last address was unfortunately delayed as the drawings and specifications were not finalised by the Railway Board until February of this year. As a result, it was not possible to despatch any wagons of this type until May of this year and production is still in the stage of being built up. This delay has been most unfortunate for it has meant a long gap between the last of the old four-wheeled wagon and the first of the new. We estimate that production worth about Rs. 300 lakhs will have been lost during this long change-over period, and this fact must be borne in mind in considering the working results.

Since the close of the year under review we have also established the manufacture of Metre Gauge Bogie Motor and Parcel Vans, and the first deliveries were made in May this year. This is an entirely new design of vehicle having the dual purpose indicated by its name and designed to run with passenger trains.

Since I last addressed you we have continued to add to and improve our facilities at Dum Dum and the results are already beginning to show. In the current financial year after a slow start due to shortage of steel and the hold-up on the new wagon, production has increased rapidly and is still increasing. We expect the current year will show considerably greater

output than that you are now considering, and that next year will show a further substantial improvement. We have a very healthy Order Book and the demand for our products continues to be good.

The greatly increased output now being achieved and the fact that it is still increasing means that your company is maintaining its position in the Engineering Industry and that it is playing its part in the industrialization of the country and in the saving of imports It also emphasises the necessity, mentioned in the Board of Management's Report of strengthening the financial resources of the company to meet the greater demand for working capital on account of increased output and for undertaking new and diversified lines of production besides expansion of the existing ones.

In my last address I referred to the Award of the Fifth Engineering Tribunal. On due clarification of the doubtful points, the award was fully implemented resulting in an average monthly increase of Rs. 13½ in the basic wages and dearness allowance of the workmen in general. This increase has, amongst other things, had its effect on the profits of the company.

Thanks to your co-operation, the recent 'rights' issue of equity capital was fully subscribed and it has enabled your Board to reduce the ceiling limit of cash credit facility with the State Bank of India from Rs. 275 lakhs to Rs. 175 lakhs and to release the Guarantee of the Central Government with which that accommodation had been secured. To meet the increasing needs of funds to finance the rehabilitation and expansion schemes, however, your Board has recently finalised arrangements with the State Bank for a 6½ per cent Debenture Loan of Rs. 75 lakhs which takes the form of a second cash credit account and may be drawn upon as and when necessary. The Board intends to reserve this account, as far as practicable, for capital purposes as distinct from day to day use.

As you will see from the foregoing and also from the published accounts the company's financial position is now greatly improved and for this due credit must be given to the sacrifices made by the shareholders. At the same time output has risen and is likely to rise considerably in the future which will necessitate larger working funds. In an industry such as ours, also, it is necessary to plan well ahead and I would remind you of the earlier part of my address today in which I mentioned that major schemes started in 1955 and 1956 had come into full fruition only in 1960. As indicated in the Report of the Board of Management there are other schemes now under consideration and these too will require funds both for capital expenses and for working capital. It is doubtful whether the debenture issue already referred to will suffice to cover these extra demands. The whole matter is having the careful attention of your Board and we shall approach you at the appropriate time for your co-operation and support should we find it necessary to raise furthr share capital.

I think, Gentlemen, that at this juncture you will expect me to say something about that thorny question, the rate of dividend on our Preference shares. As you know our Preference shares are what is known as 5% tax free, by which is meant that the dividend is free of any deduction on account of tax paid by the company on its earnings. Last year by virtue of Section 18 (3E) of the Income Tax Act we were able to gross up the dividend on the Preference shares so that after deduction of tax at 30% it still left 5% in the hands of the shareholders. Unfortunately with the deletion of that section by the Finance Act, 1960, this is no longer possible and the only way now to achieve the desired result would be to raise the rate of dividend which would require a change in our Articles of Association. This in turn would require the consent in writing of not less than 75% of both classes of shareholders, Ordinary and Preference, which is virtually impossible to obtain. We sympathise with the Preference shareholders, but we are not to blame and we can do nothing unless the law is changed.

Gentlemen, in recounting this story of solid achievement I am sure you will wish me to give full credit to those whose hard work has made this progress possible and I am sure that you will join with me in thanking the workmen and all the staff of the company. In this connection you will be interested to know that the Board has, in principle, decided to introduce an incentive system at the Works as soon as possible. A firm of experts is already making a preliminary study but it must be realised that in an organization such as ours which handles a very wide range of products and which is continually venturing on new lines the introduction of such a scheme requires very careful consideration, though all agree that it will be greatly to the ultimate benefit of the workmen and the company alike.

Finally, I cannot close without mentioning the retirement last March of Mr. C. V. Graham, a Member of the Board. Mr Graham had been in the company's employ for over 32 years and we will greatly miss his wide experience and his capacity for hard work. I am sure that you will all join with me in wishing him many happy years of leisure in England.

In Mr. Graham's place Government has been pleased to appoint Mr. M. Lall, who has had twenty-four years' service with the company. I know you will all join with me in welcoming him to the Board.

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

THE UNITED COMMERCIAL BANK LIMITED

Head Office: CALCUTTA

Authorised Capital	. .	**Rs. 8,00,00,000**
Subscribed Capital	. .	**Rs. 4,00,00,000**
Paid-up Capital	. .	**Rs. 2,00,00,000**
Reserve Fund	. .	**Rs. 1,75,00,000**
Working Funds (31.12.58) over	. .	**Rs. 114,00,00,000**

* **BRANCHES ALL OVER INDIA AND ABROAD.**
* **AGENTS THROUGHOUT THE WORLD.**
* **PROVIDES EVERY BANKING FACILITY.**

G. D. Birla Chairman

S. T. Sadasivan General Manager

(ESTD. 1919)

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Manufacturers of:-

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and

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COMPANY AFFAIRS

HIGHER SALES FOR PHILIPS

An increase in the volume of sales, a higher amount of profit and a larger appropriation for dividend and a further expansion of local manufacturing programme highlighted the working of Philips India Ltd. during the year 1959. With the progressive realisation of the company's local manufacturing plans and the sustained demand for all its products, sales in 1959 have reached a level of Rs. 4.9 crores as compared to Rs. 4.5 crores in 1958. The overall trend is reflected in the aitivities pertaining mainly to the Entertainment group, such as radio, acoustics, etc. Sales of industrial and professional articles, however, continue to be adversely affected by import restrictions. In this connection, it is felt that unless the production of lamps is allowed to expand with the rise in demand, there is likely to be an overall shortage of lamps in the country in the near future.

Profit before taxation has increased from Rs. 53.56 lakhs to Rs. 58.32 lakhs after providing for a higher depreciation charge of Rs. 11.2 lakhs as compared to Rs. 8 lakhs in the previous year, and also after setting aside Rs. 2 lakhs for staff gratuity. The Directors have recommended a dividend of 12 per cent subject to the deduction of Income-Tax. In this connection, the observations made by the Directors in regard to the implications of the recent changes in tax relating to the dividends are of interest: "It would be appreciated that so far as your company is concerned, the new scheme of taxation will adversely affect the liquid position required for the current and future expansion of your company's operations if the net cash dividend is to be maintained at the same level as that obtaining under the old scheme of grossing-up."

Simultaneously with the company's factory at Calcutta maintaining a satisfactory level of production, the new factory at Loni, which was recently inaugurated by Mr. Manubhai Shah, the Union Minister of Industry, has also started producing radio sets and components of different types. While efforts are being made to attain self-sufficiency in the production of radio sets, it has been planned to extend local manufacture to other fields, such as X-ray equipments. The Directors report their endeavours to expand the local manufacture in those directions not only through the company's two factories a Calcutta and Loni, but also in collaboration with ancillary and small-scale industries. Another important feature of the company's activities in 1959 has been the assistance it rendered to the All-India Radio authorities to set up the experimental television station in Delhi which was inaugurated by the President in September last.

REWA COALFIELDS

Owing to acute shortage of wagons, raising from the collieries of the Company were considerably restricted, although the production was in full strength. Raisings and despatches were to the extent of 4.47 lakh tons and 4.45 lakh tons during 1959 against 4.09 lakh tons and 4.11 lakh tons respectively during the previous year. A new pit has been developed at Umaria and in due course raisings of the Company will increase. Overall result were quite satisfactory. The Company made a profit of Rs. 1.40 lakhs. The Directors have recommended the payment of a dividend at the rate of 10 per cent subject to deduction of tax which will absorb Rs. 1.3 lakhs. Capital expenditure during the year was to the extent of Rs. 4.15 lakhs (excluding Rs. 2.82 lakhs in progress) against Rs. 6.43 lakhs in 1958.

THE PUNJAB NATIONAL BANK

The deposits of the Bank on June 30, 1960, exceed Rs. 145 crores against 141 crores at the end of the previous year. Subject to audit, the net profit of the Bank for the half year ended 30th June, 1960 after providing a sum of Rs. 6.39 lakhs for payment to the Gratuity Fund Trust and making necessary provisions amounts to Rs. 45.37 lakhs as against Rs. 42.76 lakhs for the corresponding half year in 1959. After adding a sum of Rs. 3.19 lakhs carried forward the amount available for appropriation is Rs. 48.56 lakhs.

The Directors have decided to pay an ad-interim dividend for the current year at the rate of Re. 1 gross per share amounting to Rs. 12.50 lakhs leaving a balance of Rs. 36.06 lakhs.

The Bank has 400 offices in India, Burma and Pakistan.

THE INDIAN BANK LIMITED

The Directors have announced that subject to audit the net profit of the Indian Bank Limited, Madras, for the half-year ended June 30, 1960, amounts to Rs. 22.38 lakhs. This sum together with the sum of Rs. 8,143 carried from the previous year's account makes a total of Rs. 23.18 lakhs which is available for disposal with the Directors.

THE INDIAN OVERSEAS BANK LIMITED

The net profit of the Indian Overseas Bank Limited for the half-year ended June 30, 1960, subject to audit, including the sum of Rs. 1.26 lakhs brought forward from the last year's account, amounts to Rs. 19.30 lakhs.

THE BANK OF INDIA

The transactions of the Bank of India Limited for the six months ended 30th June, 1960, have, after making the usual provisions for contingencies, resulted in a profit (subject to taxation) of Rs. 42.64 lakhs. To this amount has to be added Rs. 12.47 lakhs brought forward from the last account, making a total of Rs. 55.12 lakhs. This sum the Directors have disposed of as follows: In payment of an interim dividend at the rate of 15 per cent per annum (Rs. 3.75 per share) subject to deduction of tax at the prescribed rates on the paid-up capital of Rs. 3.00 crores for the half-year ended June 30, 1960, which absorbs Rs. 22.50 lakhs; carried forward to the next half-year Rs. 32.62 lakhs, subject to taxation.

PREMIER AUTOMOBILES

The total sales of the Premiee Automobiles Limited for the year 1959-60 amount to about Rs. 20.89 crores. The Company sold 5,733 cars and 5,796 trucks in the same period. Against this the total sales of the Company for the year 1958-59 amounted to about Rs. 17.43 crores. The Company sold 3,237 cars and 5,167 trucks in the same period.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months / Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.8	97.1	101.4	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108 2	108.1	108.4
1958-59 ..	115 2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119 0	99.5	116.5	123.7	113.8	111.2	111.6	117.1
April 1959 ..	113.1	97.5	116.2	116 2	108.4	107.9	108.0	111.9
May ,, ..	116.1	98.6	115.8	119.5	108.1	108.5	108.4	114.0
June ,, ..	118.7	97.6	115.9	120.3	108.2	109.3	109 1	115.6
April 1960 ..	118.6	103 1	118.7	134.2	123.2	116.9	117.8	120.5
May ,, ..	119.9	107.3	118 6	140.1	125.4	118 9	119 8	122.7
June ,, ..	120.4	109.5	118.5	139 6	127 2	118.6	119.8	122.9
25-6-1960 ..	120.4	110.5	118.6	138.9	129 0	118.5	120.0	122.9
2-7-1960 ..	121.7	110.5	118.7	138.2	129 5	118.5	120 0	123.4
9-7-1960 ..	123.7	110.5	118.8	136.7	130.2	118 9*	120.5	124.4*
16-7-1960 ..	125.1	109.0	118.9	136.4	130.5	119.3	120.9	125.1

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—			105	104		106		—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 August	401	420	311	156	406	468	504	165	433	164	178	173
September	403	422	319	156	399	465	510	161	434	162	179	173
October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168*
February	399	418	294	161	389	468	511	165	448	167	167	168*
March	395	414	287	157	392	464	510	165	446	166	168	168*
April	402	421	288	155	392	463	511	165*	446	162	163*	168*
May	402	421	—	153	396	461	510	165*	452	166	163*	168*
June	403	422	—	154	399	460	510	—	462	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 22-7-1960 High	22-7-1960 Low	22-7-1960 Average	15-7-1960 High	15-7-1960 Low	15-7-1960 Average	8-7-1960 High	8-7-1960 Low	8-7-1960 Average	1-7-1960 High	1-7-1960 Low	1-7-1960 Average
Gold (per fine tola) ..	132 22	130 00	131.05	130.69	128.62	129.62	129.84	128.56	129 07	128.31	125 78	127.35
Silver (per 100 fine tolas)	222.06	216.50	219 42	220.12	216.94	218 86	217.56	216.06	217 02	216 69	214.06	215.61

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	LIABILITIES: Notes Held in Banking Department	LIABILITIES: Total Notes Issued (a)	ASSET: Gold Coin and Bullion (b)	ASSET: Foreign Securities (c)	ASSET: Total of (b+c)	ASSET: (b+c) as Percentage of (a)	ASSET: Rupee Coin	ASSET: Rupee Securities	ASSET: Total Assets
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,82	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	545,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529.36	23,18	1,552,53	117,76	329,65	447,41	28.79	129,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,88	1,750,77
Average of Fridays										
April 1959 ..	1,756,36	17,83	1,774,19	117,76	178,01	292,44	16.67	132 26	1,346,16	1,774,19
May ,, ..	1,756,56	22,14	1,778,70	117,76	178 01	295,77	16.63	130, 5	1,352 78	1,778,70
June ,, ..	1,740,14	25,24	1,765,39	117,76	178,01	295,77	16.75	128,87	1,340,75	1,765,39
April 1960 ..	1,887,43	17,25	1,904.67	117,76	163.01	280,77	14.74	127,16	1,496,74	1,904,67
May ,, ..	1,886,74	20,78	1,907.52	117,76	163,01	280,77	14.72	125,34	1,501,41	1,907,52
June ,, ..	1,860,95	26,56	1,887,51	117,76	149.26	267,02	14.15	125,34	1,495,15	1,887,51
Week-Ending										
24-6-1960 ..	1,835,99	38.65	1,874,64	117,76	143,01	260,77	13.91	127,47	1,486,40	1,874,64
1-7-1960 ..	1,834,52	30,54	1,865,06	117,76	143,01	260,77	13.98	127,90	1,476,40	1,865,06
8-7-1960 ..	1,850,11	13,83	1,863.94	117,76	143,01	260,77	13.99	126,77	1,476,40	1,863 94
15-7-1960 ..	1,841,67	23,07	1,864,73	117,76	143,01	260,77	13.98	127,57	1,476,40	1,864,73
22-7-1960 ..	1,815,38	26,34	1,841,72	117,76	143,01	260,77	14.16	12 ,38	1,451,57	1,841,72

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	DEPOSITS: Other Governments	DEPOSITS: Banks	DEPOSITS: Others	DEPOSITS: Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	286,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58* ..	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32 90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,87	8 23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25 53	88,92	258,90	12,22
Avr. of Fridays														
April 1959 ..	53,36	19,25	83,53	118,28	274,42	89,19	453,62	17,90	22,96	33,95	37,34	84,95	241,14	15,38
May ,, ..	56 83	16.47	75,99	118,46	267,55	89,15	446,70	22,20	9,17	24,17	38,20	73,29	266,50	13,17
June ,, ..	51,47	14,50	81,48	119,90	267,35	95,58	452,93	25,29	93	17,02	18,59	62,37	305,15	13,56
April 1960 ..	62,66	21,36	90,66	100,04	274,72	119,53	479,25	17,33	47,71	21,96	41 01	117,33	219,04	14,87
May ,, ..	55 55	27,19	96 34	98,14	277,23	108,96	471,19	20,85	27,39	12 66	49,43	115 02	230,51	15,34
June ,, ..	73,15	13,28	107,89	90,72	285,05	111,02	481,08	26,63	28,14	13,57	45,94	122,56	228,03	16,21
Week-Ending														
24-6-1960 ..	62,41	18,36	114,67	90,92	286,37	115,75	487.13	38,71	20,64	14,47	43,62	121,56	230,59	17,54
1-7-1960 ..	54,67	20.79	115,45	133,06	323,97	76,27	485.24	30,63	3,69	13,59	31 92	130,06	257,10	18.25
8-7-1960 ..	69,27	14,96	117,57	130,71	332 50	72.60	490.10	13,89	4,99	26,67	34,93	133,93	256,61	19 08
15-7-1960 ..	74,24	11.81	129,93	130,48	346 47	76,20	507,67	23,13	5,67	22 35	37,15	132,83	269 05	17,49
22-7-1960 ..	52,45	31,08	113,86	129,30	326,69	73,69	485,37	26,40	22,24	17,29	29,55	116,20	259,32	14,36

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and of Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

CHEQUE CLEARANCES

(Rs. lakhs)

Period			Numbers ('000)	All Centres	Bombay	Calcutta	Kanpur	New Delhi	Madras	Other * Centres
1951-52		.. ..	28,076	7,378,61	3,039,07	3,254,50	145,80	59,36	474,88	786,39
1952-53		.. ..	29,700	6,570,36	2,613,95	2,495,89	138,37	65,72	416,99	729,70
1953-54		.. ..	32,030	6,714,48	2,669,08	2,569,24	146,19	75,27	389,33	734,46
1954-55		.. ..	34,620	7,249,41	2,811,61	2,854,04	143,30	83.38	367,91	851,53
1955-56		.. ..	37,199	7,956,21	3,071,23	3,014,05	149,24	131,13	426,58	1,009,52
1956-57		.. ..	40,008	8,724,35	3,312,72	3,197,51	166,62	247,22	512,74	1,101,96
1957-58		.. ..	41,672	8,954,80	3,428,35	3,092,43	182,47	326,17	515,07	1,212,92
1958-59		.. ..	45,172	9,767,12	3,724,36	3,306,35	176,23	371,57	523,88	1,427,04
1959-60		.. ..	50,064	10,988,05	4,170,95	3,557,28	197,42	447,59	619,59	1,721,00
1958	October	.. ..	3,938	798,53	298,47	280,89	12,12	31,18	43,28	113,92
	November	.. ..	3,528	773,01	287,02	270,95	12,86	36,49	41,51	106,09
	December	.. ..	4,035	887,34	337,29	307,04	15,90	31,42	47,80	127,95
1959	January	.. ..	4,072	894,45	366,23	277,46	16,84	34,98	44,92	132,91
	February	.. ..	3,821	828,47	320,92	266,65	15,30	32,91	45,80	127,83
	March	.. ..	4,030	945,59	344,93	317,85	15,18	44,24	53,08	144,48
	April	.. ..	4,128	923,19	355,85	293,52	17,11	34,59	50,05	147,78
	May	.. ..	4,060	848,53	323,65	262,53	17,77	34,34	46,63	142,44
	June	.. ..	3,817	792,48	299,23	247,95	16,15	31,30	44,90	132,01
	July	.. ..	4,248	907,46	347,36	290,36	16,47	38,98	51,77	140,09
	August	.. ..	3,846	855,11	328,56	282,66	14,39	34,72	48,19	125,04
	September	.. ..	4,070	891,11	328,10	305,83	14,20	34,05	53,70	132,66
	October	.. ..	4,121	875,15	345,01	271,46	14,47	40,10	46,77	136,97
	November	.. ..	4,246	919,09	**335,67**	**307,70**	**15,37**	**38,97**	**51,66**	**148,24**
	December	.. ..	4,500	1,021,42	379,79	345,73	19,22	41,04	55,59	156,65
1960	January	.. ..	4,392	998,20	389,57	312,69	19,36	40,25	52,64	159,42
	February	.. ..	4,205	943,59	355,29	305,43	17,06	35,26	52,59	153,78
	March	.. ..	4,431	1,012,71	382,86	331,43	15,87	43.99	65,12	145,93
	April	.. ..	4,536	1,042,01	366,43	337,74	21,01	59,03	59,71	169,33
	May	.. ..	4,588	1,019,66	380,34	319,29	20,72	49,47	58,90	168,21

* Comprising clearing houses managed by State Bank of India, State Bank of Hyderabad and Sangli Ban

Source: Reserve Bank of India.

INDUSTRIAL CAPACITY AND PRODUCTION

Industry	Capacity				Production			
	1950-51 Actuals	1955-56 Actuals	1960-61 Expected	1965-66 Target	1950-51 Actuals	1955-56 Actuals	1960-61 Expected	1965-66 Target
I. Chemical and Allied Industries								
Heavy Chemicals								
Sulphuric Acid ('000 tons)	150	242	521	1500	104	164	400	1250
Soda Ash ('000 tons) ..	54	90	304	530	45	81	240	450
Caustic Soda ('000 tons) ..	19	44	150	400	11	35	125	340
Fertilizers								
Ammonium Sulphate (in terms of fixed nitrogen) ('000 tons)	16	86	234	1000	9	79	210	1000
Superphosphates (in terms of P2O5) ('000 tons) ..	21	44	82	500	9	12	70	400
3. Cement (mil. tons) ..	3.3	4.9	10.0	15.0	2.7	4.6	8.8	13.0
4. Paper and paperboards ('000 tons)	137	210	363	820	114	187	320	700
5. Newsprint ('000 tons) ..	—	30.0	30	120	—	4.2	28	120
6. Soap ('000 tons)	199	240	254*	254*	74	103	380	500
7. Refractories (mil. tons) ..	—	0.44	0.87	2.00	0.23	0.29	0.60	1.60
II. Mechanical Engineering Industries								
8. Bicycles* (mil. nos.) ..	0.12	0.76	2.20	2.20	0.10	0.51	1.05	2.00†
9. Sewing Machines* ('000s) ..	37.5	46.5	288.0	500.0	33.0	111.2	300.0	450.0‡
10. Automobiles ('000s) ..	30.0	29.0	53.5	100.0	16.5	25.3	53.5	100.0
11. Diesel Engines ('000s) ..	6.32	20.0	62.0	72.0	5.5	10.4	33.0	66.0
III. Electrical Engineering Industries								
12. Electric Transformers (mil. KVA)	0.37	0.66	2.2	4.0	0.18	0.63	1.35	3.50
13. Electric Motors (200 h.p. and below) (mil. H.P.) ..	0.15	0.23	1.25	3.0§	0.10	0.27	0.80	2.50§
14. Electric Cables and Wires (ACSR) conductors ('000 tons)	2.5	13.4	28.0	55.0	1.4	8.7	18.0	44.0
15. Electric fans (mil. nos.) ..	0.29	0.40	2.2	2.8	0.20	0.29	0.9	2.5
IV. Metallurgical Industries								
16. Finished Steel (mil. tons)	1.02	1.30	4.50	7.50	0.98	1.28	2.60	6.90
17. Aluminium ('000 tons) ..	4.0	7.5	17.5	82.5	3.7	7.3	17.0	75.0
V. Textile Industries								
18. Cotton Cloth (mill-made) (mil. yds.)	4744	4950	5300	5800	3720	5102	5000	5800
19. Cotton Yarn (mil. lbs.) ..	1669	1840	2100	2250	1179	1640	1900	2250
20. Rayon Filament (mil. lbs.)	4.0	22.0	52.3	140.0	0.4	16.0	47.0	140.0
21. Jute Manufacture ('000 tons)	1200	1200	1200	1200	824	1054	1100	1100
VI. Food Industries								
22. Sugar (mil. tons) ..	1.54	1.74	2.28	3.00	1.12	1.86	2.25	3.00
23. Vanaspati ('000 tons) ..	333	380**	434	550	153	276	350	500

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Wanted: A Policy for Food Production

THE accent happily, at long last, has firmly rested on prices. Cloth is already responding, with an imaginative gesture this week from the Indian Cotton Mills Federation. On the food front a reassuring statement has been made by Mr. S. K. Patil who has suggested that the time has come for removing zonal restrictions on wheat despatches. It is clear that the long-run solution of India's problems rests on food production only. Here the imaginative touch of the Food Minister has not yet gone to work. How can implementation be best built into the Indian agricultural system so that it might survive the acid test, which is not planning but performance and implementation?

Applying the test of performance and implementation to the latest draft proposal of the Third Five-Year Plan, these questions might be asked of the Planning Commission. What performance in recent history indicates the possibility of a 6 to 10 per cent increase in food and agricultural production each year? Have sufficient quantities of improved seeds, fertilizers, storage facilities, farm tools, credit and water been made available to the villagers? What improved techniques of administration and added staff have been made available to perform the educational and service phases of the job? What incentives have been given to the villagers to motivate them to the great effort necessary?

At this stage the Third Five-Year Plan is woefully inadequate in providing farmers of India the necessary production supplies and economic motivation essential to produce 105 million tons of foodgrains—30 to 35 million tons above the level of recent years. In the case of fertilizers, the Plan calls for the internal production and use of one million tons nitrogen and 0.4 million tons phosphates by 1965-66. These are impressive additions to the two lakh tons nitrogen and 40,000 tons phosphates produced last year. But, the amount of fertilizers planned is obviously not enough. From the above data it can be determined that one ton of fertilizers is expected to return an increase of 21 to 25 tons of foodgrains. This is not realistic planning. A more realistic relationship is 6 to 12 tons of increased foodgrains production per ton of fertilizers, depending on the limitations of other factors of production. The Planning Commission might contend that the difference between the ratio of 6 to 12 tons and 21 to 25 tons increased food production per ton of fertilizers will be achieved by increased use of village production plans, better seeds, irrigation and green manures; past experience would indicate this is purely wishful thinking.

The Third Five-Year Plan proposes to supply most of the one million tons of nitrogenous fertilizers from the Sindri Plant and other plants planned for construction in the public sector. But the Nangal Plant with 80,000 tons capacity, due in 1960, cannot possibly be completed before late 1961 or 1962. The Rourkela Plant with 80,000 tons capacity and the Neyveli Plant with 70,000 tons capacity, both due for completion in 1960, now appear to be going late and it will be 1961 or 1962 before production starts. The Trombay, Durgapur, Naharkatiya and Kothagudium plants are still on paper and production there under the best of conditions should not be expected before 1964 or 1965. Plants at other locations are not likely to be constructed and may not start producing fertilizers for use by the agriculturist before 1966 or 1967. Production is down at the Sindri Plant because of shortage of coking coal. This shortage will also continue to haunt other plants based on coal.

The above data indicate that with optimum progress in plant construction, production of nitrogen in India would not exceed 3.5 to 4.0 lakh tons by 1963 and would not exceed 7.0 lakh tons by 1965-66. A more likely production figure is 5.0 lakh tons by that date. If only one million tons or less of nitrogen is to be made available to farmers for food production, then imports must make up the difference or a much more aggressive production programme must be implemented. At least 2.5 to 3.0 million tons of nitrogen, an equal amount of phosphate and one million tons of potash are needed if the 105 million tons foodgrains target is to be achieved. This amount of fertilizers would also supply the requirements for sugarcane, cotton, tea, jute and other cash crops, so necessary to earn foreign exchange.

The Third Five-Year Plan calls for bringing 20 million acres additional land under irrigation, the establishment of 4000 seed farms, the expansion of Community Development services and quite extensive provision of credit for village production plans. The 1965-66 target for insecticide chemicals is identical with the estimate of current production. These factors will no doubt make a contribution to increased food production, but the limiting factor continues to be fertilizers. Increased food production that might come from added irrigation is almost entirely offset by declining food production in other areas due to water logging and increased salinity. Village production plans and added credit do not increase food production except as production requirements such as fertilizers, improved seed varieties, water supply, etc. are made available to the villager. If the fertilizer supplies are not made available, then all production lags.

Village cultivators need a stronger economic incentive to use production practices that increase food output. Fertilizers, for example, cost the Indian cultivator Rs. 380 per ton. Most farmers throughout the world pay less than Rs. 300 for the same grade and quality fertilizers. While Indian villagers may receive more than the world market price for wheat and paddy, the fact of their situation is that they do experience a wide range in market price. This range varies with local production, State trading policies, rumours, weather and many other factors. What is needed is a firm floor production and marketing. On this critical issue the Plan speaks in the broadest, and most unhelpful, generalities.

Cloth: Challenge and Response

MR. LAL BAHADUR SHASTRI, who spoke at the end of the heated two-hour debate on the rise in cloth prices in the Lok Sabha, started his speech with an assurance that he would bring objectivity to bear on his approach to the appraisal of the problem. If only this assurance had been steadily observed much of the prejudice created by the sentimental vehemence displayed earlier during the debate would have been repelled. Unhappily the entire debate proceeded on the assumption that the end-prices paid by the consumer were "dictated and controlled" by the industry. In the result, what the debate actually produced was a distorted picture of the problem and a facile belief that censure on the industry for whatever has occurred would restore immediate balance in prices to the normal level.

An objective approach, as promised by the Minister, demanded in the first instance an explanation of the causes which have led to cost inflation in the industry and made an increase in prices inescapable. The estimates of the last season's cotton crop went totally wrong. As against the normal average crop of 48 lakh bales, the official estimate was of the order of 43 lakh bales. Ultimately, the final estimate had to be scaled down to 37.5 lakh bales. The gap between carry-over plus domestic output and consumption requirements had to be made good by imports. This was a matter difficult of solution because of inadequate allocation of foreign exchange in the midst of strict rationing by the Finance Ministry, as disclosed by Mr. Shastri. Imported raw cotton, costing about 60 per cent more than indigenous cotton, had to be used in unusual quantities in the production of coarse and medium cloth. The addition to the wage bill consequent on the effect given to recommendations of the Wage Board and the higher cost of coal, stores and chemicals were among the important ingredients responsible for cost inflation in the industry of quite an appreciable magnitude.

In the absence of an adequate flow of raw cotton supplies, it was inevitable that production should decline particularly in the varieties of popular consumption. Production of coarse cloth declined by nearly 32 per cent to 293 million yards during the first half of 1960 as compared to the corresponding half year of 1959. What was actually produced was partly with the utilization of high cost imported cotton — an altogether abnormal factor for this variety. The impact of cost inflation on medium varieties was more onerous.

Mr. Shastri has conceded that an allowance, varying between 20 per cent and 25 per cent in the prices of cloth prevailing at present over the price a year ago, could be made on account of these factors. Market trends, however, show that the retail price in the case of some varieties in popular demand has risen in some places as high as 40 per cent during the period. Undoubtedly this rise is excessive. The crucial question, however, is to locate responsibility for this rise and decide workmanlike measures to be enforced to bring prices to reasonable levels in the immediate future.

It is certainly surprising that Mr. Shastri, who only six months ago was inclined to blame the wholesale trade for the price increase when it became evident, has now veered round to the view that the responsibility for the current high increase in retail prices must be put squarely on the shoulders of the industry. The reason assigned for this fresh allocation of responsibility is that industry through its agents and wholesale traders can influence prices at various points. The logic of this view required an explanation how in fact the industry can control and direct the course of prices after the stocks in the mills are sold to the wholesale trade. This exactly was a point which was conveniently omitted.

To what extent the industry has raised the prices of cloth as a result of the cost inflation is not in doubt. The index of wholesale prices of cotton textiles rose on July 23, 1960, over July 25, 1959, by 15 per cent. The Indian Cotton Mills' Federation announced last week a cut of 10 per cent in the retail price of cloth. A crucial qualification which governs the application of this cut has not been appreciated properly. This cut extends to cloth sold in the retail shops and depots maintained by the mills. This is a very restricted sphere of retail trade under the control of mills.

It needed a crisis in prices to draw attention to the urgency of raw cotton imports. An additional quantity of 6 lakh bales is now to be procured from abroad. As imported supplies arrive, production will be stepped up to break the present stalemate. Even so, the high cost of imported raw cotton is bound to produce its inevitable impact on the consumer price. The question of starting the third shift in more mills will be a matter for joint decision by the industry, labour and Government. But it was singularly unfortunate that in a case where the industry has acted with commendable speed and public spirit the Minister should appear not merely unappreciative but hostile. It is not surprising, as Press reports indicate, that hostility is being engendered in return.

Bank Deposits: Protection by Insurance

THE announcement on Tuesday this week that the Palai Central Bank had gone into liquidation has rudely shaken the confidence of the banking public in the Reserve Bank of India. Not since the crash of the Travancore National and Quilon Bank in the late thirties has public feeling been higher. In that case, the assets covered liabilities almost completely. Here apparently the story is different and the impact much greater. The Palai Bank was a scheduled bank with over 100 branches and employing a staff of nearly 1,000 and with deposits of the order of about Rs. 10 crores. Its liquidation after an existence of 33 years is a matter of serious concern and understandably enough not only in the Lok Sabha but throughout the country there has been a popular uproar. There is an insistent demand that whoever is in the wrong should be held accountable. The Finance Minister's statement which was more in the nature of defending the Reserve Bank was hardly calculated to assuage the feelings of those who have suffered by the disaster.

The question to be faced is what is to be done. It concerns not only the depositors of the Palai Bank who have been put to considerable loss and suffering, but the future of the Indian banking system at a critical point in its development. The Finance Minister has given the assurance that he would take action against the Managing Director and the Directors of the Bank, if there was any material for prosecution against them. There have also been reports that even apart from the powers conferred on the Reserve Bank under the Banking Companies Act of 1949, it may be armed with additional powers to have a tighter control over the scheduled banks. These are all, however, only palliatives. What is far more important is to face the central problem of inspiring confidence in the public over the banking system.

There has been a phenomenal growth in banking activity during recent years. Apart from the rise in the deposits of the State Bank which has completed its target of opening 400 additional branches, there has been a steady rise in the growth of the deposits in the banking system as a whole, which has risen from Rs. 860 crores in 1950 to nearly Rs. 2,000 crores by the end of July this year. What is more significant is the growth in personal deposits. Thus the personal account in the Time deposits has risen from about Rs. 175 crores in 1955 to Rs. 360 crores in 1959. In Savings deposits, it has risen from about Rs. 140 crores to Rs. 213 crores. Taking the total deposits as a whole including Demand deposits, it has risen from Rs. 440 crores to nearly Rs. 695 crores. More interesting is the fact that the number of accounts of personal depositors in Savings has risen from nearly 675,000 to 928,000 between 1955 and 1959 and in Time deposits the number has grown from 283,000 to 616,000 during the same period.

This is a remarkable and healthy development and it is the duty of the Government as well as the Reserve Bank to see to it that this process does not suffer a reverse especially when the country is shortly to launch on its Third Five-Year Plan calling for the mobilisation of resources in a greater measure. It is, therefore, necessary that the problem of deposit insurance should receive active consideration and examination because it alone will provide the fulcrum on which the confidence of the depositor will revolve. In the United States when the banking system broke down in 1933, the Government actively stepped into the picture and by the Banking Act of 1933 established a Federal Deposit Insurance Corporation. It was open to all commercial banks and was partly subscribed to by the Treasury and the remainder by the Federal Reserve banks. Since 1942, all insured banks with average deposits of one million dollars or more were required to be members of the Federal Reserve system which resulted in bringing all but a very small percentage of the banking resources of the country into the system. Though there was some criticism over the working of the Corporation, it served as a tonic to the jaded psychology of the American public and did much to remove the public distrust of the banking system.

The position facing the country today is something analogous to that of America in the thirties. Since public confidence has been shaken about the ability of the Reserve Bank to exercise complete control over the banking system, it is necessary to devote serious attention to the formulation of a policy of insurance for deposits. The task is, of course, difficult and there may be any number of objections raised. For instance, the big banks may not be amenable to a scheme whereby they are not likely to be gainers, but only losers. Again, there may be actuarial difficulties. But these should not stand in the way of establishing a corporation on the American model so as to at least cover the large number of small banks. The Corporation may, however, need to be financed by the Government, the Reserve Bank, the State Bank, as well as the bigger banks. Out of evil will come good; if the Palai episode leads to some fresh activity in the protection of depositors, it would not have gone in vain.

A DELHI DIARY

PALAI AND AFTER

IF the last week was tame, this week has been hectic and full of its own trials and tribulations. The liquidation of the Palai Central Bank has created a stir, which has clearly taken both the Government of India and the Reserve Bank by surprise. On the floor of the House on Thursday, there were repeated attacks on the Reserve Bank of India, and at the Prime Minister's Press Conference several journalists asked inconvenient questions which the Prime Minister parried rather than answered. At one stage the Prime Minister argued that "technical" causes of failure could only be studied by the Reserve Bank. It was a nice debating point as to whether a party to a bank failure is in a fit position to judge the "technical" character of its own advice and its own rectitude in the matter. In any case, the state of public feeling is such that the Government of India will not be able to escape with the argument that the Reserve Bank of India has done everything possible or that its reputation among Central Banks is, as the Prime Minister claimed, one of the highest in the world. This was sensed presumably on Thursday evening when both the Prime Minister and the Home Minister explained their willingness to look into the matter further if new facts were found. A new fact was found immediately; the liquid assets of the bank were claimed at Rs. 4.34 crores as against less than half that figure presented in the Finance Minister's statement. It is not possible now to prevent an overflow into politics. After all, the socialist pattern of society cannot afford to be indifferent to the poor. Is it not one of its cardinal principles of policy that it discriminates in favour of the small man? If equality in the magnificient British Constitution is represented by the fact that it allows the rich and the poor equally to sleep on the Thames embankment, surely the hard remark can be made that, in the socialist pattern of society, the rich depositor and the petty one are treated equally indifferently. This, if I am correct in judging the temper of Delhi, just will not do. Some quick action to allay distress is necessary and, with great respect, I suggest that "The Eastern Economist's" proposal of providing insurance for future bank deposits is uncommonly like shutting the stable after the horse has gallopped away.

I think Delhi has agreed on almost nothing except that we do not want another 'Chagla Enquiry'; of that species we have already had too many, apart from the fact that Chaglas are in short supply!

DANGE IN THE DOCK?

Only next to the sensation caused by the failure of the Palai Bank came the revelation that Mr. Dange, the leader of the Communist Party in the Lok Sabha, has been proceeded against by the Enforcement Branch for violation of foreign exchange regulations. With magnificent tact and not a little determination, the Finance Minister of India kept concealing Mr. Dange's name on the ground that it was not necessary that it should be revealed at this stage. The Speaker came magnificently to the rescue of the House and compelled information. Mr. Jaipal Singh was effective with his remark that, if this was not revealed, he would have to look with suspicion on every Communist Member of the House. This was too terrible a cloak of suspicion to be worn by a Party, and now Mr. Dange's Atlantean shoulders bear all the Party's burdens. There appears to be no record of his having used this amount for personal purposes. It is not without significance that various countries' contributions to Mr. Dange's funds have not yet been mentioned.

JAWAHARLAL, THE SILENT

The Prime Minister's Press Conference on Thursday was full of personal interest. Each of us naturally looked for something different, but I was looking for a change in the Prime Minister himself who now speaks with far greater circumspection. To the journalists who asked him why he had been "recently" so tight-lipped on many matters, the Prime Minister said—not without a smile—that he had only three occasions on which he could deliver himself. The first of these was in Parliament, the second at public meetings, and the third at Press Conferences. Since the Parliament was not in session, and public meetings had not been arranged—as if the Prime Minister allows events to overtake him in this manner—and a Press Conference had not been held, his opportunities of expression were very severely limited. Again when he was asked why on international matters, particularly the Summit and the Congo, he had not said more, the Prime Minister spoke of himself as a very "modest" person not competent to give advice to all and sundry. The complaint that Jawaharlal Nehru, who in his younger days (ten years ago) was very quick at pronouncements on international situations, speaks too much has certainly lost its force. Once in a fit of good humour many years ago he accused himself of suffering from foot and mouth disease. He still travels very widely, but who can deny that his utterances are now full of restraint? Half of the old disease (if any) has been completely cured.

The Prime Minister on Thursday also discounted conferences. He talked about an Afro-Asian Conference as being premature unless "adequate preparations were made. The conference disease—which has overtaken the world and comes in epidemic form to New Delhi each winter—is apparently recognized by the Prime Minister as a dubious blessing even if it brings trade and foreign exchange in its wake. He did, however, refer with approval to the ECAFE Conference due next year, as though that might be an exception, in providing the basis of an "Economic Bandung". All of us hope that this wish of the Prime Minister will be father to the thought and through father or the mother to the deed. Will the Economic Commission for Asia and the Far East take note of the high expectations that have thus been raised?

The Prime Minister, who was in exceptionally good form throughout the Press Conference, was at his best not on these questions but on Assam. He argued —convincingly, I thought—against the imposition of the President's rule in Assam, firstly, because the State authorities were "now" dealing with the law and order in that State. Secondly, the imposition of the President's rule would have only put a new barrier to goodwill of the people of Assam to the minorities and would have created an atmosphere in which it would have become difficult to iron out the differences which had already arisen. On Assam, the Prime Minister has done so sterling a service to the country that many of his critics have suddenly changed their opinion on his indispensability. Not to be undone, let me say that I am personally convinced that the Prime Minister's leadership is necessary both because of the difficult situation we have on the foreign exchange front and because of his unrivalled capacity to direct State Governments such as those of Assam, when pressures are beyond the capacity of other men. I, therefore, unusually end with the fervent prayer that Providence may spare Jawaharlal Nehru—until 1967 as Prime Minister and beyond that otherwise.

ARGUS.





THE WEEK'S NOTES

Central Government Employees

WHAT NEXT?

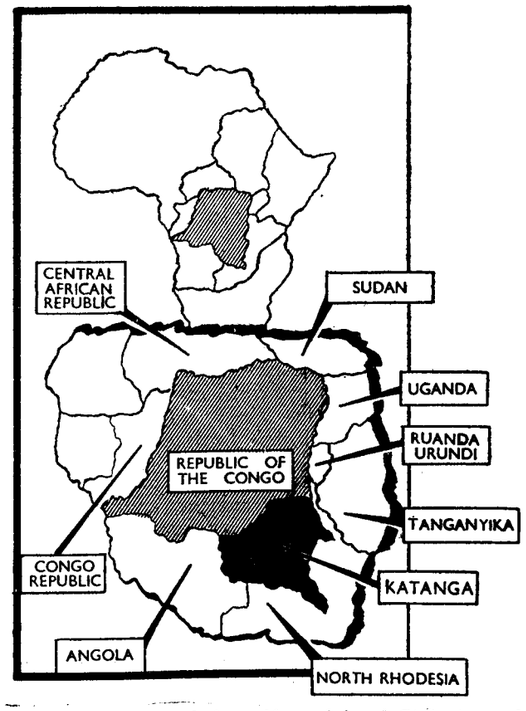
THE TWO-DAY post-mortem by the Lok Sabha on the recent strike of the Central Government employees was a dull affair and it did not bring out anything which was new and was not already known. On the side of the Government, the Prime Minister, the Home Minister and the Labour Minister explained the background and under what circumstances Government had to resort to the promulgation of an ordinance. The speech of Mr. Nath Pai, who was one of the principal leaders of the strike, was intended to be a brave attempt to vindicate the strikers' stand but it turned to be apologetic; and he could not explain as to why in spite of Government's efforts to meet them more than half way, they did not agree for a settlement. In the speeches made by the Home Minister, Pandit Pant, and the Labour Minister, Mr. Nanda, however, there were some discrepancies to which attention should be drawn. Pandit Pant said, referring to the future, that strikes would be banned in the public services and neither the Railways nor the Posts and Telegraphs employees could indulge in such a sort of "suicidal and dreadful upheaval." He also made it clear that though they might have their own unions, they would consist of the services themselves. The present position with regard to right to strike by a Government servant is anomalous. As. Mr. Jaya Prakash Naryan pointed out recently, the question of banning strikes in the essential services is only of academic value, since for all practical purposes such a ban is already in force. The right to strike is wholly illusory because an ordinance is able to nullify it every time the occasion arises. The Pay Commission, in its report, has pointed out that while strike by Government servants is not prohibited by law, it only constitutes a breach of discipline. At the same time it has said that it would be wrong for public servants to resort to strike or threaten to do so. Since it will be to idle to deny that the position of Government employees is different from that of industrial workers in general, it is only proper that the position is clarified beyond doubt. If, therefore, it is Government's intention to ban strike in public services they should see that simultaneously a suitable machinery is evolved for redressal of grievances so that there is no suspicion of any "exploitation" of Government servants. In fact, Pandit Pant told the Lok Sabha that there would be some definite machinery in all branches of the services for conciliation, negotiation, settlement and where necessary reference to arbitration. The exact machinery that may be evolved for this purpose may be known only when the relevant bill is presented to the Lok Sabha.

In the light of Pandit Pant's statement, it is intriguing to see the slightly different stand taken by the Labour Minister. Mr. Nanda said that the question of banning of strikes was really "irrelevant". "We are not going to ban strikes," he said. "We are going to make them superfluous." What does it mean? Is it Government's intention to allow the theoretical right to strike as at present, even while seeing to it that a change is brought about by employees themselves abjuring the use of the strike weapon without amending the law as suggested by the Pay Commission? Again on the question of 'outsiders' in the labour movement, Mr. Nanda pointed out that the objection is not to an outsider as such. Only he should be a wholetime worker and not be simultaneously occupied with different unions. Secondly, he said there should be no 'politics.' It is precisely due to the fact that an outsider, who is involved in trade unions cannot avoid 'politics', elections, and the like that the suggestion has been made that unions should consist only of members of the services themselves. Therefore, the question of 'outsiders' is very relevant and cannot be disposed of in a spirit of quibbling. Whatever measures the Government may take, it must be seen to it that there is no ambiguity and the position is made crystal clear.

Congo

MR. TSHOMBE'S BRICK

HOPES THAT with the intervention of the United Nations forces, peace will be restored in the troubled Congo republic were dashed last week when the Premier of Katanga, the breakaway province which declared itself independent from the Central Government of the Congo Republic on July 10, threatened to fight back if the United Nations troops entered the province. The conduct of Mr. Tshombe, who has since declared



himself President of the self-proclaimed State towards Mr. Ralph Bunche who visited Elizabetheville at the instance of Mr. Hammarskjoeld was, as Mr. Nehru pointed out at the Joint Consultative Committee of Parliament on Foreign Affairs, "highly regrettable and highly discourteous." Apart from the discourtesy shown, his action left Mr. Hammarskjoeld with no alternative except to report back to the United Nations Security Council, since he had no mandate to commit his forces against armed resistance. The Security Council at its meeting this week had done the right thing in ordering Belgium to withdraw her troops immediately from Katanga, but Mr. Tshombe seems to be adamant in his stand that he will oppose the entry of U.N. troops. At the same time, the Congo Premier. Mr. Patrice Lumumba has declared that his Government would move troops into Katanga. Thus the situation in the Republic is becoming explosive.*

However, the U.N. forces have now to act expeditiously since any impression that the United Nations is unwilling to undertake the task assigned to it will only go to undermine African confidence in the

*At the time of going to Press, it has been reported that Mr. Tshombe has warned Mr. Hammarskjoeld that his arrival with two companies of Swedish troops could cause trouble.

United Nations. Already, the Ghana President, Dr. Nkrumah, had offered to put Ghana forces at the disposal of Mr. Lumumba and it is possible other African States may follow suit. This would mean that with the help of independent African States, the Congo Government will be further encouraged in taking any direct action it may deem fit against Katanga. This is the sum and substance of what Mr. Lumumba said when he visited Guinea to seek the help of President Sekou Toure, "Why should I accept everything from the United Nations," he declared. "We have plenty of friends in every part of the world who can supply everything we need." This distrust of Mr. Lumumba apparently stems from the fear that the Congo may be turned to some sort of United Nations trust territory in view of the prevailing chaos. It may be that the ultimate solution to the Congo crisis posed not only by the breakaway Katanga province but by the tribal separatist elements may lie in a sort of loose federation. But that is possible only when the Central Government has a chance for putting its plans before the citizens. The Congo crisis has helped to raise the stature of the United Nations and by its forceful intervention, it has shown how a great international dispute can be settled without involving the great Powers. This experiment should not be allowed to get a setback and any attempts by the Belgian Government to block the U.N. initiative or of Katanga to keep itself outside the jurisdiction of the United Nations must be firmly resisted. It is even possible that eventually the United Nations may be able to play a greater role in the peaceful evolution of the Congo by giving its assistance in running the administrative machinery after peace has been restored.

Kerala

THE AGRARIAN RELATIONS BILL

KERALA PLANTERS can derive some comfort from the fact that their last ditch battle against the Kerala Agrarian Relations Bill, passed by the State Legislative Assembly under the Communist regime in June, 1959, has not been all in vain. The President, having withheld his assent to the Bill, has referred it back to the Kerala Legislature for modification of some of its provisions which were either considered to be not in the best interests of the State's economy or were thought to be offensive to the religious susceptibilities of a large section of its population. He has made a number of useful suggestions for the guidance of the State Assembly which it will do well to take note of.

Of particular interest to the plantation industry are two suggestions of the President; one dealing with the definition of plantations and the other seeking to exempt them from the provisions of ceiling. The President, reports suggests, has directed that the definition of plantations should include "lands contiguous to, or in the vicinity of or within the boundaries of the planted area not exceeding 20 per cent of the area planted with such crops as are covered by the clause for purposes of expansion of the plantation and agricultural land interspersed within planted area and necessary for the efficient management of plantation." Though this definition falls short of the one given in the Central Statute "Plantations Labour Act, 1951," inasmuch as it restricts the inclusion of the lands intended for further plantings only to the extent of 20 per cent of the area already planted, it is a definite improvement over the definition now given in the Bill which excludes all such lands. It would, however, be better if the area enclosed within the boundaries of a plantation but lying unplanted either because it is unsuitable for growing the authorised crops or because it has been kept fallow for replacement purposes, is excluded from the 20 per cent limit. That will be helpful to the industry for it will widen the scope of its automatic expansion to the full extent of 20 per cent. President's directive that plantations should be exempted from the operation of the ceiling provisions in the Bill, however, seeks to rectify the position only technically. They are already meant to be exempted from the ceiling, but the Bill provided for this exemption only in an indirect way.

Since the Bill has now to be reconsidered by it, the Kerala Legislative Assembly will do well to look into the plea of the plantation industry that adequate provision should be made in the Bill for its expansion programmes. The industry thinks that the provision of automatic expansion to 20 per cent of the existing planted area is insufficient in view of the vital role it has to play in making the country self-sufficient in commodities like rubber and in earning valuable foreign exchange by increasing exports of commodities like coffee. Expansion over and above this limit can only be authorised by the State Government at its discretion and the provisions in the Bill in this regard are obviously not commensurate. A plantation is a long-term crop, requiring long-term investment and tending for a period of six to eight years before the plants start yielding. Availability of suitable land is a basic requirement for this purpose. With the State having the discretion, under the Bill, to permit or not to permit expansion, planning will become not only an arduous but an uncertain task. Would it not, therefore, be better if the State only reserved powers for itself to forbid further expansion of a plantation if that is considered to be contrary to public interest, instead of making it obligatory on the part of the industry to invoke the State's discretionary powers?

Small Industries

PRIVATE INDUSTRIAL ESTATES

THE SUGGESTION of the Government of India to State Governments to initiate steps for the establishment of industrial estates organized by private industrialists in their areas is indeed wholesome and can go a long way in fostering development of small-scale industries which have to play a vital role in the Indian economy in the coming years because of their high potentiality for providing employment avenues to the educated. Such estates have been remarkably successful in the U.S.A. where Development Corporations, sponsored by local authorities in collaboration with Chambers of Commerce interested in the industrial growth of specific areas, have been for sometime past engaging themselves in this activity. In India, too, the possibilities of setting up these estates are substantial for with the development of heavy and basic industries, wide fields are opening up for the starting of various ancillary industries which can be conveniently placed there. The success already achieved in this country at some of the Government-sponsored industrial estates during the past few years has been no small. That should help in inspiring confidence among the private industrialists.

Finance is not likely to prove any hurdle in the way of setting up of these estates. Industrialists will be required to invest only upto one-fifth of the total amount needed for an estate if it is meant to be run on co-operative basis and upto one-third if it is to be run on individual basis. The rest of the finance will be forthcoming from credit institutions like co-operative banks, State Industrial Finance Corporations and commercial banks. Quite a good amount of money can also be made available by local businessmen and small investors who can be provided with facilities for investment through issue of debentures of these estates. The difficulty, however, may arise in the procurement of suitable sites for they in most cases are likely to be belonging to local bodies or the Government. Is it not possible to associate local bodies with these estates as is the case in the United States? That will incidentally facilitate provision of water, electricity and such other pre-requisites of industrial activity as the local bodies are generally the agencies which supply these essential services in this country.



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16 AUG 1960 PUBLIC DEPARTMENT

A Window on the World

CLASS CHANGES IN BRITAIN

By

ODYSSEUS

CASTE AND CLASS distinctions of one kind or another exist in all countries. When, for example, an American expresses astonishment at what he calls the stratification of British society, what he really means is that he is not used to, and does not understand, the particular distinctions that he encounters in the U.K. But if he goes on to claim, as untravelled Americans sometimes do, that the USA is a casteless society, you can, if you are not feeling in the mood for an argument, smile and pass on to another topic. Alternatively, you might invite him to read, for example, the first chapters of the American Negley Farson's autobiography, "The Way of the Transgressor" (Gollancz, London), which is one of the acutest portrayals of American social folk lore that I know.

This is not to say that caste distinctions are everywhere set for all eternity in their existing patterns. A faster or slower evolution is discernable throughout the centuries. Today, old distinctions are breaking down, and new ones are inevitably emerging, under the impact of the modern industrial system. This week we continue the study of such changes on the British working classes that we began last week. When allowance is made for local variations, what emerges, I think, is the number of traits in common that social distinctions have in all countries.

ASSENTERS AND DISSENTERS

Mr J. M. Mogey, examining the contemporary British working class scene in his "Family and Neighbourhood" (Oxf. Univ. Press), distinguishes between "status-assenting" and "status-dissenting" groups in the urban working class. The status-assenters accept the existing class system and show little desire to change their situation in life. They are far less vocal than the others: they accept habits, standards, use of words, and values, which are typical of their area and streets. They rarely discuss the problems of class conflict, trade unions, work, or ideas in general. They are interested in people, in the details of daily living, and make no general observations other than to repeat headlines or cliches from recent newspapers. They are not worried about the future. They do not make plans for their children.

The status-dissenters, on the other hand, discuss the problems of the working class, show signs of ambition to better themselves, occassionally recognise that this may not be possible for themselves and therefore try to advance their children. They are extremely conscious of the distinction between themselves and the others, i.e., they regard themselves as belonging to "respectable" or "nice" people. Other distinction that Mr Mogey draws between the two groups is that the status-assenters think in terms of fate and luck, and have little confidence in their own ability to influence the course of their lives. The status-dissenters, per contra, believe in their own capacity to shape their future.

The status-dissenting outlook is broadly that of the British middle classes. Messrs Young and Rubicam (8 Baker St. London W.1.), a leading UK advertising agency, carried out a check on Mr. Mogey's analysis among 120 middle and working class housewives in 1959. They found that middle class women held status-dissenting views much more strongly than working class women, but it was significant that younger working class women tended more to the middle class viewpoint than older working class women.

Young and Rubicam point out that we should not think that either the status-assenting or dissenting view was held in clear cut groups, each wholly rejecting the other's viewpoint. Many hold opinions of both types or have intermediate views. A rigid division of working class people into two distinct groups is unrealistic. The picture is continuous, ranging from extreme assent at one end to extreme dissent at the other, with the younger people tending towards stronger dissent i.e., they have developed ambitions to better themselves.

One important aspect of the status-assenting working class is their attitude towards their work and towards the idea of rising in the world. It is sometimes much more positive than a mere acceptance of things as they are and is much more widespread than this simple negative attitude. Working class solidarity, especially in heavy industry and transport has deep roots, and there is strong social disapproval of a man who tries to better himself. I wrote here about this curious fact as far back as September 18, 1953, when I said that a man who tries to get on by excelling in the factory, by extra work, by goodwill towards his employers, by initiative and foresight, arouses the hostility of his fellow workers. It is an offence against the code of accepted British working class ethics to do anything that will show up the weaker, less efficient, mate. To undercut, to deprive others of their rightful share of employment is the gravest sin that a British working man can commit. Of course, more resourceful workers often put others in the shade, but this earns disapproval. A man's work should be as near the average as possible. Is this part of the Indian industrial worker's outlook? Here is an important point for the Indian Institute of Public Opinion to investigate.

This extends, though to a decreasing extent since the war, to British working class children. Those in Grammar schools (which have a higher social status) often find a considerable strain placed on their relations with friends at secondary modern or technical schools (which have a lower status), especially when the latter leave school and begin to earn money. Over three quarters of the British working population are weekly wage earners, of whom most reach their maximum wage (apart from general increases) at the age of 21 and, if they are in heavy manual occupations, maintain it only until around the age of 50 when they begin to decline into the poverty of old age. To people so placed, the prospect of social advancement as an incentive to greater effort or to the purchase of consumer goods, has little meaning and is more likely to provoke hostility than approval. Indeed, a sizeable minority of men living in the Bethnal Green district of London were found to reject the conventional idea that the status of white collar workers is higher than that of manual workers. They esteemed manual work higher because they regarded it as more directly concerned with producing goods. Here again, however, there is

evidence that the rising generation tends to regard white collar jobs more favourably than their elders.

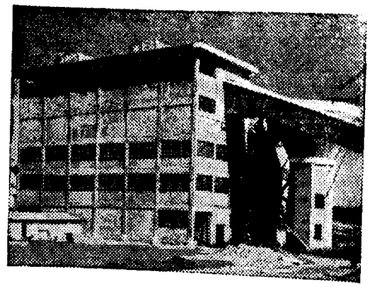
THE WORKING MAN'S VOTE

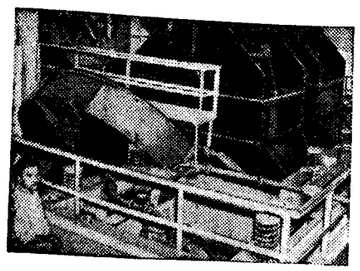
Traditionally, the Labour party has been the political voice of the British working class, and the party still draws most of its support from them. It would, however, be a mistake to conclude from this that working class people necessarily have either a more radical, or a more humanitarian, outlook than the middle classes. Party allegiance depends greatly upon the individual's estimate of which party will promote his own economic interests better. It does not take much perspicuity to detect a middle class bias in Conservative policies. This makes the Labour party's loss of three general elections running all the more significant. The Conservatives could not have won and retained power without a substantial proportion of working class votes. It is interesting to note that in his "Psychology of Politics" (Routledge and Kegan Paul. London. 1954), H. J. Eynsenck observes that among supporters of each major party, the working classes tend to be both more conservative and more aggressive than the middle classes. For example, in the Labour party the constituency section, with its higher middle class membership, is always much more ready to support radical policies than the predominantly working class trade union section. To this I would add that when Mr Gaitskell, and the middle class leaders of the Labour party, came out hot and strong against the Conservatives' Suez adventure in 1956, they received warnings from Labour party officials in working class areas that the Suez policy was welcomed by many working class people as an assertion of Britain's vitality and power.

Discussing these problems here in 1953, I said that the increase in British wages had raised the worker's standard of living as a whole but that his greater expenditure was rarely used to change the pattern of the individual's ways so as to improve his social position. The normal was for him to spend more in the same ways as his neighbours did. He stuck to the traditional way of life of his group. By and large this is still true today. However, the astonishing rise in the British working man's average weekly pay packet from £6-17-11, in 1948 to £11-8-6 in 1960 has begun increasingly to modify the traditional outlook. As I said here on June 3, shopping has become a major Saturday afternoon occupation, even with men. More people own their own homes so that home interests claim greater attention. People are marrying younger, so that more husbands and wives share their leisure-time activities. All this means that whereas before the war an industrial worker spent 2 sh. 6 d. on watching a football match on a Saturday, he now goes shopping with his wife, or stays at home, or plays a game himself, preferably with his wife. That is why attendance at Association football matches has fallen from 41,271,414 in 1948/49 to 33,610,985 in 1958/59, and why individual sports like golf, tennis, or sailing, are flourishing. Slowly the British working classes are beginning to acquire middle class habits and values. The process is likely to take some decades to work itself out. It will be interesting to see whether the Labour party sticks to its radical nineteenth century doctrines while its traditional followers gradually move to the Right.

(Acknowledgments are made to Young and Rubicam's Quarterly Review for many facts cited in this and last week's article, but they are not responsible for my interpolations, interpretations, and political obiter dicta, which are likely to make their hair stand on end).

COAL WASHING CONSERVES INDIA'S COAL RESOURCES

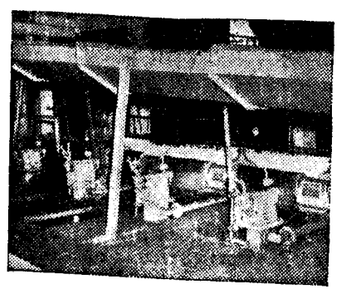




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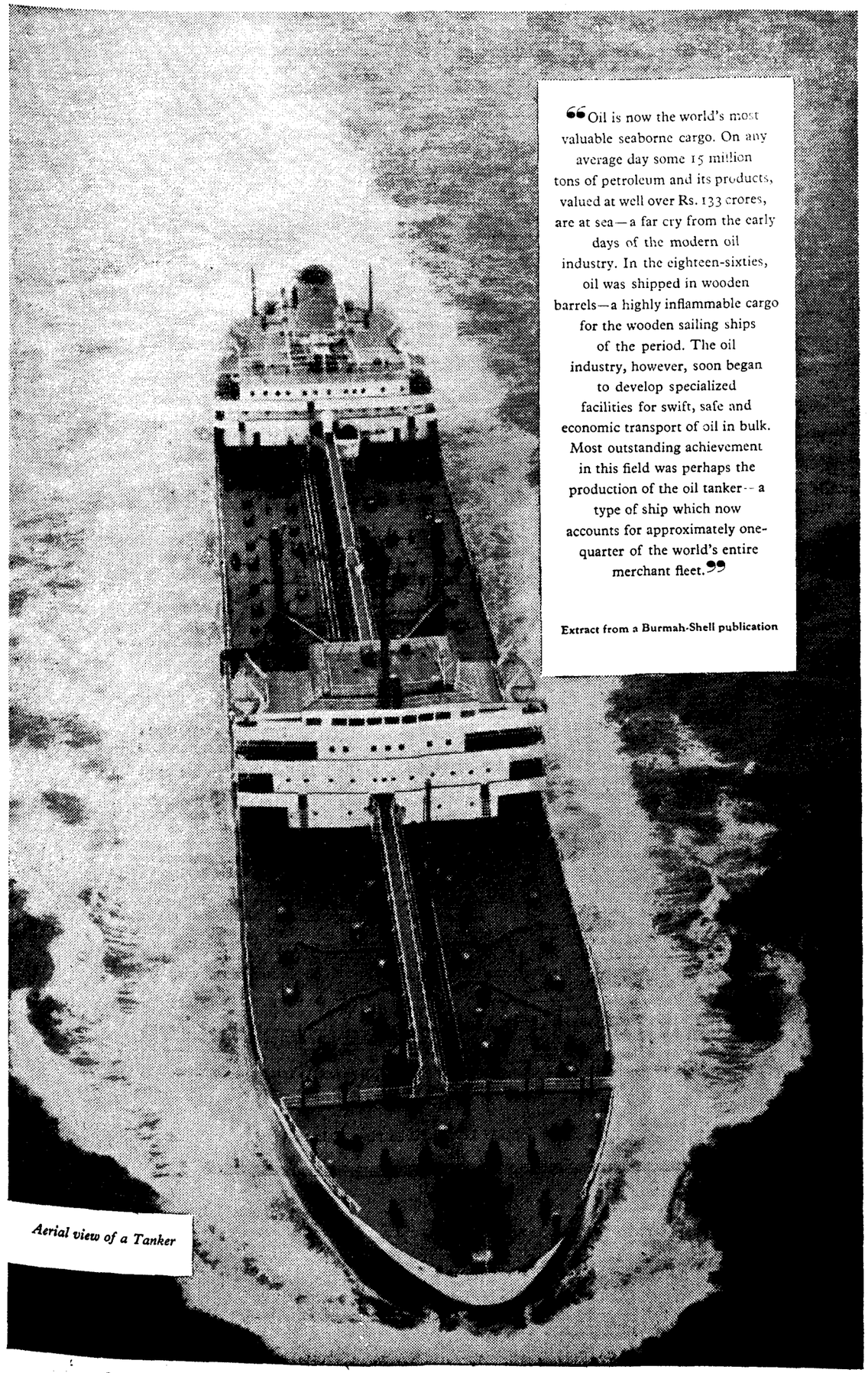
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The European Scene

THE COMMON MARKET'S EX-COLONIES

From Our Special West European Correspondent

PARIS, August 6.

THE aspect of the Rome Treaty setting up the Common Market that caused most anxiety in India was the association of 24 colonies and trust territories as full members of the customs union. This meant that those countries, mainly African and mostly exporting tropical produce such as could compete with Indian exports, would have favoured access to the large West European market as well as having a prior claim on West European investment capital thanks to the establishment of the "Associated Territories Development Fund". It now appears that matters are not going to work out that way at all. This aspect of the Treaty has been put completely out of date by the vast political changes that have occurred in Africa lately. Most of the 24 countries associated with the Common Market have just become independent and so both sides, Europe and Africa, have to reconsider their economic relations.

It must be remembered that the privileges and advantages the African colonies enjoyed in the Common Market were not demanded by them nor negotiated with their representatives; they were just awarded by the imperialist power. Naturally, as they become independent, the colonies want to look into the whole question for themselves. Even if in general they are willing to retain the advantages of their situation, they want some striking changes introduced into their relations with the Common Market in order to mark their graduation from favoured wards to sovereign states. Thus the Prime Minister of the former French trust territory of Togoland has just written to the Common Market Commission saying that the independence of his country invalidated the existing arrangements and that he wanted to negotiate a new connection with the Common Market just as Greece, Turkey and Tunisia are doing. Obviously, if all the newly liberated territories take this line (and the former French Cameroons have also opened the question) we could end up with a network of different agreements quite distinct from the simple status of "associated territories."

Moreover, the status of association was agreed to on French insistance and against the wishes of West Germany. The political evolution of the colonies now revives German demands for a review of the whole position. When the Rome Treaty was being written, German reservations about the association of the colonies were threefold. Firstly, the preference given to French and Belgian colonies in their exports to the Common Market indisposed other developing countries that were better markets for German exports. If German purchases of coffee from Brazil and of cocoa from Ghana declined because the Frenh African colonies had customs preference in Europe, German sales of industrial goods in those countries would suffer, without significant compensation from the French colonies, which traditionally bought in France. Secondly, the contribution of $200 million demanded from West Germany as its share of the Development Fund for the first five years was regarded as a gift to France, whose colonies were the main beneficiaries. Thirdly, the Germans were afraid of becoming involved in a sort of neo-colonialism, or in something the Africans might take to be that even if it were not. Opposition on these three grounds was so determined that it required all Chancellor Adenauer's prestige to secure German acceptance; the French Government of the day had made the association of the colonies a condition for further progress with the Common Market, and the Chancellor felt that West Germany must accept, in order to save the integration venture from shipwreck.

West German fears have since been shown to be unfounded, at least so far. The last, in particular, was quite baseless: far from association with the Common Market hampering the movement toward independence, it is just in the last few years that most of the territories concerned have achieved their freedom, and no African leader has stigmatised economic association as neo-imperialism even if he wants the contract of association amended. The cost of the Development Fund, for reasons that will be given below, has been much less than expected and the Germans have not been able to complain about financing other people's colonies. On the contrary, they have criticised France for alienating Guinea and letting that country leave the Euro-African association, and no doubt they feel the same way about the clumsy Belgian handling of the Congo's independence. However, there remains the question of damaging trade with non-members by granting customs preference to the commodities sold by associated countries and, now that the Common Market is successfully on its feet, the Germans see no need to make concessions to France in order to save a venture whose future seems assured.

The French Government wants to maintain the privileges of the associated territories, obviously because, although now independent, these countries remain within the loose French "Community" or commonwealth; privileged access to West European markets and capital seems a good way of keeping them happy within that community. Naturally, other Europeans cannot see why, once all Africa is independent, certain African states should have advantages denied to others simply for the sake of the vague French Community. A senior German ambassador who was director-general of the Common Market's associated territories division had to resign in June because his differences with his French colleagues on this point became acute. "It would be dangerous", he stated publicly, "to make a distinction between those African countries that are 'associates' and those that are not. Economic relations between the Common Market and Africa should be intensified, but not at the expense of those countries that cannot be or do not want to be 'associates' of West Europe". The Dutch Government has just expressed agreement with this point of view, emphasising that, like the Germans, it has no objection to making all sorts of concessions and special efforts in favour of the backward African countries that seek European help, but not merely in favour of a privileged group of associates.

Thus the tendency in the Common Market today is to write a policy for the whole of Africa, even for all developing countries that would consider special relations with West Europe, rather than to maintain the arbitrary division of outsiders and associates, which is a relic of imperialism and discriminates against nations whom West Europe has every interest to help. The

future of the system will depend largely on what the independent African nations want. Here, it is hard to know what they want. The inexperienced men who are taking over in Africa this year (though few are as grossly inexperienced as the Congolese Government) are lost amid the conflicting or overlapping international organisations that are open to their allegiance; there is nothing peculiar in this since most Europeans cannot make head or tail of the ECE, OEEC, OECD, UN, FAO and the rest of that labyrinth. They are inclined to be distrustful of organisations into which they were shanghaied before independence, and, even if they decide that on balance it would be advantageous to stay in them, they will want to re-negotiate the terms of their membership. Presumably the more statesmanlike among them realise, too, that for one African nation to take a rise out of its neighbour by selling on favoured terms in Europe would be to block the unification movement that is part and parcel of African liberation, by preserving the artificial divisions introduced by imperialism.

Yet there is one thing that makes them reluctant to break with the associate-member status of the Common Market and which, in their eyes, quite easily distinguishes that institution from other international organisations: the capital aid that is available to them through the Development Fund. Actually, the amount of capital that has been channelled to Africa through this body has been disappointingly modest, but the limit has not been set by European reluctance to lend but by the Africans' inability to put up concrete, business-like proposals. For the five years 1958-62 the Development Fund had $581 million to offer, but the African associated states will not be able to take advantage of nearly that amount. For the first three years 1958-60, they could have had $219 million, but only $163 million were even committed on paper while not a quarter of the total will have been really invested. Part of the blame lies with Paris, which insisted on vetting projects put up by its colonies to the Common Market and thus slowed down the process, evidently the French feared to lose some of their influence in their African territories if they let the Africans approach the European bank directly. This selfish attitude is changing and Paris now lets the Africans deal directly with the Fund but asks to see projects before they are financed to ensure that there is no overlapping with the direct bilateral aid France is still providing, on a large scale, to her former colonies. Nevertheless, capital will not begin to flow to the associate countries on anything like the scale the Common Market could afford until the African states have written development plans, and set up the numerous expert services required to elaborate projects and answer the lender's enquiries. That will take some years yet.

Summing up the position from the point of view of countries like India that feared to lose something by being outside the favoured circle of the Common Market's associates, it seems that the amount of discrimination suffered by outsiders will be small. The commercial discrimination constituted by privileged access to West Europe for certain countries' tropical produce will be broken down at the demand of France's European partners, even if (what is by no means sure) all the two dozen associates choose to remain in associate-status. As for investment capital, the Africans cannot take all that is offered them and so can scarcely deprive others of West European financial assistance.

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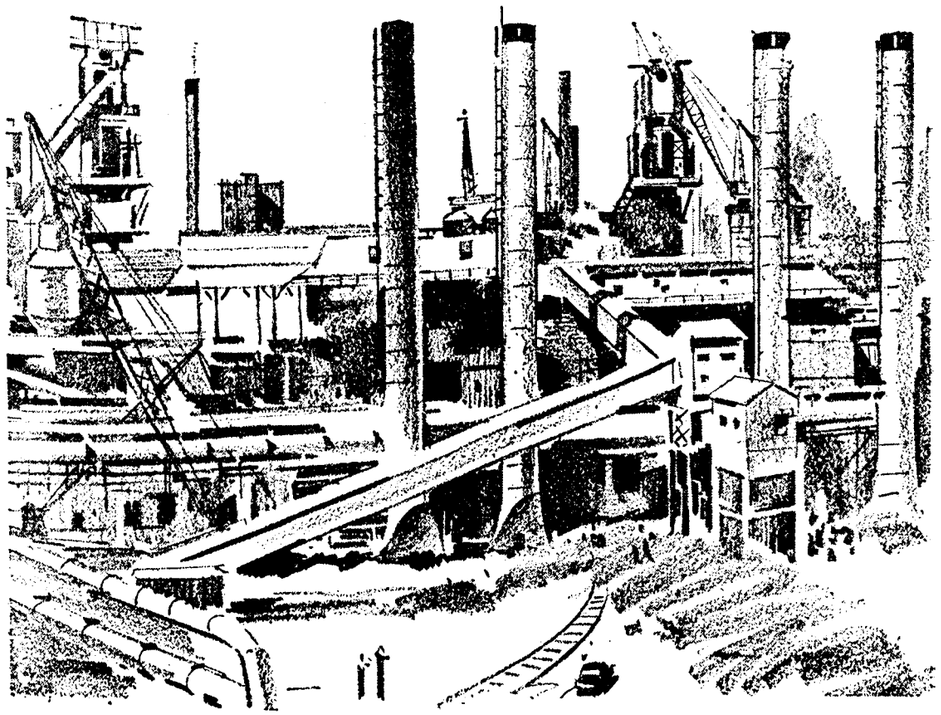
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Plantations

THE TAXATION OF PLANTATIONS: A CASE HISTORY

By

J. B. SOUTAR

IN the latest Central Budget, the Finance Minister made the point that there was a possibility that something might be done to remove the hardships occasioned to the tea industry by the levy of a number of taxes at various stages by different agencies. It is heartening to know that the Central Government is considering such action. An industry which is in serious trouble, as ours is, must make its difficulties known to the public.

This task of incidence of taxation is no easy one due to the complications to which the Finance Minister has referred. I shall therefore, confine myself to the circumstances of my own Company — The Kanan Devan Hills Produce Company Limited. The name may be familiar to the reader; it appeared frequently in the Press in October 1958 with reference to the violent Communist-inspired strike which lasted for 26 days on its estates in that month.

When the present Government took over, immediate representations were made to remedy the situation arising out of the discriminatory provision introduced into the Travancore-Cochin Income Tax Act, 1957 by the Communist Government. We were not sanguine of any spectacular success, but what happened was startling. Not only did the Government leave the agricultural income tax provisions as they were; they announced their intention of increasing the land tax on plantation holdings from the basic rate of Rs. 2 per acre to a special rate of Rs. 10 per acre.

My case is that the present taxation situation, as applied to my company, is unprincipled, and destructive to the economy of the Company and its workers. While I give proof, it will help the reader to bear in mind two points:

1. Whether trading conditions are favourable or not, excise and export duties and sales tax are levied by the Central Government, and land tax and sales tax by the State Government, so that in a year of poor prices, loss is made or profits are insignificant.

2. When trading conditions are good, income taxes levied by the Central and State Governments at exorbitant rates ensure that a reasonable balance of profits is not permitted to be left in the Company's hands to compensate for the effects of a bad year.

I do not intend to err by overstating my case, so I accept at once that the levy of excise duty on all teas at 4 nP. per pound is reasonable. As for the export duty, I do not think that it can be considered moderate which, when added to excise duty, aggregates more than the net profit left to the producer. This is clear from the price and selling costs. The average price per pound obtaining for South Indian teas at London auctions is Rs. 2.44. The Kanan Devan Company's average estimated cost of production now is Rs. 1.63 per pound. To this, for sale in London, freight charges, cost of marine insurance and London selling charges, totalling 31 nP have to be added. The balance is 50 nP a pound, but the incidence of export duty at 24 nP a pound added to excise duty at 4 nP a pound results in the profit being only 22 nP a pound — lower than the export duty.

The following is the picture of taxes on tea industry of Kerala:

Central Government Excise Duty at 4 nP per pound, payable on all teas produced.

Central Government Export Duty at 24 nP per pound, payable on all teas exported.

Central Government Sales Tax at 1 per cent, payable on teas sold inter-state.

Central Government Tea Cess at Rs. 2 per 100 pounds, payable on all teas exported.

Kerala Government Sales Tax at 5 per cent plus 5 per cent surcharge, payable on teas sold in Kerala.

Kerala Government Land Tax, payable at Rs 10 per acre. Central Government Income-tax payable at 63 per cent on 40 per cent of taxable income.

The amended rates for companies with agricultural income up to Rs. 1 lakh were 25 nP in the rupee for income tax and 12 nP. super tax. The surcharge of 5 per cent of the total agricultural income tax and super tax imposed by the Kerala Surcharge on Taxes Act of 1957 made the new aggregate of taxes for small companies 38.85 nP. in the rupee.

The Government did not employ half measures in their isolation and crippling of the large Sterling Companies in the State. The new slab system increased taxation by stages so that, when a company made over 20 lakhs of rupees of agricultural profit, the aggregate of the rates of income tax, super tax and surcharge was 65.1 nP in the rupee.

It will help to make the position clear to show how taxation affects the Kanan Devan Company, taking last year's figures as the basis for the calculations. The incidence of flat rate imports is given in Table I below:

TABLE I

SALES AND FLAT RATE OF IMPORTS

	Quantity million pounds	Tax paid Rs.
Teas exported directly ..	12	36,00,000
Sold for export at Cochin auctions ..	.5	1,95,413
Teas sold in Kerala for local consumption ..	1.5	2,08,838
Teas sold in India outside Kerala, for local consumption ..	2.5	1,44,250
Kerala land tax at Rs. 10 per acre ..	—	2,39,200
TOTAL ..	16.5	43,87,701

Income taxes are calculated on the estates' aggregate profits for last year of Rs. 38 lakhs.

In order to arrive at the beginning of the income-tax calculations, depreciation allowance at income tax rates has to be deducted. This amounts to Rs. 12 lakhs. Table II gives the income tax incidence.

TABLE II

INCOME TAXES

		Rs.
Central Government Income Tax at 63 per cent of Rs. 10,40,000	..	6,55,200
Kerala State Agricultural Income Tax and other special discriminatory provisions in Kerala Tax structure	..	8,28,030
Total Income Tax — Central and State	..	14,83,230
Indirect Taxes	..	43,87,701
Total of Taxation, direct and indirect	..	**58,70,931**

Forty per cent of the balance of Rs. 26 lakhs is subject to Central Government Income Tax, i.e. Rs. 10,40,000. Had the Company's crop not been affected by the strike the amount of profit subject to Kerala Agricultural Income Tax would have been over Rs. 20 lakhs, and the final step in the discriminatory super tax scale of tax at 37 nP in the Rupee would have applied to the balance profit over Rs. 20 lakhs.

The total of taxation, direct and indirect, is:	..	Rs. 43,87,701
	..	„ 14,83,230
	..	Rs. 58,70,931
The Company is left with:	..	Rs. 38,00,000
	..	„ 14,83,230
	..	Rs. 23,16,770

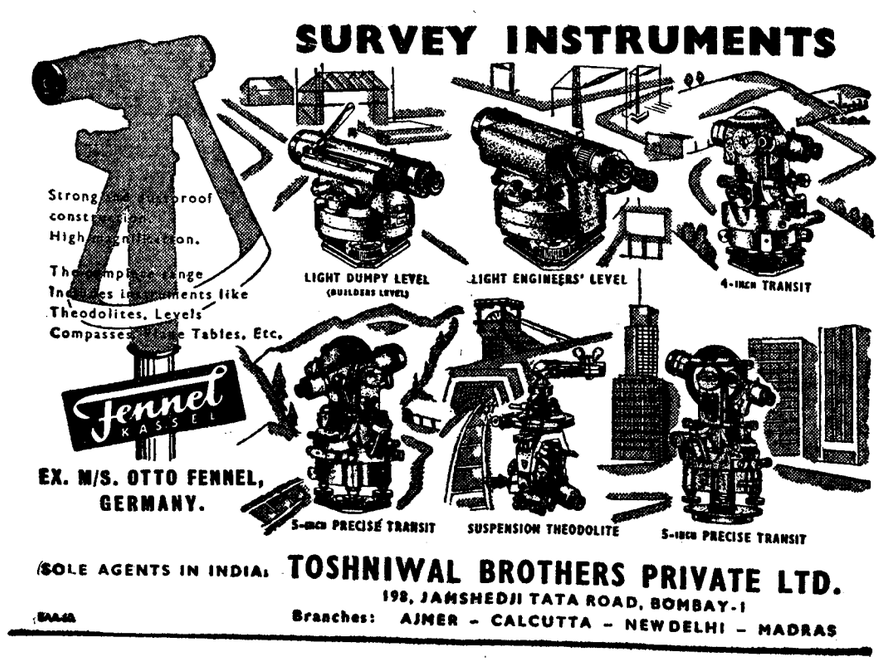
The unconventional part of the proposition is that, while the Central and State Governments obtain revenue of Rs. 58,70,931 the Company finds that it is only left with Rs. 7,78,770 once capital expenditure costs of Rs. 15,38,000 have been met from the net revenue of Rs. 23,16,770. Rs. 7.8 lakhs represents a return of just over ½ per cent on the capital.

Expressed in another way, the return to the shareholders is Rs. 33 per acre, while the return to Government is Rs. 245 per acre. It is evident that a heavy strain is being put on tax compliance by the honest tax payer.

This situation has to be considered in the context of the establishment by the Central Government of Boards to consider the wage structure in plantation industries. It may well be that attempts will be made to maintain that taxation has nothing to do wih wage levels, but the representatives of employers will have no option but to show that Government's demands on the industry are so excessive that it is impossible to pay more to workers.

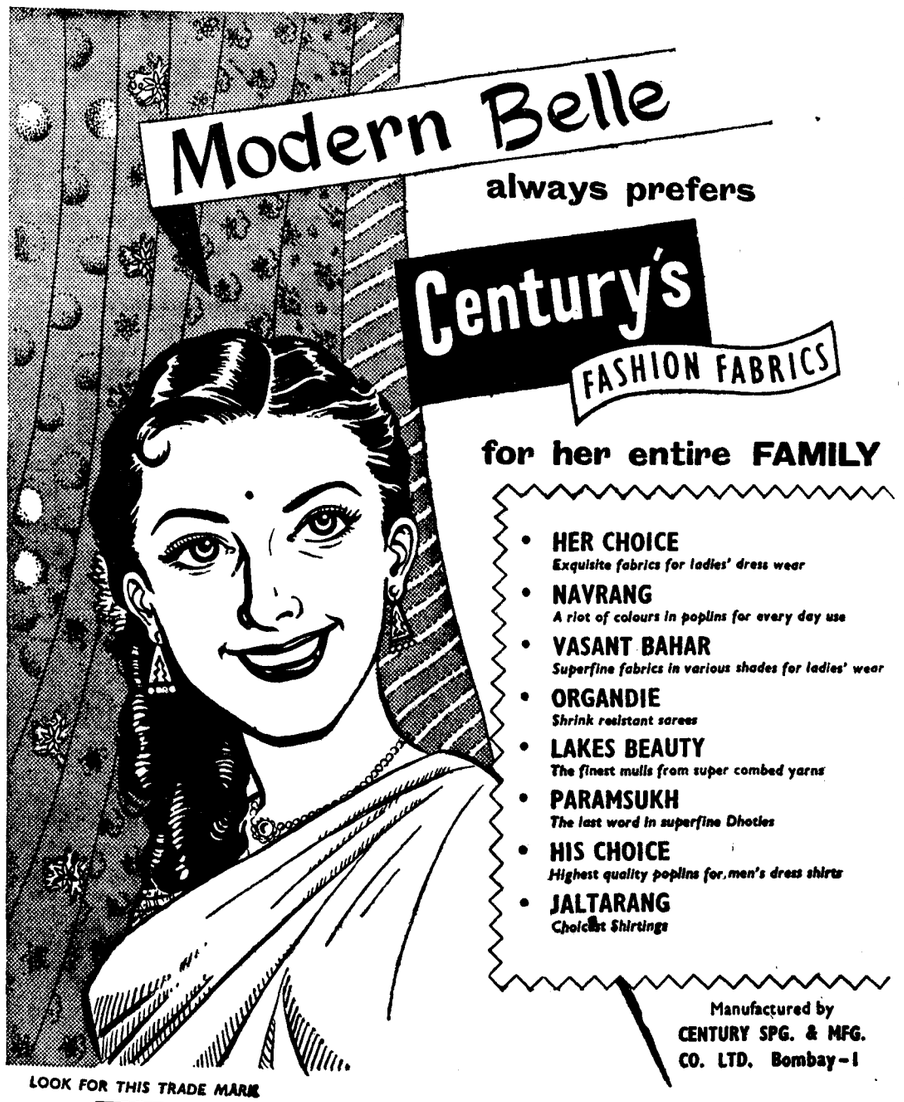
Thus nothing helpful is being done to live up to the exhortations which are continually being made by the Government spokesmen on the essential nature of export industries.

This article can thus be treated as the obituary notice of the Kanan Devan Company, to be put in the files for a few years until the jungle of taxation has completed its work.



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THE BUSINESS WORLD

Whither General Insurance?

By CROESUS

THAT all is not well with the General Insurance Business in this country is too well-known to need reiteration. In fact, chairman after chairman of General Insurance companies has been complaining about the prevailing state of affairs and it seems strange that not all the organisations of Insurers — there are at least three of them — should be able to provide a workable solution for removing the ills of the industry. During the past week, two chairmen of General Insurance companies — Mr. Tulsidas Kilachand of the New Great Insurance Co. Ltd., and Mr. P. U. Patel, Chairman of Universal Fire and General Insurance Co. Ltd., (also a member of the Tariff Committee) — have expressed their disappointment at the decision of the Executive Committee of the General Insurance Council with regard to the Code of Conduct. Both of them have stated that what has happened — "a sort of patching up," according to pre-conceived notions", to quote Mr. Patel — will lead the insurance industry nowhere. While Mr. Patel seemed evidently helpless, as witness his remarks: "one does not know how long things will be permitted to keep drifting in this manner. There is at least no immediate relief in sight", Mr. Tulsidas expressed the opinion that "the only course open to assist the industry is to remove all provisions of the Insurance Act restricting commission, cost, etc. and leave the companies free as in the United Kingdom to operate solely on the motto of "Freedom and Publicity".

It is interesting to note what the Chairman of the Indian Insurance Companies' Association, Mr. Jayant S. Dalal, had to say on the subject at the last Annual General Meeting of that body, held this week. Although he prefaced his remark by asking the indulgence of members for avoiding "certain delicate and controversial issues", I must say he was quite frank on many issues, including even some controversial ones. Mr. Dalal did not abstain from referring, for instance, to the Code of Conduct and Cost of Management, and, by and large, it is significant, he endorsed the views of the spokesmen of the private sector of the industry. Thus, he agreed that "wasteful competition, heavy procuration costs, rebating and such other undesirable practices still continue. He also expressed disappointment that the result of all the discussions and deliberations of the sub-committee appointed by the Executive Committee of the General Insurance Council, "to take stock of the present position in General Insurance Industry and recommend on the future course" had been practically nil. Of course, his cure for the problem was different from that prescribed by Mr. Tulsidas. According to IICA Chairman, "the major sources of mischief now appears to be the sales organisation prevalent in the trade. While nobody who has any degree of experience on the sales side would underestimate the need for a genuine cadre of salesman, the multiplicity and the number of salaried intermediaries between the client and the office prevalent today needs to be drastically curtailed, if heavy procuration costs are to be reduced. I strongly object that if insurance trade in this country is to retain its good name and play its important role in the country's progress, a pattern of field organisation based on full-time career agents supervised by a few but well-trained development officials will have to be sooner or later adopted."

Mr. Dalal did not mince words when he spoke of the administrative machinery which is supposed to implement the Code. He was categorical that the machinery has proved to be inadequate for want of sufficient number of personnel and sanctions to back its decisions. "If the Code is to be properly implemented", he rightly said, "it is essential that an administrative machinery closely associated with the trade and comprising experienced personnel in the trade is set up with sufficient authority to ensure the observance of the provisions of the Code."

As regards expenses of management it is noteworthy that Mr. Dalal concurred with the view of the private sector spokesmen, namely that the existing formula for expenses of management is not only unworkable but is also mainly responsible for this scramble for business leading to unbridled competition. Not content with pleading for a rise in the limits prescribed under the act as Mr. B. K. Shah of New India, Mr. Tulsidas of New Great and Mr. Patel of Universal Fire and General have urged, he suggested that it was worth considering whether the right course was either to increase the limits prescribed in the Act or to find some other formula not necessarily correlated with the quantum of gross direct premium. Mr. Dalal made a very pertinent point in this connection when he observed that "the very fact that warnings have to be administered to companies well within the solvency margins (according to the Insurance Year Book, a number of companies contravene section 40C and quite a few are administered warnings in terms of sub-section (2) of section 64M every year) shows the arbitrary nature of the present formula.

On the topical question of mergers of insurance companies, Mr. Dalal welcomed the development in the interest of creating strong group of insurers in the place of several weak units which cannot save themselves, but he wanted this to be "on a voluntary basis without any compulsion from any official sources." As he added, the purpose for which the amalgamation must be considered desirable would not be served if the amalgamation is thrust upon the units concerned."

The same philosophy of self-help and voluntary action was voiced by the IICA, Chairman when he went on to say: "It is primarily the responsibility of the trade itself to take necessary steps to place Indian insurance business on a sound and healthy footing." But, earlier in his address, one got the impression he was speaking more as a spokesman of Government than as a spokesman of the Industry. For, as a solution to the situation created by the failure of the latest attempt at finding a cure for the ills of the Industry by the Executive Committee of the General Insurance Company, he went on record as saying: "We as a trade should be prepared to accept any constructive suggestion or regulations that the Government may now choose to put forward." Further on, he said: "In a sense, it is essential that the Government should come out with some constructive suggestion in the interests of this trade which is so vital to the country's economy and I am afraid that,

if the Government do not take a sympathetic and active interest at this stage they might, at a later stage, be faced with a situation far worse than is prevalent now, and may be compelled, under various pressures, to adopt a drastic line of action which would only hamper the growth of this trade." In order, perhaps to indicate the imminence of the danger, he alluded to the proposal of nationalisation of general insurance tabled in the Rajya Sabha recently, as also the demand of the trade unions of General Insurance Employees for nationalising General Insurance.

Mr. Dalal seemed to speak even more as a spokesman of the public sector when he referred to the trend of general insurance business over the period 1953-58 and expressed concern at the steadily increasing percentage of the total business underwritten by the first ten Indian insurers. The increase in gross premiums of over 87 per cent in their case during this period as compared to an increase of only 60 per cent in the case of Indian insurers was considered by him unhealthy for the Indian insurers as a body, as it showed substantial growth only of the larger units. For if this was the danger, he should have applied the same logic to the increase in the share of the government-controlled, companies in the business of the Indian Insurance Companies' Association pool, as also the Aviation Pool to 75 per cent. It is natural, therefore, that insurers in the private sector should feel constrained to say, "the pronounced partiality for companies in the public sector cannot make for confidence in the future. The writing on the wall is there for anyone who cares to read it."

In view of this, I have my own doubts as to whether what Mr. Dalal has described as "a welcome development in the trade" will not be viewed by the private insurers as "a disturbing trend." Private insurers do certainly object to the establishment of another re-insurance company in the country, but their fear is that, because the company that has been established — by conversion of the Indian Guarantee and General Insurance Co. Ltd., into a full-fledged re-insurance company by the LIC recently — is a company which, together with the Indian Re-Insurance Corporation, is too preponderantly official, it might not be of much service to General Insurers in the private sector. Unfortunately, their experience so far of re-insurance with the public sector would appear to be not very happy. Some of them, for example, have openly criticized the official agency which, they allged, is prepared to cede reinsurance with them only on a cent per cent reciprocity basis, although it has no qualms in reinsuring in the London market which does not agree to any cent per cent reciprocity. It is a queer situation when an Indian official re-insurance agency persists in taking up such a stand and a spokesman of the public sector wearing the mantle of the IICA Chairman seeks the blessings of the trade for the insurance company on the plea of gradually reducing the drain of foreign exchange.

For the same reason, I suspect that Mr. Dalal's suggestion, that both Indian and foreign insurers operating in this country should consider the creation of pools in which they may cede business either on a priority basis or as a part of their First Surplus, on reasonable commission terms, with provision for substantial profit commission, will not be acceptable to General Insurers. It will also not be acceptable to them, because he goes on further to suggest that the management and retrocession of the business placed in such pools may be handed over to the two professional re-insurers in the country. The two pools already created, instead of serving General Insurers, as was hoped at one time, would appear to have provided a convenient means for the Government to appropriate whatever share it may decide of the total pool business, regardless of the efforts put in by private General Insurers to develop and underwrite that business.

Business Notes

Prices

AIMO'S VIEW

ALMOST EVERYONE from the Prime Minister downwards has expressed grave anxiety about the rising prices and has urged the imperative need of holding the price line. But few have suggested a practical way of attaining the objective. Even the Planning Commission has done no more than air some pious platitudes on this all too important issue. In the circumstances, concrete proposals which could help the authorities check the rise in prices, especially when they come from responsible spokesmen of the commercial and industrial community, deserve careful scrutiny.

Addressing the First Quarterly Meeting of the Central Committee of the All India Manufacturers' Organisation, last week, at Ahmedabad, Mr G. V. Puranik, Chairman, drew attention to this question. Instead of just emphasising the need to evolve a suitable device to check the rising prices—as many seem content to do—he advanced two suggestions to hold the price line. In the first place, he pleaded for a change in the investment pattern to directly productive activities rather than social services. To quote the AIMO Chief: 'It has been the stand of our Organisation that, in the initial stages of planning, concentration should be on investment on such productive purposes whose return is quicker than on slow productive purposes. Social services are, of course, important and we should not underestimate them. But the question is how much we should provide for them at this stage of our development when our resources are limited. While a reasonable provision should no doubt be made for the same, the emphasis should be on industries, power, transport and agriculture."

The second suggestion of Mr Puranik—this appears to be somewhat novel—refers to certain changes in fiscal policies. He pleaded that the Government should ensure that taxes and levies on commodities do not exceed the prescribed percentage of their price. His suggestion to keep this percentage as low as possible in regard to commodities like cloth and sugar and building materials like steel and cement is particularly appropriate. With a view to make tax payment easy, he further suggested that the Government should combine Sales Tax with Excise levy, wherever feasible, and for a limited period. Obviously, Mr Puranik has taken note of the growing resistance of State Governments to this indirect encroachment of the Centre on the State List.

General Insurance

NEED FOR CO-ORDINATION

MR. JAYANT S. DALAL, Chairman of the Indian Insurance Companies' Association, pointed out at the annual general meeting of the Association held recently at Bombay that the field of insurance was dominated by larger units which were becoming still larger as the growth of small and medium-sized units was arrested. Since the larger units were more efficient, Mr. Dalal welcomed any movement towards voluntary amalgamation of insurance offices so long it did not lead to pressure against the units which were unwilling to follow that course. Mr. Dalal also advocated that larger units should avoid wasteful competition for business already on the books of companies and should concentrate their energies on creating new avenues of business.

In order to enhance co-operation between insurers and also to strengthen their forum, where they could discuss their common problems and present their point of view, it is necessary that an All-India Association of General Insurers is established. In this connection Mr. Dalal pointed out that there were a couple of bodies with varying membership functioning at other centres apart from the Indian Insurance Companies' Association at Bombay. The Union Minister for Finance had also stressed the need for the establishment of an all-India body. These associations should take this question in real earnest and move to create such an organisation as early as possible. It would help the industry to attain more stability in its working through larger co-operation.

PROBLEMS FACING THE INDUSTRY

AT THE Seventeenth Annual General Meeting of the New Great Insurance Company of India Ltd., the speech of the Chairman Mr. Tulsidas Kilachand delivered in his absence by Mr. Jehangir P. Patel outlined frankly some of the problems facing the industry. Disappointment was expressed at the decision of the Executive Committee of the General Insurance Council to continue the status quo as regards the Code of Conduct. Mr. Kilachand felt that it was not likely to help improve the market conditions. In his openion the best way to help the industry was that all provisions of the Insurance Act restricting commission, cost, etc. be done away with and the companies be allowed to operate as in the United Kingdom on the motto of 'freedom and publicity'. But this view ignores the vital issue that the problem of eliminating unhealthy practices would remain unresolved.

The main target of criticism was reduction in the fire insurance rates. In the context of the large number of recent fires, it was feared that it might well turn out to be a disastrous step from the point of view of the industry. The feeling was that it would have been more prudent had the rates been reduced wherever experience had shown favourable claim results. For any further reduction, the insurers were asked to adopt a firm attitude. The Chairman also criticised the steps taken by the Government to gradually deprive the non-governmental companies of their shares in the Government controlled insurance business. Dealing with accounts, the chairman disclosed that the Directors had proposed to pay eleventh dividend on ordinary shares at Rs. 2.50 per share less deduction of income tax. This certainly speaks well of the Company's progressive and reassuring performance.

PROBLEMS OF GROWTH

MR. B. C. RAKSHIT in his Presidential Address at the annual general meeting of the Indian Insurance Companies Association held at Calcutta recently pointed out that with increasing industrialisation of the country, there would be ample opportunities for insurance companies by developing new lines of business as well as by improving further the lines in which they are already engaged. He made an interesting comparison of general insurance business in India with the index of industrial production and observed that only in 1958 the trend was reversed; General Insurance had been lagging behind industrial production since 1955. While the index of industrial production advanced by 2.4 per cent in 1958, insurance business during the year went up by 6.1 per cent. In view of the fact that the premium in 1959 would be only around Rs. 27 crores, it appears that general insurance has still not reached a level where it could play a significant role. He has added that substantial volume of business still consists of large risks. Simple risk business is not popular as yet, which should be concentrated upon.

Drawing attention to the factors that inhibit the growth of general insurance business in the country, he pointed out that periodical reduction in fare rates, fixing expenses of management on unrealistic basis and some of the regulations under the Code of Conduct had hampered the growth of the industry. Considering the fact that 40 per cent of the total gross premium written by Indian insurers was accounted for by fire insurance, the rates should not be revised periodically unless this revision is based on sufficient facts. Mr. Rakshit has pointed out that many times the rates are revised on the basis of inadequate data in spite of protests from insurers.

In respect of the limits of expenses on management, it seems there is a considerably strong case for raising this limit because the marine business entails comparatively more work, and, therefore, higher expenses. As far as the Code of Conduct is concerned, a multiplication of regulations cannot essentially lead to the removal of malpractices. On the other hand, it results in excessive administrative work which is mostly unproductive. It is very necessary, therefore, that the Code of Conduct should be simplified to be of real assistance to the indusry in reducing its costs.

Steel

CRITICISM OF TARGET

THE EMPHASIS laid on the steel and heavy engineering industries in the Third Plan was criticised by Mr. J. R. D. Tata, Chairman of Tata Steel, as 'excessive' and not really justified in the light of the real needs of the country. At the time of the opening of Tisco's new merchant mill recently, Mr Tata said that it was very difficult to make a precise estimate of the country's requirements of steel five years hence. Although, to an extent, the demand of consumers having well-defined development plans, like railways, shipyards and other key industrial projects, could be foreseen, yet outside this area, estimates of demand were subject to a considerable margin of error. As an instance he pointed out that Japan had used about 7.6 million tons of finished steel in 1958-59 and had a far higher output of goods and products made out of steel than India planned to have at the end of the Third Plan period.

Mr. Tata was of the opinion that it was a mistake to think that the industrialisation of a country depended on self-sufficiency in ordinary steel and heavy castings and forgings. Even in a steel plant, heavy items of equipment were, in terms of value, quite small in proportion to the total cost. Taking the country's total industrial operations, he thought that 95 per cent of them required light or medium equipment. Reckoned in terms of foreign exchange, he adds, a million-ton steel plant costing roughly Rs. 150 crores would require an expenditure abroad of Rs. 75 crores, which would save, on the basis of full capacity production, only Rs. 45 crores. Against this, the foreign exchange saving in the case of engineering industries was likely to be much greater. On both counts, therefore, he pleaded for a re-thinking on steel, keeping in mind the desperate scarcity of funds, both internal and external.

Commenting on the employment potential of steel industry, he stressed that with the exception of petrochemical industries, steel provided the lowest employment per rupee of investment. A Rs. 150-crore steel plant was unlikely to give employment directly to more than 8,000 to 10,000 men by Indian standards of manning, whereas the same investment in secondary industries would create at least four times greater employment opportunities. A fresh look at planning priorities was all the more necessary, he said, because the output of certain essential items like fertilisers would be less than the country's real needs at the end of the Third Plan on the basis of the present development programmes, whereas the capacity of power, steel and heavy engineering industries would equal or exceed the real demand.

Shakespeare once observed "Beauty is an innate craving of man—so he seeks to dwell in lovely parts of the creation." No age has ever been immune to this captivating spirit of Beauty, the balm of life. Even mother Sita of our epic age fell a victim to the attractions of beauty when she noticed an illusory golden deer, and longed for having it, which resulted in the out-turn of a chain of momentous events in the social life of that epic age.

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Current Topics

INDIA'S BALANCE OF PAYMENTS, 1956-60

In an article in the latest issue of the Reserve Bank Bulletin, India's balance of payments during the four years of the Second Plan have been analysed. Below are given extracts from the article.

INDIA'S external payments position during the four years of the Second Plan reflects the combined impact of the substantial stepping up of aggregate domestic investment and of the movements in the world economy. The stress on industrialisation in the Plan has involved a heavy strain on foreign exchange reserves, which fell from Rs. 902 crores at the commencement of the Plan to Rs. 363 crores at the end of the fourth year. The actual reduction of Rs. 539 crores in the reserves during the four years contrasts with the expectation that the reserves would be brought down by Rs. 200 crores over the quinquennium. Further, the heavy draft on the reserves took place notwithstanding the fact that external aid in the form of grants and loans, inclusive of net drawings from the I.M.F., received during this period amounted to Rs. 1081 crores as against the estimate of Rs. 800 crores of external assistance for the entire Plan period. The reserves fell continuously since April 1956 till the end of October 1958 to reach the level of Rs. 330 crores, when the decline was arrested through concerted measures including a revision of the investment programme in the public sector and a severely restrictive import licensing policy. Since then, the reserves fluctuated under the impact of seasonal factors till February 1960 when they suffered a decline following the repurchase of rupees from the I.M.F.

When the Second Plan was formulated, it was estimated that over the quinquennium the total deficit on current account, excluding official donations, would be around Rs. 1100 crores; during the four years of the Plan it has already aggregated to over Rs. 1490 crores. The substantial rise over the estimates in the current deficit occurred despite considerably higher net receipts from invisibles other than official donations and moderately higher earnings. During the Second Plan period, net receipts from invisibles other than official donations and similar assistance were expected to average Rs. 51 crores per annum as against the actual average of Rs. 78 crores in the First Plan. For the first four years of the Second Plan they have in fact averaged just over Rs. 90 crores per year or over three-fourths better than the estimates. Annual average export earnings were expected to be Rs. 593 crores as against the average of Rs. 622 crores in the First Plan period and in the last four years they have averaged Rs. 607 crores. Import payments, however, averaged Rs. 1071 crores per annum during 1956-60 as against the Second Plan estimate of Rs. 868 crores and the First Plan actuals of Rs. 727 crores and were responsible for the sizeable increase in the current account deficit over that estimated at the time of the formulation of the Second Plan.

The overall balance of payments data for the four years of the Second Plan are presented in the table below. The trade deficit soared to Rs. 640 crores in 1957-58 from Rs. 464 crores in 1956-57 and with the help of the severe restrictions on imports was sharply reduced to Rs. 454 crores in 1958-59 to fall further to Rs. 300 crores in the last year. Receipts from official donations amounted to Rs. 40 crores in 1956-57 and have since been almost steady around Rs. 35 crores. They comprise mainly of receipts under the United States T.C.A. programme and under the Colombo Plan. Net receipts under invisibles other than official donations, although much higher than in the First Plan period, and substantially better than the estimates showed a declining trend over 1956-60. In 1956-57 there were net receipts of Rs. 9 crores on investment income account; in the following three years there were substantially growing net payments of Rs. 5 crores, Rs. 19 crores and Rs. 25 crores which reflect the progressive decline in the official holdings of foreign assets and rising foreign indebtedness both on private as well as official account. These payments would continue to grow with the larger inflow of foreign capital that is to be expected. In the result, the net receipts under invisibles may be expected to diminish. The draft outline of the Third Plan puts them at an average of Rs. 24 crores per annum.

	1956-57	1957-58	1958-59 (Revised)	1959-60 (Preliminary)	Annual Average 1956-60
A. Current Account					
Imports c.i.f.					
(a) Private	811.9	696.2	504.8	507	630.0
(b) Government	287.6	537.4	524.8	416.4	441.6
Total Imports (a+b)	1,099.5	1,233.6	1,029.6	923.7	1,071.6
Exports f.o.b.	635.2	594.1†	575.9	623.3	607.1
Trade Balance	—464.5	—639.5	—453.7	—300.4	—464.5
Official Donations	+ 39.5	+ 34.1	+ 34.4	+ 35.6	+ 35.9
Other Invisibles (net)	+112.5	+104.0	+ 91.7	+ 84.0*	+ 98.1
Current Account (net)	—312.8	—501.4	—327.6	—180.8	—330.5
B. Errors and Omissions	+ 1.6	— 9.8	— 21.7	— 21.2	— 12.8
C. Capital Account					
Private Capital (net)					
(i) Long-term	— 18.4	+ 5.1	— 19.4	— 6.5	— 9.8
(ii) Short term	— 3.3	— 1.6	+ 3.6	+ 0.3	— 0.3
Banking Capital (net)		— 11.2	+ 4.2	+ 7.8	+ 0.2
Official Capital (net)					
(i) Loans **	+ 85.4	+134.6	+218.6	+161.7	+150.1
(ii) Amortisation	+ 2.9	+ 1.3	+ 28.0	— 8.8	+ 5.9
(iii) Miscellaneous	+ 22.8	+123.1	+ 72.0	+ 31.4	+ 62.3
Movement in Reserves A+B+C (Increase +, Decrease—)	—221.3	—259.9	— 42.3	— 16.1	—134.9

† Transactions relating to repatriation to the U.S. of lend-lease silver valued at Rs, 74.4 crores have been excluded.

** Included drawings from the I.M.F. as well as repurchases of rupees held by it.

*. Includes+Rs. 5.9 crores on account of non-monetary gold movement.

A DELHI NOTEBOOK

STEPPING UP COAL OUTPUT

THE Government of India, it is understood, has received an assurance from the private sector collieries that the recent downtrend in their production would be arrested and they would give certain quantities of both coking and non-coking coal additionally during the short period between now and the end of the current Plan. A Working Group, having representatives of the industry and the Government as its members, has been set up to examine the colliery-wise and grade-wise pattern of these additional raisings and to draw up a forecast of the quantities that would be available month by month. On its part, the Government has assured the industry that, short of a price increase, all possible assistance would be given to remove the difficulties and bottlenecks that may come in the way of increasing production. The latest estimate is that the private sector collieries would be able to achieve 43.5 million tons output by the end of the current Plan. This will be only about 0.3 million tons less than the target. Even this shortfall is likely to be made up within the first year of the Third Plan.

So far as the public sector output is concerned, it is hoped that in the last quarter of 1961 the National Coal Development Corporation collieries would yield a monthly output which would total up to a rate of production of 11 million tons per annum. With this object in view, monthly targets of production have been laid down for the individual collieries owned by the NCDC so that the progress of their production can be watched from month to month and remedial measures taken to arrest any decline if it occurs. The monthly targets for the various public sector collieries are as follows:

Name of Colliery	Monthly Production Targets (in tons) by March, 1961
1. Old Collieries	2,82,000
2. Bhurkhunda (New and Old)	80,000
3. Kurasia (New and Old)	1,00,000
4. Kathara	1,00,000
5. Gidi 'A'	75,000
6. Saunda	1,00,000
7. Sayal 'D'	45,000
8. Bachra	40,000
9. Gidi 'C'	33,000
10. Korba	55,000
11. Korba Block 1	20,000
Total	9,30,000

This would mean a rate of production of 11.16 million tons a year or in round figures 11 million tons a year. It will fall short the target of 13.5 million tons by 2.5 million tons.

Coal shortage, however, can be relieved only if along with the increase in production, steps are taken to improve transport facilities as well. It is estimated that nearly 5,100 wagons a day would be required for the movement of coal in 1961. The present daily average, as the following figures show, is far from satisfactory:

Month (1960)	Daily Average Loadings (in wagons)
January	4,063
February	4,143
March	4,185
April	4,263
May	3,881
June	4,210 (upto 7th)

"JANTA" CAR

A three-man technical Committee, which may have a foreign expert as one of its members, is proposed to be set up to examine and report on the economics of an "Economy" or a "Janta" car. The Committee will go through the necessary data and suggest whether it is possible to place on the Indian market a car whose price does not exceed Rs. 6,500. If the Committee comes to the conclusion that it is possible to manufacture such a car, it will also have to indicate how to secure approximately Rs. 10 crores, including Rs. 5 crores in foreign exchange, to finance the project.

While the Ministry of Commerce and Industry is said to be engaged in drafting a resolution on the Jha Committee's Report and in finalising the personnel and terms of reference of the proposed Committee, the Minister of Industry, Mr. Manubhai Shah, lobby reports suggest, has addressed a letter to the Prime Minister, seeking his approval to go ahead with the project, placing it in the public sector.

EXPORT OF SUGAR

The Union Food and Agriculture Minister, Mr. S. K. Patil, it is understood, is in communication with the US Government on the question of export of Indian sugar to the United States. Exports, if at all allowed, however, are likely to be effected only after the Hindu festivals Durga Puja and Deepawali are over.

PREFERENCE DIVIDENDS

A bill seeking to clarify Government of India's stand on taxation of preference dividends and amplifying section 85 of the Companies Act is under preparation, it is learnt. It will come before the Parliament soon and is expected to be placed on the Statute Book during the current session.

EXPANSION OF DURGAPUR STEEL PLANT

The British Government, it is learnt has agreed in principle to arrange for credit to finance the expansion of the Durgapur Steel Plant. Negotiations to settle the details are understood to be in progress. The loan for this project will form a part of the credit the British Government is planning to give to India to finance her Third Five-Year Plan.

Meanwhile, the agreement for the provision of £10 million credit by the United Kingdom, announced recently, is expected to be signed here this week.

BRIEFS

A Study Group, consisting of Government officials only, has been set up by the Planning Commission to examine how best public participation can be effected in the capital of State enterprises. No formal terms of reference have been framed for the guidance of this Group so that it can examine the problem in all its aspects unhampered by any directives.

*

The Government of India has received a tentative proposal for setting up of an aluminium smelter in Mysore State. Full details about its capital structure, exact location, foreign collaboration, sources of power supply etc., are not yet available. They will be made known if the proposal is accepted by the Government in principle.

*

It has been decided to establish a fertilizer factory at Namrup, in Assam, based on the utilization of natural gas. Messrs. Hindustan Chemicals and Fertilizers Limited have been entrusted with the execution of the project

* * *

The British firm John Lucus is seeking collaboration with an Indian company to set up a unit in India to manufacture its products. The proposal is under consideration in Government circles here.

WORLDGRAM

India

Manufacture of Tungsten Carbide: Messrs. India Hard Metals (P) Ltd., Calcutta, have collaborated with Messrs. Wickmen Ltd., England, to manufacture tungsten carbide powder, tips and tools. All the tungsten carbide products will be produced right from the Indian ore and thus will save huge sums of foreign exchange which is being spent for importing of the finished products. At present the country imports tungsten carbide in different forms to the tune of Rs. 30 lakhs. It is estimated that by the end of the Third Five-Year Plan, there will be a demand to the extent of about Rs. 2 crores. For the entire plant and machinery, order has been placed. The first phase of the project will commence before the end of this year and second phase that is making of tungsten carbide powder and tips, moulding and sintering of tips will start in the early part of the next year. It is expected that the manufacture of the tungsten carbide, right from the ore will start before the end of next year. The capacity sanctioned is 5 tons of Tungsten Metal per month and Messrs. India Hard Metals (P) Ltd. will start supplying the entire need of tungsten carbide powder to those who press and sinter their own tips. Besides, they will produce all mining tungsten carbide tools, all cutting tools, wear resisting parts, special gauges, wire drawing ties, press tools, etc. It is estimated that the completion of the above project will cost in the neighbourhood of Rs. 1 crores. The necessary personnel is being sent for training to England in the factories of the collaborators.

*

Foreign Trade in Merchandise in June, 1960: The provisional figures of India's foreign trade in merchandise by all routes i.e., sea, air and land, on private and Government accounts during June 1960, according to information available in the Department of Commercial Intelligence and Statistics, Calcutta are given below:

Exports	Rs.	48,46 lakhs
Re-exports	Rs.	48 lakhs
Imports	Rs.	84,95 lakhs
Balance of Trade	Rs.	—36,01 lakhs

These figures exclude overland trade with Nepal, Tibet, Sikkim, and Bhutan. The import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment and of private merchandise under reference to Customs for verification.

Table I below brings together the provisional figures for June, 1960, along with similar figures for May 1960, June 1959 and the revised figures for June 1959:

TABLE I.

India's Foreign Trade During June, 1960, May 1960 and June 1959

(In lakhs of rupees)

Foreign trade in merchandise	For the month of			
	June 1960	May 1960	June 1959	
			Provisional	Revised
Exports	48,46	49,81	42,33	41,70
Re-exports	48	93	1,21	1,23
Imports	84,95	82,77	77,28	81,43
Balance of trade in merchandise	—36,01	—32,03	—33,74	—38,50

The cumulative totals for the three months ended June 1960, shown along with the corresponding figures for 1959 in Table II below:

TABLE II

India's Foreign Trade During the Three Months April-June, 1960 and April-June 1959

(In lakhs of rupees)

Foreign trade in merchandise	Cumulative totals for three months April to June		
	1960	1959	
		Provisional	Revised
Exports	146,46	131,57	1,28,38
Re-exports	1,87	1,61	2,79
Imports	250,11	223,81	2,52,73
Balance of trade in merchandise	—101,78	—90,63	—1,22,06

*

Central Revenue Collection for June 1960: The revenue realised from important dutiable items in the first three months of the financial year 1960-61 amounted to Rs. 171.45 crores. Of this, Rs. 66.38 crores were collected during June 1960. The corresponding figures for the first three months of the financial year 1959-60 were Rs. 148.52 crores and Rs. 59.10 crores for June 1959. Details under various heads are as follows:

(In lakh of rupees)

	1960	1959	1960-61	1959-60
	June		April - June	
1. Customs	12,22	11,69	36,73	34,98
2. Union Excise Duties (excluding coal cess and salt cess)	32,90	26,97	97,19	81,70
3. Corporation Tax	12,41	5,48	15,39	6,97
4. Income Tax	8,37	13,37	17,80	19,71
5. Estate Duty	11	12	36	41
6. Taxes on Wealth	15	6	79	59
7. Expenditure Tax	1	3	4	7
8. Gift Tax	1	3	9	10
9. Railway Passengers Tax	*	1,12	2,03**	3,17
10. Opium	20	23	1,03	82
Total	**66,38**	**59,10**	**171,45**	**148,52**

* Data not yet available.
** Upto May - Provisional,

*

Raw Materials in the Manufacture of Fluorescent Lamps: As a measure of export promotion, the Government of India propose to grant draw-back of duty on raw materials used in the manufacture of fluorescent lamps at brand rates. In this respect, Government have issued a draft notification inviting objections by August 17, 1960. Any objection or suggestions received by that date will be considered by the Government of India.

U.S.A.

Export of Farm Products, The value of America's exports of farm products in the fiscal year ended June 30, 1960 was estimated at $4.5 billion, about a fifth above 1958-59. Most of the increase is due to a doubling in cotton exports as well as more moderate increases in exports of wheat, rice, foodgrains, and fats and oils. For all of 1960, exports of U.S. farm products are expected to about equal the 1957 record and be above 14 per cent above 1959.

U.S.S.R.

World's Highest Dam in Tajikistan: The Nurek 2.7 million kilowatt hydro-power station to be built in Tajikistan Soviet Central Asia, will have the world's highest dam of 300 metres. It will bar a gorge to form a reservoir holding 10.5 billion cubic metres of water. The construction work will start soon and is to be completed in five years. One kilowatt hour of electricity produced by the Nurek station will cost 0.26 Kopecks—the cheapest power in the Soviet Union. The new station will be switched into a single Central Asian Power grid to cover the whole of Tajikistan, Kirghizia, the greater part of Uzbekistan, East Turkmenia and South Kazakhstan.

*

World's Biggest Iron Ore Mine under Construction: The world's biggest iron ore mine with a designed capacity of 20 million tons a year is under construction at the Krivoy Iron Ore Basin in the Ukraine. The mine will produce 4 times as much ore as is produced now by an average capacity mine in this area.

United Kingdom

Equipment for India's First Automatic Lighthouse: The first fully automatic all-electric lighthouse equipment for the Indian Government has been successfully tested at the Crawley (England) works of Stone-Chance Ltd, the British Lighthouse Engineering firm. It is to be erected at East Point, on the East Coast of India between Visakhapatnam and Kakinada. The equipment is designed to operate completely unattended for periods of six weeks, at which intervals it will be visited by an inspector.

Australia

Insurance Aid to Exporters: The service offered to Australian manufacturers by the Government-established Export Payments Insurance Corporation is assisting in the expansion of Australia's overseas trade and facilitating the negotiation of satisfactory contracts and agreements. After 2½ years of operation, the Corporation possesses up-to-date record on many thousands of overseas buyers, and new names are being added daily to the list. The corporation provides information on unknown buyers through cabled enquiries to sources of information in other countries. During the three months ended March 31, an additional £1,400,000 worth of insurance business was written, bringing the total of currently-insured exports to £27 million. The corporation has also a further £15 million of prospective export business under offer and negotiation.

China

Support for Agricultural Production: An item appearing in 'China Today' outlines that State investment in the capital construction for agriculture has increased year by year. From 1950 to 1958, the State issued agricultural loans totalling 12,600 million yuan. Since the people's communes were set up in the rural areas in 1958, the investment in the communes has totalled 1,000 million yuan. State agricultural loans in 1959 came to 3,500 million yuan. The proportion of agricultural taxes in the State's revenues has decreased year by year. It went down from 29 3 per cent in 1950 to 9.6 per cent in 1957 and further 7.8 per cent in 1958. Taxes accounted for 13.2 per cent of agricultural output in 1952, 11.5 per cent in 1957, and 9.6 per cent in 1958. A further decrease was registered last year. In 1959 State supplies of means of production for agriculture were much greater than in any previous year. Compared with 1958, tractors increased by 29.2 per cent, machine-drawn ploughs were up by 57 per cent, machine-drawn harrows by 114 per cent, the horse power of irrigation machinery went up by 112 per cent, chemical fertilizer and insecticides by at least 60 per cent. Under the 1960 Plan of help to agriculture, the output of the major items of agricultural means of production will be doubled.

France

Coal Production: The production of coal in France in June totalled 4,650,300 tons which was a decrease compared with the figure for the previous month 4,842,000 tons. The monthly production average during the first quarter of 1960, was 4,969,300 tons. These figures are less than for the same period of 1959, which had the monthly average of the first quarter, totalled 5,079,300 tons.

Sweden

Foreign Trade: The scope of Swedish foreign trade is still increasing considerably, which is symptomatic of the present boom. During the first four months this year, the import and export figures exceeded those for the corresponding period of 1959 by well over one-fourth: the imports totalled 4,921 million kronor and exports 4,228 million kronor, whereas the respective figures during the same period of 1959 were 3,837 and 3,420 million kronor, i.e. the surplus imports amounted this year to 693 million and in 1959 to 417 million kronor.

Yugoslavia

Increase in Number of Employees: On account of further increase in industrial activity, a substantial increase took place in Yugoslavia during the first half of this year in the total number of employees. In May there were 3,406,000 employees in Yugoslavia which is 8.8 per cent or 260,000 persons more than during the same period of last year. Total earnings of the Yugoslav population during the first five months of this year were greater by 104,000,000,000 dinars, 23 per cent over the same months of the last year.

Holland

Utrecht Autumn Fair: The forthcoming Autumn Fair which will take place in Utrecht, Holland from 12th till 17th September will contain exhibits of 1068 firms from 23 countries. This Fair will be entirely dedicated to consumer goods, of which 16 groups will be represented. An extensive range of products will be on display at the Fair. The principal exhibits will come from Holland, West Germany, Great Britain Switzerland and France. There will also be products from Belgium, Canada, Denmark, East Germany, Egypt, Finland, Hungary Israel, Italy, Japan, Liechtenstein, Norway, Austria, Poland, Spain, Czechoslovakia, U.S.A. and Sweden.

Israel

Gross National Product: The national accounts of Israel, recently published by the Israel Central Bureau of Statistics, show that the value of the gross national products increased to I£3.9 billion (calculated at 1958 prices) from I£3.5 billion in 1958, an increase of 11.5 per cent. On a per capita basis (with account taken of a 3 per cent rise in population), the increase amounted to 8 per cent. Private consumption, totalling I£2.8 billion in 1959, was 10 per cent more than in the previous year. Increases in the expenditure on clothing, household appliances, and entertainment were above average. Gross investment rose from I£ 919 million in 1958 to I£970 million in 1959, the largest investment being in housing (I£298.5 million) and industry (I£ 193.2 million). Investments in electricity, agriculture and transport were less than in the previous year. The national income (gross national product less indirect taxes and depreciation) amounted to approximately I£3 million.

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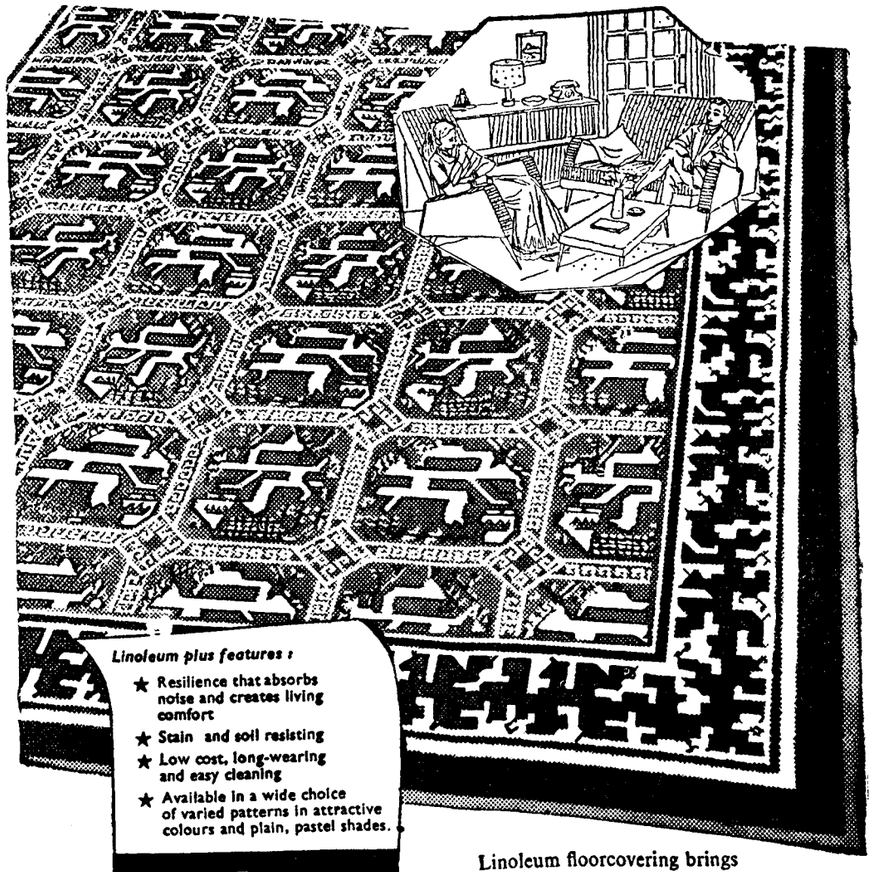
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NEWS IN BRIEF

INDIAN

The licences granted for importing books during the current half year can be utilised for importing 'teaching aids' up to two per cent of their face value, according to an Import Trade Control Public Notice.

*

In a written question Mr. A. N. Thomas, Deputy Minister for Food said in the Lok Sabha that at present shipments against the previous short-term agreements with the U.S.A. were in progress. Shipments against the new agreement will probably begin from about the second half of September, 1960.

*

The Deputy Minister of Finance, informed the Lok Sabha that the amount of overdue loans recoverable by the Rehabilitation Finance Administration as on December 31, 1959 was Rs. 513 lakhs inclusive of interest of Rs. 14 lakhs.

*

Youngest of India's major ports—and sixth in the line—Kandla has been planned and built to serve the trade of a vast hinterland of 3,00,000 square miles. This hinterland includes Jammu and Kashmir, Punjab, Himachal Pradesh, Delhi, Western Uttar Pradesh, Rajasthan, and Gujerat with a population of 50 million.

*

There is a good proposal in the Third Five-Year Plan to set up a television centre in Bombay. It is also proposed to expand the experimental service in Delhi into a regular educational service for the secondary schools in Delhi area.

*

An additional loan of Rs. 50 million (about Rs. 23.5 crores) for the Indian Railways has been approved by the United States Development Loan Fund authorities and a formal announcement is expected shortly.

*

The revenue released from importable dutiable items in the first three months of the financial year 1960-61 amounted to Rs. 171.45 crores.

*

The Lok Sabha discussed recently the Plantations Labour (Amendment) Bill which aims at checking the fragmentation of plantation by owners to evade their liabilities under the Plantations Labour Act, 1951.

*

The railways' manufacture programme is being stepped up substantially during the Third Plan period to make the country more or less self-sufficient in rolling stock and equipment.

*

Nearly 1.9 million tons of steel was produced in 1959-60 in the country. The estimated requirement for the year was about 4.0 million tons.

*

Mr. K. Raghuramiah, Deputy Defence Minister, stated recently that construction of further types of small naval ships was under consideration.

*

The Ministry of Steel, Mines and Fuel has received the project report for the proposed alloy and tool steel plant from its consultants, a Calcutta firm.

FOREIGN

A large Dutch trade mission, the first since the Second World War, is to visit the Soviet Union between September 11 and 25. It will be sponsored by Holland's reputable, but non-official, Central Organisation for Foreign Economic Relations, and led by a prominent Industrialist, Mr. J. W. Hupkes, Managing-Director of De Schelde shipyard.

*

Australia's most ambitious drive to attract more investment and trade from Europe will be made during the Swiss Industries Fair to be held in Lausanne. Highlight will be the broad picture of industry, trade and culture, presented in a display at the Fair at which Australia this year is guest exhibitor.

*

The U.S. Development Fund, in an agreement signed recently made a loan of $7 m. to the Industrial Bank of Egypt to be used to supply private industries with machinery from the U.S.

*

A contract was signed for the purchase by the Shell Company of 50,000 tons of petroleum spirit from Syria. Valued at £360,000, the petrol will be shipped from Latakia port with deliveries spread over six months.

*

Production of wheat, barley, rye and oats in Turkey is estimated to have totalled 13.5 m. tons compared with 12.3 m. last year and 13.4 m. tons in 1958.

*

The World Bank has approved a loan equivalent to $3.84 m. for the expansion of electric power facilities in EL Salvador. The loan will finance imported equipment and services for the construction of the Guagoyo 15,000 kilowatt hydro-electric power plant and associated transmission facilities.

*

As a result of a sharp increase in tax revenues the Canadian Government had a surplus amounting to $156.2 m. in the first quarter of current fiscal year. This compares with one of $32.4 m. for the same April to June period a year before.

*

Australia produced a record 1,689 m. lbs of wool in the year to June 30, the statistics Bureau reports. This was 98 m. lbs. more than the previous record set in the 1958-59 season.

*

East Germany and Cuba have agreed to exchange goods worth up to $ 3 m. on either side. The pact, which was concluded last March, lasts one year and is automatically renewed for another year unless cancelled by one side, according to an official publication of the East German Trade Ministry.

*

Egypt had a trade surplus of £E6.1 in the first five months of this year, as against a £E26.4 m. deficit over the same period last year, according to official figures.

*

It is reported that negotiations have been completed under which Canada will supply 30,000 tons of wheat flour for emergency stockpiling in Britain.

COMMODITY NEWS AND NOTES

PRODUCTION OF LEAD-ZINC ORES IN INDIA

The production of lead-zinc ores in India during January-May 1960 was 63,137 metric tons, according to the Indian Bureau of Mines. The entire production was reported from the Zawar mines in Udaipur district of Rajasthan State. The recovery of lead and zinc concentrates amounted to 2,252 metric tons and 4,007 metric tons respectively. Lead concentrates are sent to the lessee's smelter at Tundo in Bihar State for extraction of lead and silver while the zinc concentrates are shipped to Japan for smelting of zinc, as there is no zinc smelter in India at present.

The production of lead metal during January-May 1960 was 1,562 metric tons.

PRODUCTION OF COPPER ORE IN INDIA

The production of copper ore during January-May 1960 was 182,753 metric tons, according to the Indian Bureau of Mines. This represents an increase of about 8 per cent as compared to the output of 168,683 metric tons in the corresponding period of the preceding year. The entire production was reported from the Singhbhum district of Bihar State. The production of copper metal during January-May 1960 was 3,658 metric tons as compared to 3,141 metric tons in the corresponding period of 1959.

WOOL IN THE THIRD PLAN

The draft outline of the Third Five-Year Plan indicates a target of 90 million lbs. for the production of raw wool. This shows an increase of 25 per cent over 1960-61 estimate. To help raise the production it is proposed to open six additional sheep breeding farms and 4,000 extension centres. Each centre would cover a sheep population of 10,000 to 15,000.

Under the Plan the Government also contemplates starting 300 wool grading and marketing centres to be run by the wool growers' co-operatives. Facilities for shearing, grading, baling and sorting of wool would be provided at these centres. Target for woollen and worsted yarn is fixed at 52 million lbs.

The following table compares the 1965-66 targets with the production under the previous planning:

Item	1950-51 Production	1955-56 Production	1960-61 Estimated production	1965-66 Target for production
Raw wool (mil. lbs.) ..	60	65	72	90
Woollen and worsted yarn (mil. lbs.) ..	18.0	21.7	34	52
Woollen and worsted cloth (mil. yards) ..	—	15.0	23	35
Wool tops (mil. lbs.) ..	—	—	10	31.5

WORLD USES MORE WOOL

Consumption of wool by the ten chief non-Communist manufacturing countries is estimated by the Commonwealth Economic Committee to have increased by two per cent in the first quarter of this year compared with the final quarter of 1959. It is estimated, however, that the average daily rate of usage appears to have shown virtually no change. Reductions in the rate of consumption in France, Italy and the Netherlands were partly offset by small increases in the United Kingdom and Japan, while the position in the United States is estimated to have been unchanged. Compared with a year earlier, actual total consumption in these ten countries was 17 per cent higher, though consumption is now found to be levelling out at the higher figure. Exports of tops from the chief exporting countries in the first quarter of this year were about 6 per cent higher than in the previous quarter and one-fifth larger than a year earlier. Compared with October-December quarter, shipments from the United Kingdom and France — the two largest suppliers — were up by 1 and 2 per cent, while larger proportionate increases were shown by Argentina, Uruguay and Australia. On the other hand, exports from South Africa, West Germany, Switzerland, and Japan were lower in each case.

SWITZERLAND



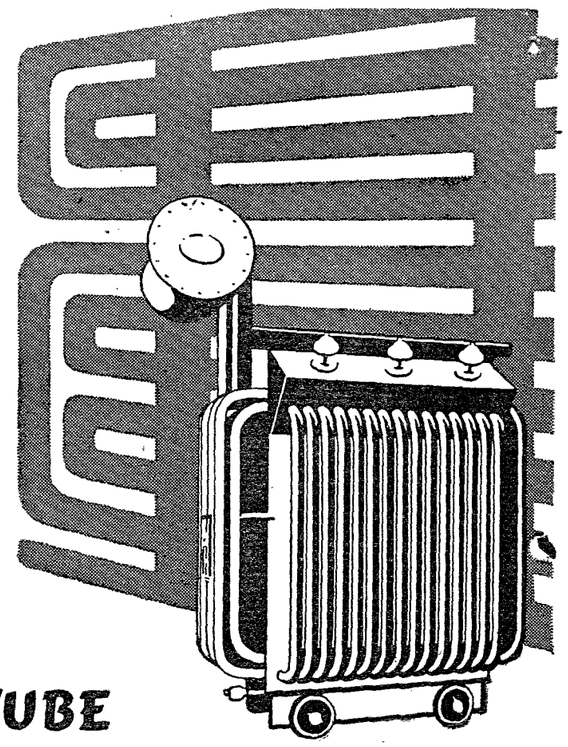
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Secretaries of:—The Beta Picker Co. Private Ltd.

Agents for: **The Royal Exchange Assurance**

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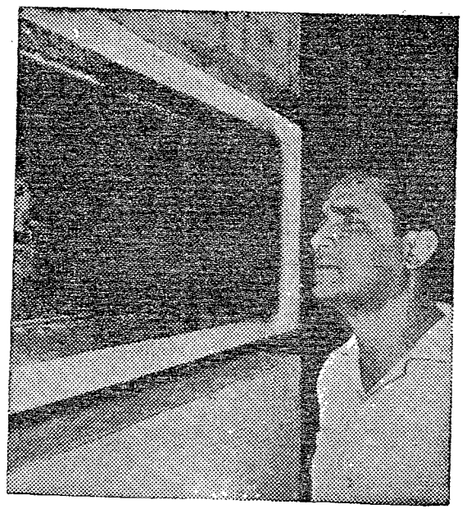
Authorised Capital	..	**Rs. 8,00,00,000**
Subscribed Capital	..	**Rs. 4,00,00,000**
Paid-up Capital	..	**Rs. 2,00,00,000**
Reserve Fund	..	**Rs. 1,75,00,000**
Working Funds (31.12.58) over	..	**Rs. 114,00,00,000**

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RESERVE BANK OF INDIA

Applications are invited for the following posts in the various departments of the Reserve Bank of India—

(A) POSTS AND SCALES OF PAY

Research Officers	**Rs. 375-55-815 E.B. 55-925-60-1045**
Probationary Assistants	**Rs. 250-25-450 E.B. 25-650**
Economic Assistants:	**Rs. 175-12.50-300 E.B. 20-440**

Note:—Candidates possessing exceptionally good qualifications and experience of value to the Bank may be given a higher starting pay in the prescribed scales.

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

(B) AGE LIMITS AS ON 1ST AUGUST 1960

Research Officers	Candidates should not ordinarily be over 30 years of age but the age limit may be extended upto 35 years in the case of candidates with exceptionally good qualifications and/or research experience of value to the Bank.
Probationary Assistants	Between 21 and 25 years.
Economic Assistants	Between 18 and 24 years.

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

(i) candidates possessing special qualifications and experience of value to the Bank;

(ii) candidates with approved war services;

(iii) ex-employees of banking institutions whose services had to be terminated for reasons of economy or as a result of the banks going into liquidation;

(iv) personnel retrenched from Government offices after **at least** one year's service applying through Employment Exchanges; and

(v) candidates belonging to the Scheduled Castes or Scheduled Tribes.

(C) QUALIFICATIONS

(i) **Research Officers, Economic Department:** First or high second class Master's degree in Economics or Commerce of an Indian or foreign University, or a Doctorate degree in Economics of an Indian or foreign University, and a period of research work in one or more of the following subjects: (a) Monetary Economics, (b) Banking Theory and Practice, (c) International Trade and Finance, and (d) Agricultural Economics. Applicants are expected to be proficient in economic analysis. A period of practical banking training will be an additional qualification in respect of applicants with specialisation in (a), (b) and (c) above and experience of agricultural surveys in respect of (d) above.

(ii) **Probationary Assistants, Agricultural Credit Department:** First or high second class Master's degree of an Indian or foreign University in Economics, Sociology or other Social Sciences or in Commerce. Special study or knowledge of rural economics or rural sociology will be an additional qualification; so also will be the experience gained in a responsible position in the Co-operative Departments of the States or in a co-operative institution. Due weightage will be given to the successful completion of courses organised by the Central Commerce for Co-operative Training at its training centres.

(iii) **Economic Assistants, Agricultural Credit Department:** High second class Master's degree or a first class Bachelor's degree in Economics or Commerce of an Indian or foreign University. Specialised study in Rural Sociology will be an additional qualification. Due weightage will be given to the successful completion of the courses organised by the Central Committee for Co-operative Training at its training centres.

Note: Experience in community development, small scale and cottage industries, marketing, training and publicity, co-operative societies, co-operative departments, etc. will be given due weightage for the posts in the Agricultural Credit Department and knowledge of regional languages such as Hindi, Bengali, Oriya, Gujerati, Urdu and Assamese will be an additional qualification.

(iv) **Probationary Assistants, Legal Department:** Applicants should be advocates or Solicitors and should possess in addition to high academic qualifications in Law, practical experience of work in an Advocate's or Solicitor's Office or have practised independently, for at least 5 years. Preference will be given to candidates having M.L. or LL.M. or other equivalent qualifications and special knowledge of banking and company law.

THE SELECTION BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE ABOVE POSTS AND ONLY CANDIDATES WHO POSSESS HIGH ACADEMIC QUALIFICATIONS AND ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

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

3. Applicants for all the above posts except Economic Assistants must remit with their applications a fee of Rs. 7.50 for each category of post in each department by cheque or bank draft on a **Scheduled Bank** payable at Bombay or by postal order. Applicants for the posts of Economic Assistants must remit a fee of Rs. 2.00. **The application fee is in no case refundable.** Bonafide refugee candidates **not in employment** applying through the Employment Exchange are exempted from payment of application fees while in the case of candidates

belonging to Scheduled Castes/Scheduled Tribes, the fee will be reduced to one-fourth.

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Lucknow, Trivandrum and Patna accompanied by copies (**originals should not be sent**) of **at least** two testimonials, **and copies of statements of marks secured in the Graduate and Post Graduate degree examinations** should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the 7th September, 1960.

5. **Candidates should also indicate in their applications whether they had applied previously for a similar post in the Reserve Bank and if so with what result.**

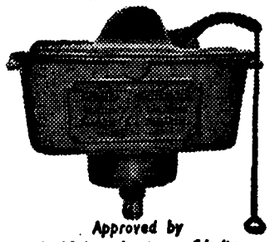
6. **Candidates already in service must submit their applications through their employers.** Candidates belonging to Scheduled Castes/Scheduled Tribes should mention this fact **prominently** in their applications and also enclose a copy of a certificate to that effect from a competent authority.

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

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

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

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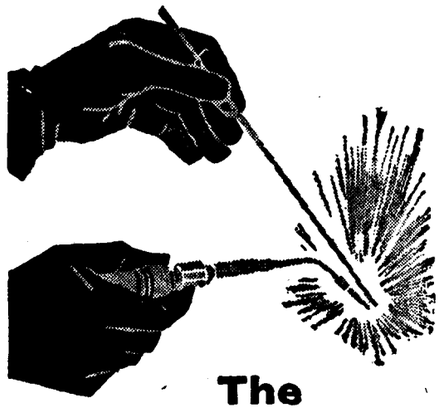


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M. Ct. Muthiah, Chairman — C. P. Doraikannu, General Manager

Company Meetings

THE NEW GREAT INSURANCE COMPANY OF INDIA LTD.

SPEECH OF MR. TULSIDAS KILACHAND

Mr. Jehangir P. Patel presided over the 17th Annual General Meeting of the shareholders of the Company on the 30th July, 1960, in the unavoidable absence of the Chairman, Mr. Tulsidas Kilachand, and delivered the speech prepared by the Chairman for the occasion. In his Speech, Mr. Tulsidas referred to some of the problems facing the Insurance Industry.

Mr. Tulsidas Kilachand expressed his disappointment at the decision of the Executive Committee of the General Insurance Council to continue the status quo as regards the Code of Conduct which, he felt, would not help in improving the market conditions. Controls merely led to ingenuous methods to circumvent them and this was exactly what had happened in General Insurance Business, with the result that after ten years of the Code, we were witnessing the sorry spectacle of Company after Company closing down. The only course open to assist the Industry was to remove all provisions of the Insurance Act restricting commission, cost etc. As in the United Kingdom, companies should be free to operate solely on the motto of "Freedom and Publicity".

FIRE PREMIUM RATES

Mr. Tulsidas went on to point out that, as was feared last year, the worst had happened and Government had finally decided to reduce the Fire Insurance rates from 1st January this year. He felt that it would have been more prudent had the rates been reduced wherever experience had shown favourable claim results. As it was, the indiscriminate reduction might well turn out to be a disastrous step from the point of view of the Industry as a whole, particularly in the context of the large number of recent fires. He asked the Insurers to adopt a firm attitude against any move for further reduction and also not to hesitate to make upward revision should the results warrant.

GOVERNMENT CONTROLLED INSURANCE BUSINESS

The Chairman made a passing reference to the steps taken by Government to gradually deprive the non-governmental companies of their shares in the Government-controlled insurance business, which he felt was most unfair.

Mr. Tulsidas also took the opportunity of disclosing to the shareholders the happy news that the Company had taken up on hand the construction of the building on Backbay Reclamation which was expected to be completed in 1962.

COMPANY'S ACCOUNTS

Dealing last with the departmental accounts, Mr. Tulsidas stated that the gross direct premium for the year 1959 was Rs. 38,08,922 in Fire, Rs. 27,16,256 in Miscellaneous Insurance, and Rs. 34,42,771 in Marine, whilst the net premiums were Rs. 35,87,510, Rs. 25,90,585 and Rs. 18,16,985, respectively. After providing for losses and expenses and reserves at 50 per cent in respect of Fire and Miscellaneous Insurance, and 100 per cent for Marine, the net amount to the credit of the Profit and Loss Account in all was Rs. 4,31,804. The Directors had transferred Rs. 40,000 to Staff Gratuity Account, Rs. 1,00,000 to General Reserve and Rs. 17,602 to Investment Reserve, and they proposed to pay Eleventh Dividend on Ordinary Shares at Rs. 2.50 per share less deduction of income-tax, amounting to Rs. 2,50,000.

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

INDIAN INSURANCE COMPANIES ASSOCIATION

Shri Jayant Dalal Surveys Current Problems

Surveying the recent trends in general insurance business, Shri Jayant S. Dalal, Chairman of the Indian Insurance Companies' Association, while presiding over the 32nd Annual General Meeting of the Association held on the 2nd August, 1960 at Bombay, observed that the slight improvement in the rate of growth in general insurance in relation to industrial production in the country, which had taken place in 1958, was heartening. But he felt that it was doubtful whether this improvement would be maintained in 1959, the final figures for which had not yet become available. A notable feature in the general insurance field in the 1953-58 period was that the share of Indian insurers in the total business had steadily increased.

Shri Dalal, however, felt that in the last five years the expansion in general insurance business had not, by and large, kept pace with the country's economic growth. Besides, the field was dominated by a few big units; the big-sized units were becoming larger and the growth of the small and medium-sized units was stunted. The larger and more powerful units, having the benefit of tied accounts, had therefore to adopt the principle of 'live and let live' by concentrating their energies on creating new business.

In the interests of creating strong groups of insurers, Shri Dalal welcome any movement towards voluntary amalgamation of insurance offices — that is, free from any official compulsion. Any attempt to thrust amalgamation on unwilling units would defeat the purpose it was intended to serve.

Shri Dalal called attention to the worsening of the situation in the insurance market, reflected in the closure of a number of companies in the past few years. If in spite of the increased business potential,

several companies had found it unprofitable to carry on, it could be only because of some basic disorder in the trade.

Shri Dalal next referred to the working of the Code of Conduct. Although it had led to some improvement in the trade, such undesirable features as wasteful competition and rebating still continued. He urged the reduction in the number of intermediaries between the client and the office and the setting up of an Administrative Machinery closely associated with the trade and comprising experienced personnel with sufficient authority to enforce the observance of the Code. The companies, on their part, should be prepared to accept any constructive suggestions or regulations that might be put forward in the interests of the trade as a whole. He felt that the existing formula for expenses of management under Section 40C of the Insurance Act and Rule 17E was a major factor responsible for the present scramble for business. Since even companies, well within the solvency margin and with large reserves, had received warnings for breach of the Section, it was worth considering whether the right course would not be an increase in the limits prescribed under the Act or some new formula not necessarily correlated with the quantum of direct business.

Proceeding further, Shri Dalal felt it was unfortunate that the authorities had not implemented the Taxation Enquiry Commission's suggestion that the insurers should be allowed to add five per cent of their annual premia to the reserves every year, free of tax, until the reserves reached 75 per cent of annual premia in fire and miscellaneous business and 150 per cent in marine and aviation hull business.

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COMPANY AFFAIRS

THE TATA HYDRO-ELECTRIC, THE ANDHRA VALLEY AND THE TATA POWER

The Tata Hydro-electric system occupies a unique place in the family of Tata enterprises as well as in the industrial map of India. It was, perhaps, the first large-scale project for directly conserving rain water. About fifty years back the Tata Hydro-electric Power Supply Company Limited was launched and later on the other two, the Andhra Valley Power Supply Company Ltd. (1916) and the Tata Power Company Ltd. (1919) were launched. Passing through many vicissitudes, the three undertakings operating as an integrated system, have served the country efficiently. The Tata Electric System proposes to celebrate its jubilee in three-fold manner: in the first instance the companies have decided to pay a sum of Rs. 1 lakh to finance scholarships for research at the Indian Institute of Science at Bangalore on problems connected with electric power. Secondly, all the employees of the three companies without consideration of rank and status are to be given a State Prize Bond worth Rs. 100 each. The total cost of this account will be shared proportionately by the three companies. Apart from this an extra half per cent dividend has been decided to be paid to the shareholders of all the three companies.

The year ended March 31, 1960, registers in the case of all three companies larger profits, except in the case of the Tata Hydro Company, where the increase in revenue from power supply is more than offset by the additional tax provision, which is relatively higher because there was no unabsorbed development rebate carried forward from previous years, as was the case with each of the other two companies. While the financial position of the companies was sustained satisfactorily, the capital base increased and activities and revenues considerably expanded, the market value of the shares of three companies registered a substantial fall during the year. In the case of Andhra, the price of the Ordinary shares actually went below par, a thing which had not happened for nearly twenty-five years in the history of the Group's shares which once stood at a considerable premium.

Considering the buoyant tone of the share market as a whole, the drop in the value of the three companies' shares clearly reflects the loss of confidence in these scrips which has resulted from the stringent limitation in profits and other restrictions imposed upon Public Utilities by the Electricity (Supply) Act and, more recently, from the introduction of the tax on dividends under the Finance Act, 1959. The Directors have pointed out that the Federation of Electricity Undertakings has continued to press the claims of the industry for an improvement in the permissible return on the capital base, either by permitting the tax on dividends to be regarded as legitimate expenditure for calculating the reasonable return and clear profits or by increasing the standard rate of return. In view of the wider capital base it is hoped that sympathetic consideration will be given in the official circles.

BALMER LAWRIE AND CO.

Trading results of the Company for the year to December 31, 1959, were fairly satisfactory as was also the income from investments and managing agency remuneration. The Directors paid an interim dividend of 5 per cent on December 31, 1959, amounting to about Rs. 4 lakhs. A final dividend of 20 per cent has been proposed to be paid which will absorb a sum of little over Rs. 16 lakhs.

Of the subsidiary companies the Bengal Flour Mills recorded successful working and there was an increase in its dividend distribution. Bridge Roof & Co. (India) Ltd. recorded satisfactory results and the plans for further reorganization of its works are being implemented. British India Electric Construction Co. recorded a fall in profits. The Indian Galvanizing Co., which is in the process of being reconstructed, should be completing its reconstruction programme in the near future. Balmer Lawrie & Co. (Pakistan) Ltd. is being wound-up by a Members' Voluntary Liquidation which commenced from April 1, 1960.

As far as the Associated Companies are concerned, in Assam Pulp Mills the Company has borne the major part of the preliminary expenses in connection with the establishment of a pulp manufacturing plant. During the year under review the Company has given an undertaking to take up a further 3,27,500 Ordinary Shares. The Company resigned its office of Secretaries and Treasurers of the Bengal Paper Mills Co. Ltd. with effect from April 28, 1960. This brings to an end a connection with the management of the Bengal Paper Mills which lasted over 70 years. The Company has contracted to sell a substantial portion of its investment in the Bengal Paper Mill Co. Ltd.

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Subscribed Capital	Rs.	88,60,000
Paid-up Capital	Rs.	82,98,990
Reserve & other Funds	Rs.	83,01,884
Deposits as on 31-12-1959	Rs.	43,92,73,211

DEPOSITS

CURRENT ACCOUNT — SAVINGS BANK — FIXED, SHORT TERM DEPOSITS-3 YEAR CASH CERTIFICATES YIELDING 4·06% COMPOUND INTEREST

FOREIGN EXCHANGE

FOREIGN EXCHANGE OF EVERY DESCRIPTION :
London Agents: WESTMINSTER BANK LIMITED
New York Agents: FIRST NATIONAL CITY BANK OF NEW YORK

G. S. SUNDARAM, *Secretary*

LEADING
MANUFACTURERS
OF
QUALITY SPUN
YARNS PREFER
'GRASIM RAYON STAPLE FIBRE'

The
Gwalior Rayon Silk Mfg. (Wvg.) Company Limited
(Staple Fibre Division)
P. O. BIRLAGRAM (Nagda)
Western Railway

Telegram:
'GRASIM'

Telephone:
88 RATLAM.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months / Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
April 1959 ..	113.1	97.5	116.2	116.2	108.4	107.9	108.0	111.9
May	116.1	98.6	115.8	119.5	108.1	108.5	108.4	114.0
June	118.7	97.6	115.9	120.3	108.2	109.3	109.1	115.6
April 1960 ..	118.6	103.1	118.7	134.2	123.2	116.9	117.8	120.5
May	119.9	107.3	118.6	140.1	125.4	118.9	119.8	122.7
June	120.4	109.5	118.5	139.6	127.2	118.6	119.8	122.9
2-7-1960 ..	121.7	110.5	118.7	138.2	129.5	118.5	120.0	123.4
9-7-1960 ..	123.7	110.5	118.8	136.7	130.2	118.9*	120.5	124.4*
16-7-1960 ..	125.1	109.0	118.9	136.4	130.5	119.3	120.9	125.1
23-7-1960 ..	125.0	109.0	118.9	136.7	130.9	119.7	121.3	125.2

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 September	403	422	319	156	399	465	510	162	434	162	179	173
October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168*
February	399	418	294	161	389	468	511	165	448	167	167	168*
March	395	414	287	157	392	464	510	165	446	166	168	168*
April	402	421	288	155	392	463	511	165*	446	162	163*	168*
May	402	421	295*	153	396	461	510	165*	452	166	163*	168*
June	403	422	—	154	399	460	510	—	462	—	—	—
July	—	—	—	—	—	—	—	—	467	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 29-7-1960 High	29-7-1960 Low	29-7-1960 Average	22-7-1960 High	22-7-1960 Low	22-7-1960 Average	15-7-1960 High	15-7-1960 Low	15-7-1960 Average	8-7-1960 High	8-7-1960 Low	8-7-1960 Average
Gold (per fine tola) —	131.94	129.66	130.45	132.22	130.00	131.05	130.69	128.62	129.62	129.84	128.50	129.07
Silver (per 100 fine tolas)	221.87	219.44	220.50	222.06	216.50	219.42	220.12	216.94	218.86	217.56	216.06	217.02

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59 ..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
Average of Fridays										
January 1960 ..	754,54	1131,99	1,886,54	46,23	78,23	6.59	841,75	158,76†	53.03	773,37
February ,, ..	748,29	1149,47	1,897,76	45,11	72,06	6.17	889,52	159,19†	55.26	767,23
March ,, ..	768,84	1154,11	1,922,96	56,88	79,67	7.10	930,20	166,32†	57.02	740,40
April ,, ..	800,17	1162,83	1,963,01	51,40	89,55	7.18	950,14	177,77†	57.46	729,23
May ,, ..	785,27	1193,71	1,978,98	48,84	90,72	7.05	964,21	167,88†	57.21	744,91
June ,, ..	790,17	1202,95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
Week Ending										
24-6-1960 ..	786,80	1216,31	2 003,11	46,57	107,34	7.68	976,31	149,56†	56.21	739,72
1-7-1960 ..	790,28	1218,40	2,008,68	48,67	107,08	7.75	978,32	149,34†	56.14	744,47
8-7-1960 ..	782,65	1221,90	2,004,55	49,66	105,47	7.74	988,41	149,93†	56.79	749,04
15-7-1960 .	787,37	1211,84	1,999,21	50,61	121,62	8.61	987,92	140,41†	56.44	732,24
22-7-1960 ..	804,43	1211,39	2,015,82	47,60	106,77	7.66	972,52	146,87†	55.53	728,88

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variatione in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+263,44*
January 1960 ..	2,589,94	1,793,78	796,16	778,08	18,08	+70,38
February ,, ..	2,619,71	1,825,55	794,16	778,57	15,59	+29,77
March ,, ..	2,702,19	1,861,78	840.41	818,62	21,79	+82,48
April ,, ..	2,746,10*	1,912,71*	833,39*	812,80*	20,58	+43,91*
May ,, ..	2,723 89*	1,894,36*	829,53*	810,43*	19,11	—22,21*
June ,, ..	2,702,40*	1,867,70*	834,70*	811,79*	22,92	—21,49*

* Provisional.

• Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1952-53=100)

Average of weeks ended Saturday	Govt. & Semi-Govt.	Debentures	Preference shares	Variable Dividend Industrial Securities: Total	Tea	Coal	Sugar	Cotton Textiles	Jute Textiles	Cement	Paper
1957-58† ..	98.3	99.6	88.0	125.4	143.5	89.1	159.7	119.9	63.4	125.2	159.6
1958-59 ..	99.9	100.1	87.2	137.3	145.2	107.1	163.9	113.6	80.2	129.0	184.8
1959-60 ..	101.2	101.8	92.2	155.3	160.1	113.7	178.6	129.2	96.6	136.0	208.9
April 1959 ..	100.7	101.7	91.0	149.0	153.8	120.0	170.5	114.5	97.6	134.8	206.5
May ,, ..	100.7	101.8	92.2	150.8	160.8	118.7	172.5	120.6	94.6	134.6	199.9
June ,, ..	100.8	101.8	92.1	149.8	160.5	115.7	168.7	118.7	94.6	135.6	196.8
July ,, ..	101.0	101.8	92.1	154.1	159.7	118.5	176.6	121.1	98.7	139.9	204.2
August ,, ..	101.2	102.1	93.2	153.9	157.7	116.2	176.7	123.9	98.9	137.3	207.1
Sept. ,, ..	101.4	102.1	93.6	153.1	150.8	113.0	177.3	125.0	97.7	135.5	212.2
October ,, ..	101.7	102.1	93.4	156.1	148.5	111.7	184.0	131.9	98.8	135.9	214.2
Nov. ,, ..	101.6	101.9	92.6	157.2	162.1	109.6	186.7	133.6	99.8	134.7	223.4
Dec. ,, ..	101.5	101.7	91.7	157.6	166.0	105.4	185.0	134.6	95.1	132.1	213.0
January 1960 ..	101.5	101.7	91.3	158.7	167.4	107.5	183.2	141.5	94.5	135.1	209.2
February ,, ..	101.4	101.7	91.2	158.3	165.7	111.2	178.9	139.9	92.9	134.7	206.9
March ,, ..	101.3	101.5	91.1	165.0	169.9	117.4	182.9	144.6	96.0	141.9	215.2
April ,, ..	101.3	101.3	90.8	166.5	168.4	119.5	184.9	144.5	95.1	142.8	222.6
May ,, ..	101.2	101.1	90.1	173.4	169.4	124.0	190.1	148.4	94.0	146.2	233.5
June ,, ..	101.1	101.0	89.4	175.3	172.8	122.9	195.3	152.2	94.7	146.1	234.6
July ,, ..	101.2	101.0	87.3	178.1	170.6	122.9	194.2	159.5	92.4	149.0	233.5
2-7-1960 ..	101.2	101.0	88.3	175.8	170.3	123.2	193.2	155.5	92.1	148.9	232.8
9-7-1960 ..	101.2	101.0	87.4	174.9	168.6	122.6	192.9	155.9	91.3	148.3	230.6
16-7-1960 ..	101.2	101.0	87 1	176.4	168.2	122.9	194.1	159.2	91.0	148.4	230,7
23-7-1960 ..	101.2	101.0	86.9	182.0	172.5	123.4	195.7	163.6	93.6	149.0	237.0
30-7-1960 ..	101.2	101.0	86.8	181.6	173.6	122.6	195.2	163.4	94.2	150.2	236.4

†Average of 40 weeks.

LATEST CROP ESTIMATES

Crop	Estimate		Area: Acres ('000)	Area: Increase +or decrease —over the corresponding estimate of the previous year (per cent)	Yield: Tons ('000)	Yield: Increase +or decrease —over the corresponding estimate of the previous year (per cent)
Food grains:						
Rice	Final	1959-60	81,343	—0.1	29,338	—3.3
Wheat	Final	1959-60	31,508	+1.2	9,734	—0.4
Jowar	Final	1959-60	41,602	—2.3	7 866	—9.7
Bajra	Final	1959-60	26,699	—4.6	3,484	—8.0
Maize	Final	1959-60	10,457	Nil	3,615	+6.9
Ragi	Final	1959-60	6,2 1	+.03	1,860	—0.9
Gram	Final	1959-60	25,046	+0.7	5,390	—21.7
Tur	Final	1959-60	5,843	—1.5	1,589	—4.9
Oilseeds						
i. Edible—						
Sesamum	Final	1959-60	5,510	+0.2	392	—23.3
Groundnut	Final	1959-60	15,305	+5.0	4,390	—8.8
Rape & Mustard ..	Final	1959-60	7,167	+19.0	1,037	+1.2
ii. Non-edible						
Linseed	Second	1959-60	3,151	+7.2	—	—
Castorseed	Final	1959-60	1,178	—2.1	108	—3.6
Fibres:						
Cotton	Fourth	1959-60	18,960	—2.3	—	—
Jute	Final	1959-60	1,707	—5.7	4,548*	—11.8
Mesta	Final	1959-60	706	—14.4	1,098*	—26.2
Other Crops:						
Tobacco	Second	1959-60	909	+2.8	—	—
Potato	First	1959-60	706	+10.0	—	—
Sugar cane **	Final	1959-60	5,178	+7.8	7,579	+6.6

*Bales. **In terms of gur.

Source: Ministry of Food and Agriculture.

INDIA'S FOREIGN TRADE

(By Land, Sea and Air)

Monthly averages or Calendar months	India's Balance of Trade in Merchandise			Index Numbers of Quantum and Value per unit of Imports and Exports (By Sea, Air and Land) Base: 1952-53=100			
				Quantum		Value per unit	
	Exports including Re-exports (Rs. lakhs)	Imports (Rs. lakhs)	Balance of trade (Rs. lakhs)	Imports	Exports	Imports	Exports
1952	51,39	68,54	—17,15	—	—	—	—
1953	44,28	47,50	— 3,22	90	99	95	93
1954	46,88	53,96	— 7,08	101	102	89	95
1955	50,66	56,09	— 5,43	109	113	88	93
1956	51,60	68,46	—16,86	136	109	89	94
1957	50,86	85,73	—34,87	156	119	98	94
1958	48,25	72,02	—23,77	140	108	92	93
1959	51,90	73,95	—22,05	148	119	90	91
September 1957	61,55	83,29	—21,74	149	135	100	95
October „	53,64	73,07	—19,43	126	110	104	100
November „	59,02	78,18	—19,16	143	122	98	101
December „	54,59	66,58	—11,99	130	122	92	93
January 1958	54,77	66,05	—11,28	130	127	91	88
February „	41,93	66,21	—24,28	130	97	91	89
March „	46,68	70,56	—23,88	132	109	96	89
April „	41,73	59,98	—18,25	118	95	91	91
May „	44,70	63,29	—18,59	136	104	86	89
June „	28,12	63,93	—35,81	108	63	106	93
July „	54,31	66,79	—12,48	115	124	104	91
August „	49,91	55,92	— 6,01	98	107	102	96
September „	59,02	58,60	+ 42	108	128	97	96
October „	56,10	56,99	— 89	113	121	90	98
November „	49,57	68,65	—19,08	127	110	97	96
December „	52,40	85,75	—33,35	167	124	92	94
January 1959	45,16	80,24	—35,08	128	106	93	90
February „	41,79	59,77	—17,98	112	101	96	90
March „	47,22	65,61	—18,39	135	108	87	93
April „	44,70	98,83	—54,13	167	104	87	91
May „	44,05	73,37	—29,32	139	104	86	90
June „	43,54	77,18	—33,64	146	99	96	90
July „	51,46	62,94	—11,48	140	120	82	90
August „	58,52	58,37	+ 15	140	135	76	91
September „	60,22	69,42	— 9,20	146	135	86	94
October „	59,74	65,03	— 5,29	136	142	88	89
November „	61,76	69,98	— 8,23	143	136	89	94
December „	69,57	69,74	— 17	150	153	84	95
January* . 1960	52,06	62,68	—10,62	88†	100†	99†	107†
February* „	49,81	69,12	—19,31	—	—	—	—
March* „	53,41	75,61	—22,210	—	—	—	—
April* „	48,58	82,00	—33,42	—	—	—	—
May* „	50,74	82,77	—32,03	—	—	—	—
June* „	48,94	84,95	—36,01	—	—	—	—

* Provisional.
† New series with base 1958=100.

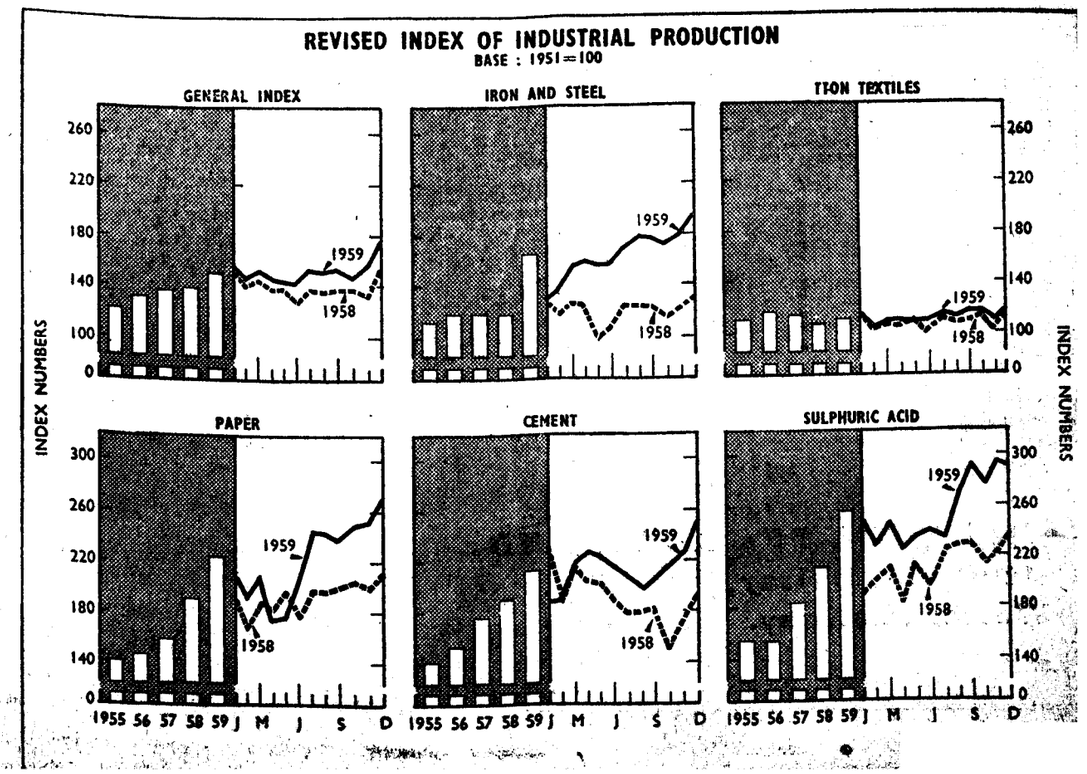
Source: Ministry of Commerce and Industry.

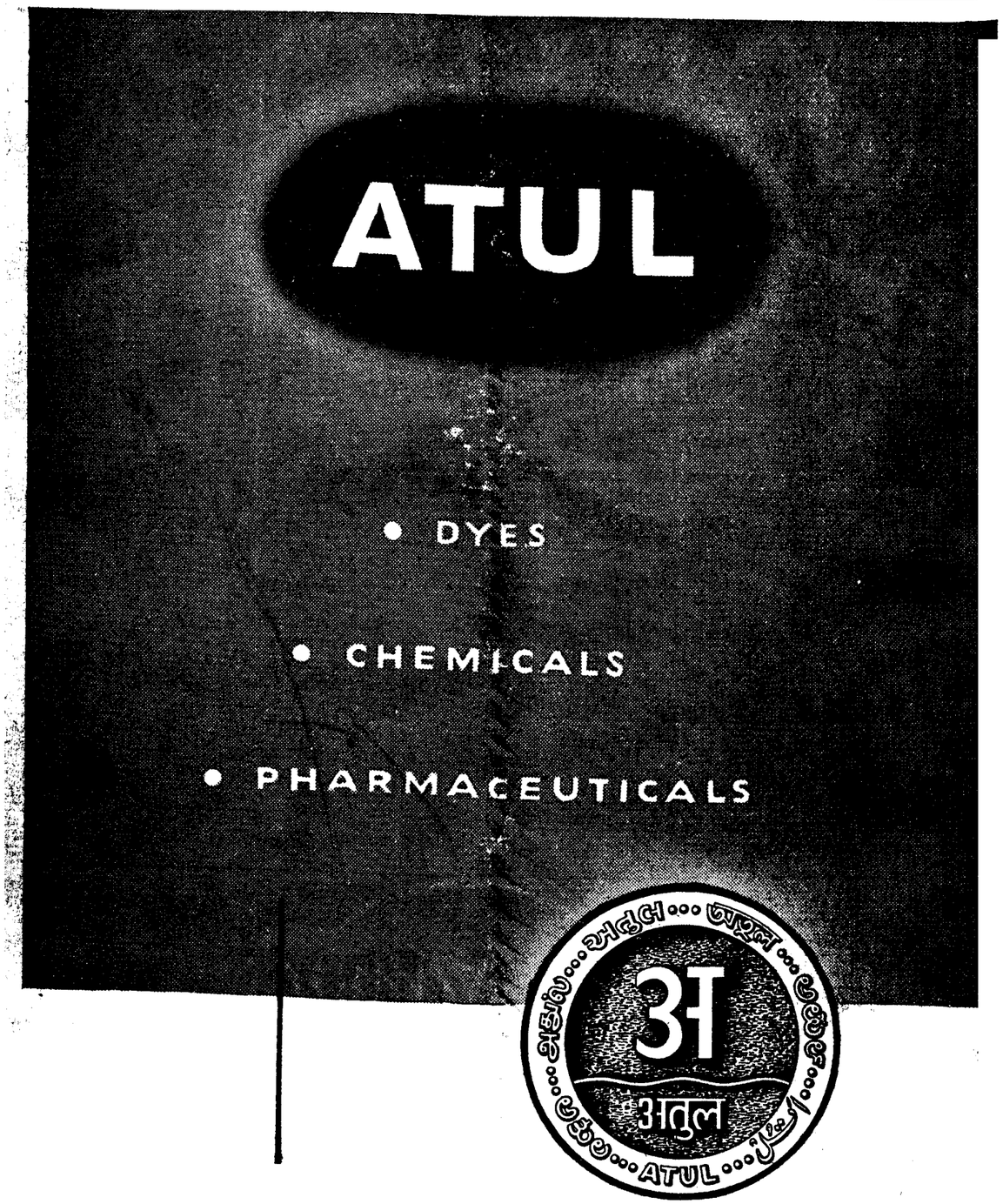
THE REVISED INDEX OF INDUSTRIAL PRODUCTION

(Base 1951 = 100)

Year and month	Index General	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen.* Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1952 ...	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.5
1953 ...	105.6	104.5	109.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.9	115.8	96.7	113.1
1954 ...	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.0	127.0
1955 ...	122.4	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	106.2	144.5
1956 ...	132.6	114.9	117.5	122.0	115.2	127.3	171.1	154.2	119.4	218.1	146.6	166.5	106.0	164.1
1957 ...	137.3	126.8	115.6	127.5	109.7	120.5	181.3	175.3	119.3	241.3	159.3	185.5	106.9	184.9
1958 ...	139.7	132.2	108.9	123.1	101.8	123.9	206.2	189.9	119.1	254.1	191.8	175.5	113.8	209.0
1959 ..	151.0	137.1	111.5	128.2	103.1	125.4	214.3	213.6	163.1	282.6	222.9	186.8	112.6	248.5
October 1958	137.5	131.1	113.4	129.7	105.3	115.1	218.6	154.4	116.9	240.3	204.4	19.4	225.2	219.2
November ...	132.4	129.0	101.5	117.0	93.8	122.9	207.9	171.5	122.1	249.0	199.0	96.7	133.0	209.5
December ...	155.1	145.1	117.5	135.8	108.4	136.6	222.1	196.1	131.7	291.4	210.6	382.3	42.4	229.5
January 1959	155.7	142.9	114.8	131.9	106.3	129.3	220.4	187.6	130.3	265.3	207.7	478.6	19.7	236.8
February ...	145.8	137.8	104.7	120.7	96.7	119.7	211.3	188.1	135.1	250.7	191.0	442.6	17.0	220.1
March ...	151.2	138.3	109.2	126.3	100.7	120.4	218.8	219.8	154.3	264.6	210.9	394.5	19.5	239.9
April ...	145.2	139.3	109.3	125.0	101.5	122.0	195.7	226.1	158.0	294.6	173.9	187.6	56.1	241.1
May ...	143.3	140.4	108.6	123.5	101.1	126.0	229.0	222.6	154.5	279.5	177.7	34.8	109.4	254.3
June ...	142.2	133.4	108.7	122.7	101.8	120.3	223.9	215.0	155.1	271.9	206.0	0.2	140.1	245.9
July ...	153.9	135.0	115.3	131.6	107.1	129.7	236.9	207.7	168.5	293.7	245.9	4.8	184.0	256.2
August ...	150.8	131.2	111.5	128.2	103.1	124.2	230.0	197.8	179.2	288.1	242.1	10.0	207.6	254.8
September ...	153.1	137.7	114.6	131.7	106.1	130.3	230.4	206.8	176.3	292.2	239.5	11.1	213.4	253.4
October ..	146.5	126.2	114.3	131.1	106.0	123.6	236.3	215.0	172.0	242.4	248.1	21.5	201.9	259.4
November ..	155.1	132.5	107.6	126.4	98.2	123.9	232.2	226.7	178.0	309.8	252.2	193.0	136.8	253.1
December ..	175.3	150.2	119.0	139.3	108.8	132.4	247.7	250.2	196.6	335.4	273.8	463.7	47.1	266.5
January 1960—	169.9	144.0	114.2	131.8	105.4	123.7	248.6	244.0	204.0	305.2	253.9	536.4	20.2	265.8
Feb. „ ..	168.6	150.3	111.1	128.3	102.5	123.5	240.6	222.0	192.6	317.5	255.1	509.7	17.2	256.5
March „ ..	175.1	152.6	113.9	130.9	105.4	130.7	254.4	260.8	208.5	342.1	270.6	477.8	20.7	271.3
April „ ..	167.1	—	112.8	128.3	104.8	130.8	—	237.9	—	—	—	285.6	75.7	—

* General Engineering including Electrical Engineering. Source: Directorate of Industrial Statistics, Calcutta.





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THE EASTERN ECONOMIST

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The Eastern Economist

AUGUST 19, 1960

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Independence Day: 1960

THE celebration of Independence Day this year has lacked, at least in Delhi, both warmth and confidence. It is true India's fourteenth Independence Day cannot have the right of August 15, 1947. Custom can certainly make stale the formal proceedings such as the Red Fort speech and the normal Independence Day meetings. The absence of the usual crowds at the Red Fort and elsewhere is also partly attributable to inclement weather. A cloud seemed to hang over all proceedings. But when all this is said and done, there was no mistaking the fact that Independence Day, 1960, lacked something in the people's minds. The question is being asked: has the bitterness of Central Government employees flowed over to public feeling generally?

There are some who are prone to argue that there has been a decline in the Prime Minister's personal prestige and the top leadership of the Congress Party. *The Eastern Economist* does not believe this to be true so far as the Prime Minister personally is concerned; it has also argued recently, following the imaginative handling of the general strike by the Central Government, that Congress stock has never been higher. There are, it is true, the pressures of economic events, particularly of the prevailing high prices, which have produced discontent, but the present psychology of indifference to Independence Day is much more a reflection of misgivings within than an immediate criticism of either political leadership or economic pressures. Perhaps a certain habit of doubt on the capacity of the country to fulfil the Third Five-Year Plan has something to do with the lack of enthusiasm which cannot be denied.

There are some who consider that the Third Five-Year Plan can be implemented with the institutional framework and the agencies that have done relatively well in the Second Five-Year Plan. There are others — *The Eastern Economist* is among them — who believe that far greater participation by the people of India is necessary with a far greater display of small private entrepreneurship, if the economic system is to invest and produce in the next five years at a rate equal to that of the last decade. There has been, in the first two Plans, no great widening of the base of the active agents of India's political and economic systems. There has, inevitably, been inequality in the distribution of economic progress in the last ten years. But it is doubful if this inequality would have been so keenly resented but for the fact, firstly, that with rising prices, the burden has been made for many to look much greater and, secondly, with the lack of participation of millions, the feeling has been engendered that the adventure of India is confined to the few and not a vast mobilisation of the many. A social and institutional revolution was held in suspense while expansion of existing institutions greatly increased the power of those in authority. Therein lies much of the malaise which has shown itself this week.

The broadening of the base of participation in India's economic effort is a condition of the dissipation of the lethargy which non-participation has generated to a large degree. Much of the greater area for this participation is required in the countryside — particularly in the Community Development blocks — and in the particular field of agricultural production, which can properly be made the banner of a great national effort, conceived as a war effort, designed to abolish primary poverty and destitution in the Indian sub-connent. Alongside, there must be a far greater programme for small industries, properly designed and adequately serviced. On this Independence Day, it has become clear that those that stand without can be left in stagnation only at the peril of all. To the intellectuals of India dedication can take no higher form than this incorporation of the great mass of Indian citizens in the great Indian adventure.

Exit: Russian Crude?

IT is certainly a curious convention which is being allowed to grow up in India's Parliamentary system that major statements of policy are elicited in reply to questions. This was grotesquely illustrated on August 8, when Mr. K. D. Malaviya, Minister for Oil and Fuel, made a vital statement on the policy in regard to the import of Russian crude oil, as though it were an issue of simple routine. Few Members of Parliament were aware of the tremendous stir which had been created in at least three leading capitals of the world by the controversy initiated by the Minister for Oil and Fuel in regard to the import of Russian crude for rupee payment at prices deemed to be substantially lower than world prices. Not, indeed, that the Minister was in error in exploiting a situation favourable to both our foreign exchange and rupee accounts. The fact that the oil companies responded so well by two reductions surplus of oil which has only made itself evident in the last six months, but nobody in India will deny Mr. Malaviya credit for applying pressure vigorously at what might be called a strategic time. The fact that he has had, after full consideration of the current position, to decide against the import of Russian crude, may, however, have displeased the Russians, with whom the Minister was anxious to extend his commitments. The whole question is now invested with high political overtones, particularly as a similar problem in Cuba has, fairly and squarely, placed that country in the heart of the Cold War.

The Indian Cabinet was obviously wise, in the circumstances in which it found itself, to prevent the Ministry of Fuel from pursuing the policy of using the threat of import of Russian crude to effect a departure from existing agreements. The

prices, might deem now that they have scored a partial success over the Minister, by rejecting outright his suggestion for refining Russian crude. The end of the negotiations, whilst having obtained substantial advantages for the Indian exchequer in terms of prices (which may or may not have occurred on their own), leaves the oil companies secure in the belief that their negotiated agreements will not be unilaterally disowned and the Russians are, at least for the present, outside the Indian crude oil business. With limited possibilities of distribution, and with problems of prices still unsettled, it is difficult to know to what extent the Russians are in the refined products market, though the arrival of the first consignment on the 19th of this month might appear to be some consolation to offset the major defeat on the import of Russian crude.

While the general public will be mystified at the curious ups and downs of these negotiations, it will generally record the wisdom of the Central Government's action in, firstly, underlining the fact that it will honour all agreements reached with oil companies and, secondly, not running the risk (even to save foreign exchange) of a strategic weakening of our vital sources of oil at a time when some many unknowns exist. Even the price situation is clouded with doubt. It is not generally known that the crude that has been offered by the oil companies, sometimes even at a higher price, is competitive with the Russian crude in terms of India's demand for separate products. For sometime past, India has found it more economical to employ Iranian crude at a substantially higher price than Kuwait crude because the chemical composition of this crude was favourable to expanding the volume of middle distillates urgently required. First indications are to the effect that out of the four Russian crudes offered, two were removed from practicability in that they were far in the interior near the Ural mountains and the other two from Baku had a large freight disadvantage compared to oil delivered from Persian Gulf. While the Russians escape the costs of royalty payable to the Middle East countries, the freight disadvantages and some of the chemical properties of their oil would appear to offer us no price advantage.

On the foreign exchange issue, which is probably the most vital of all, a much more detailed examination is necessary. This will be attempted in our issue of September 2, where a Blue Supplement is being added to deal with the pattern of refined products required in the Indian Union at the end of the Third Five-Year Plan. A study published in June this year by the Economic Intelligence Unit of the Indian Institute of Public Opinion suggests that the demand of refined products, particularly in view of the likelihood of both power and coal shortages, would be in the neighbourhood of 14 million tons by 1965-66. If this calculation is reasonably correct, the decision not to add to refining capacity for the moment is obviously perverse, because this would merely enhance our foreign exchange bill for inescapable supplies. Undoubtedly, the offers made by the oil companies to add to their refining capacity need to be reconsidered in terms of a new foreign exchange calculation based on the reduced crude prices. It surely is not impossible to find some level of discounts on crude at which it is in India's interest, notwithstanding foreign exchange required for crude imports, to install additional private refining capacity.

All in all, the decision on Russian crude is only one step in a series of measures designed to place India in a viable position in regard to her energy requirements in the Third Five-Year Plan. Much more constructive thinking needs to go into this subject, which has only been perfunctorily treated both by the Planning Commission and the Ministries of Fuel and Power.

Atomic Energy: Agonising Reappraisal

SPECULATIONS over the first nuclear power station to be established in this country were set at rest when the Prime Minister confirmed in the Lok Sabha last week that it would be established at Tarapore in Maharashtra. Mr. Nehru also indicated that it was Government's intention to go ahead with the construction of more nuclear power stations. Apparently, the object is to push forward the programme of completing one million kilowatts of nuclear power by the end of the Third Plan. This calls for an agonising reappraisal. The question is not over the merits of atomic power as such, but whether it should be pursued with a sense of urgency that is unrelated to the economic realities of the situation. Ultimately, it boils down to a question of priorities when scarce resources have to be allocated among competing demands for subserving the wider needs of the country. An atomic energy programme, it should be made clear, cannot rest on sentimental grounds alone; and it plays no part in our military strategy. It should be on the basis of cost and whether it is economical vis-a-vis conventional fuels or power.

The Atomic Energy Commission bases its case for a nuclear programme on the ground that the resources of conventional fuels will not be able to meet the power needs of the future It estimates that the total hydro-electric capacity in the country is of the order of 40 million kwts. and by 1986 not more than 75 per cent of it could be harnessed. The total installed electric capacity by 1986 is, however, expected to be 50 million kwts. It has, therefore, argued that since the limited coal resources cannot meet, in any large measure, the electric power needs of the future, there is need for resorting to nuclear power. It may be conceded that in the very long run, the estimated coal reserves in the country may not be able to meet the heavy demands for power, but there is nothing to warrant the belief that in the next 25 years the potential resources of conventional fuels will not be adequate for the country's growing needs. In fact, a recent study on "Energy Demand" by the National Council of Applied Economic Research has contended that these resources could even last for a long period thereafter. One has also to take into account that with new discoveries of oil, the potential supply from this source is of considerable importance and even in the generation of power the oil resources are bound to play a more important part.

The point, therefore, to be decided is not about the unavailability of coal but whether it would be economical to depend on it and if it is not so, whether alternative sources would be more feasible. Here, various estimates have been given but even according to Dr. H. J. Bhabha, the capital cost of a thermal station is roughly about Rs. 1,000 per kwt. and for pure hydro-electric projects such as Rihand, Koyna and Kundha, the total cost per kilowatt is over Rs. 1,700. On the other hand, the cost of a nuclear power station is placed at Rs. 1,700 per kilowatt which is 50 or 100 per cent higher than a thermal station, but does not compare favourably with that of hydro-power station. There is no reason to believe, that the capital cost, as estimated by Dr. Bhabha for a nuclear plant will remain as low as Rs. 1,700 per kwt. It may perhaps be valid in regard to stations that are very large and the cost may be more economical. But it has to be recognised that recently certain factors have been altering the competitive position of nuclear power. For instance, the higher interest rates of the past few years have made the high capital cost of nuclear installations more onerous. In addition, such plants have in most cases proved more costly to construct than estimated. Recently in Britain, there has been a cut in the atomic power programme, since it was found that the supply of coal has been more plentiful and oil supply prospects, with a reduction in prices, have also improved. What is more important, it has been found that the cost of building thermal power stations has been virtually halved, and the difference in the cost of electricity from a good thermal power station and from an atomic one has widened to as large as 60 per cent. In the case of India, there is the additional factor that the economic utilisation of exceptionally large power reactors will be rather difficult because of the dispersed nature of power demands.

In considering the question of capital outlay, there is an important aspect to be considered and that is the question of foreign exchange which has now assumed serious proportions. Writing recently in the US magazine "Bulletin for the Atomic Scientists", a writer pointed out that an atomic power station would cost three times the cost of the conventional power projects from the point of view of expenditure on hard currency. He has estimated that the foreign exchange component of a nuclear power station would be $540 to $780 per kwt. compared with $140 or 150 a kwt. for a conventional hydro or thermal power plant. The proposed plant at Tarapore with a capacity of 300,000 kilowatts, which is expected to cost about Rs. 51 crores, will obviously involve a large foreign exchange outlay. On the basis of cost, it is conceivable that the country can have twice the output of power from a thermal plant for the same expenditure. The time for second thoughts is now as a serious error is being made. It is only proper that a competent commission of experts and not the Atomic Energy Commission should go into the matter.

Company Contributions to Political Funds

IT was not to be expected that the highly controversial subject of contributions by joint stock companies to the funds of political parties should escape the attention of the Select Committee during its discussions on the Bill to amend the Companies Act, 1956. As many as seven members of the Select Committee have appended either independent or collective notes of dissent in which they have recorded their strong disapproval of the statutory provision which permits companies to contribute to political funds. Two important points emerge from these notes. One of them highlights the fact that the original prohibition in the Company Law against such contributions was removed and an amendment enabling contributions to be made was inserted at the instance of the present ruling party. Secondly, the amendment proposed by seven dissenting members to ban the contributions was rejected by the Select Committee on the strength of the majority drawn from the ruling party. Thus it was that the party in office was put in the dock when the issue was raised for reconsideration at the Select Committee level.

The objection to the statutory permission to companies to contribute to political funds is familiar. In essence it boils down to the unanswerable contention that contributions by companies usually aim at securing favour at the hands of the party in power, which is the principal recipient of such aid and in consequence political corruption is fostered. The Calcutta and Bombay High Courts, which had occasions about four years ago to consider applications of certain big companies for amendments to their Memoranda of Association enabling them to contribute funds to political parties, have expressed the view that this practice is fraught with danger in an immature democracy. The amendments to the Memoranda were granted by both High Courts but with obvious regret.

The amendment proposed by the Sastri Committee to Section 293 of the Companies Act requires that the fact of such a contribution having been made by any company should be specified in the Statement of Profit and Loss Account, setting out the particulars of the amount given and the name of person or persons or party or political association to whom the donations have been made. [illegible] the amendment, the closure would remove the objection of secrecy. The proposed amendment, although it marks an improvement over the existing provision, can hardly be said to go far enough because disclosure becomes a post-facto intimation which gives shareholders a notional satisfaction of knowledge. In this context it has been stressed that large amounts may be involved in some cases in view of the fact that the ceiling on donations to political parties has been fixed at Rs. 25,000 or 5 per cent of the net profits, whichever is higher.

Post-facto publication does not remove the original objection to such donations. Shareholders subscribing to the capital of a joint stock company can hardly be expected to be of one political mind, owning allegiance to the ideology of only one political party. Such a disclosure in effect deprives shareholders, who are reluctant to approve of the contributions to a particular party, of their right to record dissent. A straightforward procedure demonstrating the voluntary nature of contributions would require that such contributions should be made subject to approval at special general meetings of shareholders. It would also be advisable to reserve the right to dissenting shareholders not to make involuntary contributions. Such a reservation cannot be said to impinge on the ordinary discretion of the Board of Directors to conduct the business of the company inasmuch as making contributions to political parties does not constitute a normal part of the functions of a company.

The fundamental objection to company contributions, however, rests on the ground that in reality such contributions in a vast majority of cases are not spontaneous, but induced under some pressure. The burden of election expenditure is too onerous for the ordinary sources of income of any political party to bear. It is idle to deny that exigencies of election expenditure are at the root of the curious defence of the propriety of allowing companies to make contributions to political funds. These do not seem necessary for the proper information of the electorate; but, even if they were, equity should require they are not biassed in favour of a particular party. Who can deny today that the Congress Party is the main beneficiary of this provision? This is a travesty of its fair name; it is not on forces such as these that Mrs. Indira Gandhi built the Congress [illegible]

A DELHI DIARY

THINNER CROWDS

INDEPENDENCE Day came and went almost like any other. The Red Fort celebrations were clearly less attended, and, if I mistake not, so was the Vice-President's At-Home. Since nothing is so interesting to us as ourselves, the unusual behaviour of the Indian people has naturally been the subject of animated debate. As "The Eastern Economist" has delivered itself on this subject in the first leading article—I had almost said pontifically—there is nothing left for me to say. But I think this repeated discussion about ourselves is one of the most unhealthy things that is occurring at the present time. Who would have thought that instead of discussing the problems of the Third Plan—and, of course, the residual legacies of the Second, particularly foreign exchange—we should be looking backwards all the time. Are we the giants who are supposed to do the great take-off in this decade? If this introspection is widespread—which I deny—India will not take-off. Happily, taking off—I am told (not by Professor W. W. Rostow)—is not primarily concerned with the dismal desponds who abound at the hour of ascent; that is why, I suppose, revolutionary fever occurs not at the nadir but, as Lenin proved, some considerable distance above it. In any case, the men (and women) who do things seldom have the time to think about why other people are dismal and why they grumble.

MORE ABOUT PALAI

For the grumblers, the crash of the Palai Central Bank has provided wonderful fuel. I fear Mr. Gopala Reddy, Minister for Revenue and Expenditure, merely added additional fuel to the fire when he talked on Tuesday about the Reserve Bank not providing any guarantee for "unlicensed" banks. The very next day a spokesman of the Finance Ministry explained that the Reserve Bank did not provide a guarantee at all, and a licence was something quite different. Incidentally, no one has yet discovered what the difference really is, and whether the Minister was just being ill-informed. But the pressure of public opinion has already driven the Government, after consultations with the Governor, to send for the Deputy Governor of the Reserve Bank and for the Chairman of the State Bank of India. They are all here at the moment and I dare not say that too many cooks will spoil the broth. The broth has been spoiled already, and I think a large assembly of cooks is, in any case, required to rescue us from the current muddle. Can it be that the rescuing of banks is as impossible as the unscrambling of scrambled eggs? I hear encouraging noises which suggest that the impossible is to be accomplished after all! I make bold to stick my neck out (as the Americans say). The depositors of the Palai Central Bank will be gloriously surprised before the end of this month. Such, it seems, in the Socialist pattern of society is the inevitability of (gradual) victory for the small, but happily numerous, voters!

ACTION AND REACTION

Since I am facing all the perils of prediction, I might as well hedge against my optimistic conclusion on the Palai Bank with a cheerless view of the official discussions now taking place between the officers of the External Affairs Ministry and the Chinese officers on the border question. The Delhi newspapers dutifully carried the photographs of the visiting Chinese officers, but no one has expressed any optimism or even interest in their impending talks. It seems that the forms of challenge and response (vide Toynbee) have to be gone through in Delhi as well as in Peking for the ritual to be complete. At present I predict that only the ritualists will be satisfied. But one response to China's challenge is certainly greater friendship with Pakistan. The Prime Minister although he is not directly connected with this, has clearly made up his mind about the continuing tension in the Sino-Indian relations.

This is what gives special meaning to the Prime Minister's decision to go in the third week of September to Karachi for the signing of the Indo-Pakistan agreement on the sharing of the canal waters. Seeing that we have lived for many years with this dispute, the complete agreement which has now been reached cannot be treated as an isolated affair. It is true, President Ayub Khan's Independence Day broadcast has attracted unfavourable comments, particularly from Dr. Kunzru; but everyone now feels that the stars in their courses are working for Indo-Pakistan amity. The time may never come again when two men are as happily placed to take major responsibility in their respective countries as Prime Minister Nehru and President Ayub Khan. Most people here feel that the time is still not opportune for an agreement on Kashmir, but it will be wonderful if at least—as in the case of the canal waters — a new formula is devised to keep differences narrowing over some years. I had expressed the hope in my last Diary that the Prime Minister would be in office upto 1967. One can, therefore, look without alarm at a Five-Year Plan for Kashmir which ends in complete agreement. Only I hope it will be possible for us not to keep taking away Ambassadors from Pakistan merely because fears loom large in others' eyes. Mr. Rajeshwar Dayal's term has been promising, and enough for us to believe that he has still an important role to play there. However, no one need dispute the point that the Prime Minister and the President are sufficient on to themselves so far as a solution is concerned. Let greatness rest where greatness is!

SAVING WHOSE FACE?

As a tailpiece to this diary, may I make a brief (and obviously insufficient) reference to the Prime Minister's forceful speech in the foreign policy debate in the Rajya Sabha on August 18. He accused China of violating Panch Sheel by directly entering into a campaign through the Press, thereby, if I might say with due respect, impinging Indian foreign policy which for many years was Panchsheelistly naive in respect of the People's Republic of China. But it is not to commit the heinous crime called 'I told you so' that I am mentioning this speech. The most interesting portion in the debate referred to the road-building programme on which the Prime Minister said that "the procedure evolved would result in the roads being built in one-third or one-fourth of the time that the normal P.W.D. procedure would take". Can such a damning admission be made, and the P.W.D. procedure left intact for less arduous exercises? If it is a fact that "procedure" can be cut down to a fourth in road-building, what justification has it for continuing to exist at all? Will not the Prime Minister explain why P.W.D. procedure takes four times the simplified procedure now devised, and more importantly, what action he proposes to eliminate P.W.D. procedure once and for all. The net effect of the foreign policy debate on my mind has been that the Chinese have done us a remarkable service by directing our attention to the inadequacies of our administrative apparatus. Had the border dispute not arrived, who knows road-making on the border would have taken four times the time, and I do not know how many times the cost. And, of course, there is what Keynes calls the 'multiplier effect', although I have not yet been able to understand exactly what one multiplies by what!

ARGUS.

THE WEEK'S NOTES

Cyprus

A NEW REPUBLIC IS BORN

ON TUESDAY this week, the little island of Cyprus in the Mediterranean, hardly one-seventh of the size of Ceylon and having a population of just six lakhs, became free of British rule extending over the last 82 years. The new Republic will remain an independent Commonwealth country until a final decision is taken on this question. Thus comes to an end the long years of crisis which in 1958 was climaxed by violence, murder and communal riots. This, however, brought a new sense of urgency to a settlement of the Cyprus problem among the concerned participants, namely, the British, Greek and Turkish Governments. The documents initialled in Nicosia early in July this year were meant to maintain the future relationship between the new Republic and its former masters on an enduring basis. A remarkable feature of the birth of the new Republic was that the conditions of its independence were explicitly defined. Thus, the British Government will have sovereign base areas comprising 99 sq. miles and one of the conditions of transference of sovereignty lay in



allowing Britain to have bases in full sovereignty. Not only the British have been left with sovereign areas, but they have also been allowed extensive facilities and rights throughout the island. Another feature of the agreement is that the dream of 'enosis' (Union with Greece) has been finally given up by the Greek Cypriots Lastly, the British Government have agreed to provide to the island over the next five years £12 million and the amount to be paid in future five-year periods would be determined after full consultation with the Republic. It is estimated that this gesture of Britain will amount to making a grant of about £5 per head of the population. When it is remembered that during 1958, the cost of emergency was of the order of £10.5 million, it cannot be gainsaid that the British Government has not been extravagant in the financial aid it has now offered. The strength of the Cyprus settlement lies in the fact that all the three parties have a stake in making it work and if the Cypriots, both of Greek and Turkish origin, remember that it is also to their own individual interest in making it work so that self-government may bring back peace, stability and progress, there is no reason why the young Republic should not advance on the course it has charted for itself.

Press

REGISTRAR'S REPORT

THE LATEST annual report of the Registrar for Newspapers is notable for three new distinct features. One is that unlike in the past years, this report has been able to collect necessary data about 5,232 newspapers out of 7,651 on the Press Registrar's record. In view of the fact that out of 2,419 papers in respect of which annual statements were not received, 467 were, strictly speaking, not newspapers and 623 were new publications and some more may have ceased publication towards the end of the year, it is claimed that the information given in this report covers nearly all continuing newspapers. This is indeed a great advance over the earlier reports when information was less comprehensive. Secondly, in the study of this year, the suggestion made by UNESCO for compilation of data has been incorporated for getting a clearer picture of the press. Thus newspapers have been broadly divided into two categories, namely, General Interest Newspapers and Periodicals. Thirdly, an attempt has been made this year to get a breakdown of the number of copies sold and distributed free. The total average circulation of the 4,738 newspapers and periodicals in various languages about which data were available during 1959 was 172.70 lakhs as against 144.28 lakhs commanded by 4,559 papers during 1958. The details are shown in the table below:

	No. of papers		Circulation (in '000)	
	1958*	1959	1958*	1959
I. G.I.N. (A)				
(a) Dailies	340	318	38,19	42,81
(b) Non-dailies ..	30	29	3,44	4,28
II. G.I.N (B)**				
(a) Dailies	33	51	35	15
(b) Non-dailies ..	13	14	5	15
III. Total of I (a) and II (a) incl. Sunday papers ..	382	379	41,13	46,86
IV. Grand Total (all categories)	4,550	4,738	154,28	172,70

* Revised.

** 'B' category includes publications that are strictly speaking not newspapers such as market reports, school magazines etc. The rest are in 'A' category.

As in the past, during the last year also, one finds that English newspapers commanded the largest circu-

lation. Their position as compared with that of the Hindi papers is shown in the following table.

(Circulation in 000's)

Classification	English		Hindi	
	1958	1959	1958	1959
1. G.I.N. (A) ..	1,190	1391	642	605
2. G.I.N. (B) ..	10	21	3	3
3. Periodicals ..	2,347	2585	2556	2,945
Total of (1, 2 &3)	3,547	3,997	3,201	3,553

The study of ownership shows that during 1959, the number of newspapers controlled by chains, groups and multiple units and their total distribution increased substantially. Thus their number increased from 487 in 1958 to 607 in 1959, and their circulation from 64.08 lakhs to 70.07 lakhs. However, the percentage of the total circulation commanded by them did not correspondingly move. As a matter of fact, there was a decline in the percentage of the total circulation commanded by these units from 41.53 to 40.57. This is due to the fact that the rise in circulation of individual newspapers was considerable. Even then it remains that 12.81 per cent of the newspapers among themselves commanded 40.57 per cent of the total circulation last year. This is no doubt not a very healthy state of affairs. However, it would be unwise to draw any conclusion based on this particular form of ownership that it impinges on the freedom of the Press, because as a study by the PEP (Political and Economic Planning) last year pointed out in Britain, it still remains to be seen whether apart from individual proprietorships, trusts can be more successful in preserving and developing the independence and character of a newspaper. For the fact remains that there is no way of controlling the future conduct of a newspaper by legal arrangements, whether as trusts or in any other form. It is therefore unfortunate that the new Ceylon Government, even while deciding on a Press Commission, should have hastened to announce plans to take over the country's two largest newspaper groups.

Shipping

THIRD PLAN ALLOCATION

THE PLEA of the Congress Parliamentary Party, contained in a resolution passed by it last week, that India should make every effort to increase its shipping fleet substantially during the Third Plan period will undoubtedly receive wide support in the country. It reiterates the contention of the National Shipping Board — and of "The Eastern Economist" — that the allocation for shipping in the Draft Outline of the Third Five-Year Plan is woefully inadequate and needs to be stepped up appreciably.

A major development has taken place in the recent past which necessitates an immediate review of the situation by the Planning Commission. As pointed out by the resolution of the Congress Parliamentary Party, there is no reason why India should not take advantage of the fortuitous circumstances created for augmenting its shipping capacity by the recent Indo-US food deal. Under this deal, India will be importing, in the next four years, 17 million tons of foodgrains, the cost of shipment of which will be nearly Rs. 80 crores. India can save half this cost if it could carry in its bottoms, as it is entitled to, half of this cargo. With the present strength of its fleet, it can only save to the extent of Rs. 5 crores. Cannot the Planning Commission step up the allocation for shipping in the Third Plan at least by Rs. 35 crores, the amount that India will have otherwise to spend in foreign exchange on the shipment of its share under the deal? Surely, it can. By only a slight readjustment in the proposed allocations under some heads, sufficient funds can be made available for development of shipping, which will yield immediate returns in the form of saving valuable foreign exchange.

Apart from this, there is another factor that ought to weigh with the Planning Commission in making a larger allocation for this industry in the Third Plan. There is a buyers' market in ships today and India can save a good deal in investing in shipping now when prices are low. Shipping is one of the very few industries where investment can be recouped in a short space of time. A much greater investment than Rs. 55 crores tentatively allocated by the Planning Commission in the Draft Outline of the next Plan for this industry is thus obviously justified.

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Memoirs of an Elephant—3



Unlike rice fields, oil wells cannot be made to repeat their yields. These human beings here in Assam knew that.

When the AOC completed the first oil well they soon started looking out for more wells. Since then the search for new fields has never stopped. These human beings are very persistent. Despite failures in places like Balijan, Namchick, Chattachurra, Baragolai and many others the search continued. It was not until 1953 that their patience was rewarded—they struck oil at Nahorkatiya (that's where my cousin lives—about 25 miles from Digboi). In the past seven years, 60 wells have been drilled by AOC in this area.

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	PRESENT PRODUCTION	EXPECTED INCREASED PRODUCTION
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A Window on the World

AN IDEAL SOCIALIST STATE IN AFRICA

By

ODYSSEUS

THE ORTHODOX SOCIALIST is a vanishing species in Europe. In Germany, he has disappeared. In the UK, the left wing of the Labour party has undertaken a vigorous campaign for his preservation, and the famous Clause 4 of the Labour party's constitution, which Mr. Gaitskell sought to abolish, but which his Left has forced him to keep, may be a sort of a National Park for the preservation of historically interesting wild life, but time seems to be on the side of the progressives.

Only in parts of Asia does it seem that pre-war Socialism is still held in respect. Let us therefore, consider what the orthodox Socialist seeks. He wants the nationalization of the means of production, distribution, and exchange. The acquisitive instinct is the root of all evil: the source of inequality. the capitalist economy has demonstrated the selfishness of individualism. In Germany, and other countries of the West where free enterprise is allowed to flourish, the individual is made selfish and, dazzled by his material prosperity, forgets his obligations to the poor and aged. In place of all this, the Socialist's ideal is a society in which one stands for all and all stand for one. From each according to his capacity: to each according to his needs. Social security is nation-wide and all-embracing. The community guarantees the security of the individual from the cradle to the grave. Society is egalitarian.

This is an ideal picture of a society which exists nowhere? On the contrary, there are many such societies in Asia and Africa, but what should surprise Socialists is that wherever independent nationalist governments have come into being they fiercely condemn the departed colonial powers for having failed to eradicate them and are themselves working tooth and nail to do so! The explanation is simply that the nearer that any society approaches to realizing the Socialist ideal the more fossilised, static, and under developed is its economy. The irony of it is that the less developed countries fail to realize that in so far as they adopt Socialist principles, they are helping to perpetuate the archaic conditions that they deplore.

The June issue of the Journal of the Royal Economic Society (21 Bentinck St., London. W.1.) contains an article entitled "The Social Anthropology of Economic Underdevelopment," which describes just such a society in which social security is all-embracing and perfect egalitarianism prevails. The article, written by Mr J. L. Sadie of Stellenbosch University, is much more interesting than its forbidding title suggests. Mr Sadie does not concern himself with the pros and cons of Socialism and Free Enterprise but offers a study of the economic organisation of the South African Bantus, who number 4,500,000 and inhabit what we in India would call tribal territories. The conditions which he describes differ from what goes on outside tribal territories only in detail and degree. By and large with suitable modifications much of what Mr Sadie reports could be paralleled in many parts of rural India.

A STATIC ECONOMY

The rate of growth of the population of the Bantus is 1.6 per cent p.a., which is more than their area can support without emigration. They are exclusively agricultural. Ninety per cent have a stake in the land, which compared to that of the adjacent developed sector, is of good quality and enjoys a good climate. By the standards of the surrounding developed areas this land could yield at least £90 m. p.a. In fact, its yield remains stationary around £13 m. p.a. As this subsistence farming is inadequate for maintenance, the Bantus add to their income by wages earned in casual spells of work in the developed sector.

The Bantu tribe, while differing from an Indian caste in some ways, reveals similarities in others. It is based on a nucleus of families descended from common ancestors as a result of fairly rigid marriage rules, calculated to strengthen common ties. The mental horizon of the people is limited by their loyalties, which do not extend beyond the tribe, and which are primarily to the smaller family group. This forms a contained economic unit. Trade within the tribe is negligible. Trade between tribes does not exist. There is no medium of exchange, because none is needed. The Bantus neglected the fertility of the soil because movement to new territory was always possible, though I presume this is not so today. The men were hunters and warriors. The women and children cultivated the land. The success of the crop is held to depend less on human than on ritually propitiated divine efforts. The productivity of the local gods is, I gather, consistently low. Cattle breeding is a way of life rather than of getting richer. Cattle are primarily used for ceremonial purposes. Since their ownership confers status, numbers, not quality, count. Starving cattle, denudation of the grass, and soil erosion follow. There is no formation of capital through increments in the value of the cattle by careful breeding.

As an integral part of Bantu culture, many customs are calculated to multiply the propagation of children. The Bantu's izzat rises with the size of his family. In addition to preventing the growth of wealth, these customs make for limited interests. They divert attention from the pursuit of economic aims. The Bantu religion consists of instruction in age-old customs and ensures the perpetuation of an unchanging culture.

INDIVIDUAL SUBORDINATED TO THE GROUP

In contrast to the individual initiative which has hitherto been the outstanding cause of European economic progress, the Bantus live in strongly knit communities in which the rights and obligations of the individual are subordinated to the interests of the group. The Bantu system recalls that of the orthodox Indian caste in that social care is the responsibility of each and all, extending from the family through the family group to the whole tribe. The community guarantees the security of the individual. Those who are better off are expected to look after the poor, hungry, sick, and aged. I am reminded of my period in the service of the Government of India when a colleague of mine one day uttered a mild complaint that the house allocated to him by the government was far too small. I did not grasp what he meant until I visited his

home and found it occupied not only by himself, his wife, and five children, but by what seemed to me a substantial quota of the population of his home province. These, he explained, were a selection of his poorer relatives, for whom, according to custom, he was expected to provide, and which he was loyally doing. As far as I could see, my friend's relatives pursued no occupations but were content to live off his bounty.

However commendable the social security secured by this type of mutual group aid, it does not make for economic development. At any rate as practised by the Bantus it eliminates the need for personal exertion. Social care and mutual aid, coupled with a low standard of living, mean that the disappearance of a particular source of income, or of personal earnings, does not hit the individual as it would in Europe—or, as perhaps I ought to say, as it did before Welfarism emerged. In several European countries today, the state shoulders the burden of social security, just as among the Bantus relations come to the individual's rescue. The progressive Bantu, like many progressive Europeans, can never be sure that he will be able to enjoy in full the fruits of his own exertions. If some Bantus were to cultivate their piece of land better than others, the increase in the crops would be shared by the others (just as in the UK if one active entrepreneur exports too much, his extra profits are siphoned off in steeply progressive taxation to pay for social security). If the Bantus improve their land, the improvement does not become something that they can sell at a profit. Communal grazing severely limits the possibilities of scientific agriculture by individuals.

The Bantus have no urge to attan ever increasing standards of material welfare. Socialists ought to be enchanted with the Bantus because they do not have the acquisitive instinct. Socialists would also rejoice to find that the Bantus realise the ideal of an egalitarian society: there are no stratifications according to income. The result is, of course, the absence of an important incentive to economic advancement and the presence of an equally important incentive to a static economy.

Nor, in these circumstances, need we be surprised to learn from Mr. Sadie that the Bantus do not worry about the future. This worry is, when you come to think of it, the characteristic which more than anything else distinguishes a tribally organised people from those of us who struggle and strain in a changing, technologically developed society. The future as a concept which stirs one into action is not part of the Bantu outlook. "Sufficient unto the day" is their attitude and this deprives them of all incentive to save for the future. Mr. Sadie tells us that good crops in one season may lead to abstention from ploughing and sowing during the next. Not only is there no accumulation of capital but such capital goods as the Bantus have may be allowed to fall into disrepair. Nobody thinks about the maintenance of the fertility of the soil for the next year's crop.

I suppose that one definition of an "under developed" country might be: a country hitherto content with things as they are, which has taken no thought for the morrow, and which therefore cannot accumulate capital for development. This has social and psychological consequences. The Bantus, like other persons organised in tribes, orthodox castes, or Socialist-Welfare states, lack individual self-assertiveness, self-confidence, and initiative. They have little urge to organise, to strive, and to plan their lives for themselves. It is important to note that it is not that people in such circumstances lack intelligence, but that the tribe prevents them from using it.

Next week, we will consider the results obtained by efforts to inject individual entrepreneurial initiative, a cash economy, and the profit motive among the hitherto static but contented Bantus.

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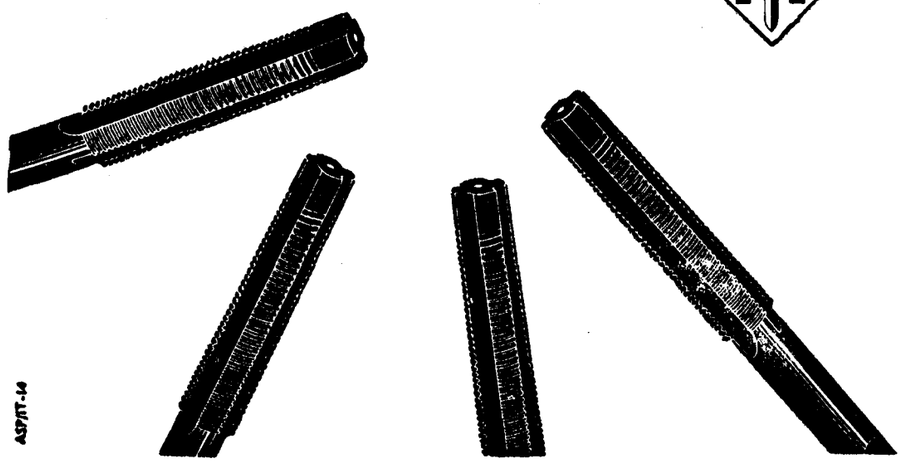


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ASPIT-14



The European Scene

THE COMING AUTOMOBILE CRISIS

From Our Special West European Correspondent

PARIS, August 16.

EVERY working day there are produced in the United Kingdom and in the six countries of the Common Market 23,000 motor vehicles (7,200 a day in the U.K. and 15,800 on the Continent). This number is increasing constantly: the largest producer in Europe, the West German nationalised company Volkswagen, having turned out 553,000 vehicles in 1958 and 705,000 in 1959 (27.3 per cent more), is carrying through large investments that will give it a production of 4,000 a day. All the leading companies are investing heavily in expansion, modernisation and automation: Volkswagen invested about Rs. 32 crores in 1958, Fiat the same amount, Ford and Vauxhall in Britain about Rs. 20 crores each and Renault Rs. 17 crores. For each company taken separately, the need to magnify the scale of mass-production is evident: the three biggest US manufacturers produce as many vehicles as all the European factories, including the British, put together. Since the Europeans export about 50 per cent of their output to markets where they must compete with U.S. cars (and now with the small U.S. "compact" cars), they must strive, despite their lower labour costs, to approach nearer to the U.S. scale of production. Further, as the competition between themselves becomes more acute, each must seek to stay ahead by increasing his output.

This latter point becomes more important each week. Up to now, the European industry, though heavily relying on exports, did not compete much in West European markets because each national market was solidly protected. Italian duties on imported cars, for which only tiny quotas were allotted anyhow, were 40-45 per cent; French 30 per cent; Britain the same; Belgian 24 per cent; only West German duties were moderate at about 13-17 per cent. The result was that the German industry, for example, sold 10 per cent of its total output in the U.S.A., 32 per cent in the rest of the world and only 8 per cent in the five neighbouring Euromarket countries. But now the barrage of import quotas is collapsing, and duties are falling steadily inside the Common Market. So the Europeans are joining battle inside Europe itself, with each firm extending its sales network in the neighbouring countries.

If it is clear why each individual company must go on expanding, one may still doubt whether the present rate of expansion for the European automobile industry as a whole can be maintained, at least without extensive changes in the industry's structure and in European economies generally. Volkswagen increased output last year, as mentioned, by 27.3 per cent; Fiat by 24.5 per cent; Renault by 21 per cent; German Ford by 18 per cent; and so on. The danger of relying on export markets to absorb half of this large output (in the French case, exports absorbed more than the total increase for the year, i.e. the home market actually contracted) is shown by recent difficulties in marketing small cars in the U.S.A. The American giants' retaliation with the compact car, which will gain in force each year, has already slowed down U.S. sales for all but the leading European firms. To count on exports taking half of rapidly growing production is unhealthy in a business where access to overseas markets can be closed overnight. The Europeans will have to get more of their production absorbed in West Europe. Yet there are solid social and economic barriers to progress in that direction, at least to progress comparable with the present rate of production-increase.

Not that West Europe is saturated with automobiles. The U.S.A. has one car per 2.5 inhabitants, [illegible] West European countries have about 1 per 7. But given the very great differences between the two continents (Europe's smaller size, denser urban settlement, lower mobility, superior public transport etc.), it seems improbable that Europe will ever get below 1 car per 4 inhabitants, and it will not get there until living standards (now roughly half of American) are comparable. It seems likely that West Europe will reach a stage of temporary saturation within a very few years, whereafter the automobile industry will have to settle down to a "cruising speed" set by the obsolescence of the existing car fleet and the steady rise in living standards. That cruising speed would just about correspond to output for the whole year 1960, given that exports fall off somewhat. So if the industry continues expanding at the current rate, it could run into trouble; and that trouble would be felt throughout each national economy because the automobile industry has become the pilot sector. To what extent it has become so may be illustrated by the French figures: automobiles employ directly and indirectly 6 per cent of the productive population, account for 7 per cent of the gross national product, and pay 12 per cent of the State's tax revenues. Thus a crisis in the car industry could be quite dangerous; at current rates of growth, such a crisis is very likely within a few years; yet no one company can do anything to avoid it because any reduction in its output is at once reflected in high comparative prices, which in the present phase of intense competition could lead to speedy elimination.

The manufacturers, approved by their unions and motor users, have numerous suggestions about what governments should do to meet this situation. They can be summed up in the general proposition that the tax burden on cars and petrol should be lightened, while, at the same time, huge sums of public money should be found elsewhere to make Europe fit for more and more motor cars. Having found that their economies already depend too much on automobiles, which have run ahead of other industries and services, the European nations should sacrifice everything else to cars; housing and education should be neglected to build autoroutes and parking lots. Since the automobile interests are very influential (three of the biggest producers, Volkswagen, Renault and Fiat are publicly owned), some of these suggestions will no doubt be accepted. Meantime, however, there are certain things the manufacturers can, and will probably have to, do themselves.

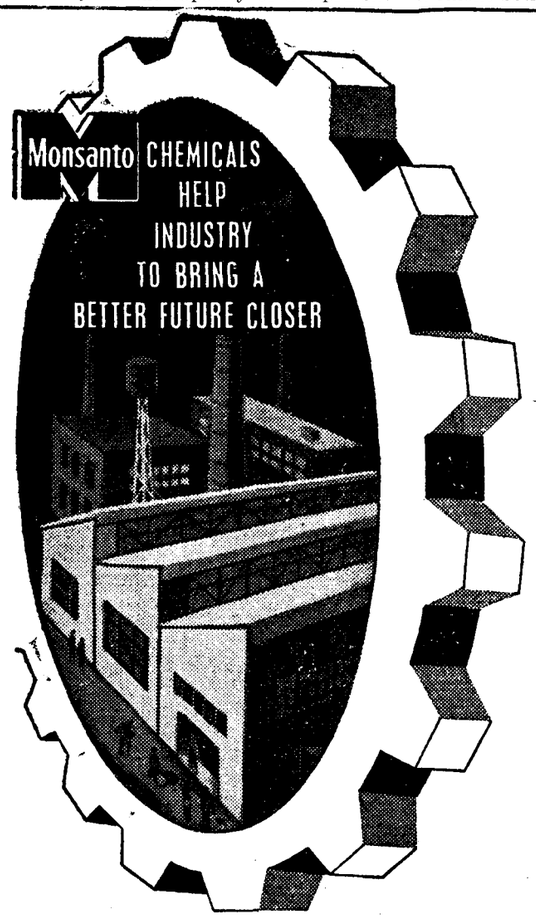
The first is to concentrate and standardise. Seventeen European firms make fewer cars than three American, and because they rely so much on exports they are making numerous variations of each model to meet different national requirements. One European country with an output of 1,300,000 cars a year has five different producers making 15 types of motors with an infinite variety of accessories. An obstacle to standardisation is the discrepancy between technical regulations in each European country, whether this is due to accident or to a desire to practise surreptitious protection. Each country has a different highway code and its own idea on how a car should be built in order to be safe, so to export in Europe a manufacturer has to make a model for each country. The engineers have calculated that if you built a car to meet all European requirements, it would not work, because subject to contradictory demands.

The prospect of keener competition on the Continent has so far produced only marketing agreements between firms, but it appears that their co-operation will have to go further than this. The most probable form of concentration is not at the top but through the parts and accessories industries: trade is liberalised and duties reduced not only on cars, but on all parts [illegible]

parts. So a German firm can now buy certain accessories and electrical equipment in Italy, and an Italian firm certain parts in France. Reorganisation will come first in these ancillary branches, with a consequent improvement in quality and fall in price. To permit this, the duties on parts traded within the Common Market must be cut, yet at the same time duties on parts coming into the region from outside must be kept high; otherwise foreign manufacturers could assemble more within the region and thus produce a "European" car that would compete in a market that is already becoming tight. That will entail a degree of discrimination that outsiders will be reluctant to tolerate. Anyhow, the West Germans argue that the Common Market does not present scope enough for the scale of operations needed, and that is why they are more anxious than most other industries to arrive at an all-Europe free-trade zone, which would keep the Scandinavian markets open to them and allow co-operation with the British car industry.

If demand for new cars threatened to flag seriously, governments hold an apparently simple remedy, in the price of petrol. This is now largely State tax, the proportion of tax in the price of a gallon of fuel varying between 74.2 per cent for France and 51.1 per cent for Switzerland. Yet governments are afraid to stimulate the home market in this way because, apart from the impact on the trade balance (more going out for oil, less coming in from car exports), it could increase the car fleet (and the circulation of already registered vehicles) beyond the capacity of the present road system, while depriving the State of the funds needed to improve that system. (Presumably only irresponsible people would seriously suggest taking those funds from other public investments.) The magnitude of the work needed to bring the road system up to the requirements of the car fleet may be seen in a calculation that concerns this city: if all the streets of Paris were put end to end they would run from Notre Dame to Budapest, but if all the motor vehicles registered in the Seine department were put bumper-bar to bumper-bar they would reach the border between Iran and Afghanistan!

The Germans are managing to stay one jump ahead of their car industry by building more and more autoroutes; they already have Europe's longest motorways (2,525 kilometres) and are building 375 kilometres more this year. But an autoroute costs Rs. 20 lakhs per 1,000 yards to build (Rs. 30 lakhs at the exit from a city) and few European economies can afford, or could justify, this fabulous expense. The appetite of the automobile industry is voracious; having got the Mont Blanc tunnel it is now demanding a bridge over the Channel (a tunnel would take only trains), at a cost of about Rs. 200 crores, plus a Continental motorway network continuous from Manchester to Yugoslavia and extensive remodelling of almost every European city. If governments recoil before these gigantic projects, West Europe will have to accept within the next few years a slowing down of the progress of its automobile industry; that will be a critical moment both economically and politically.



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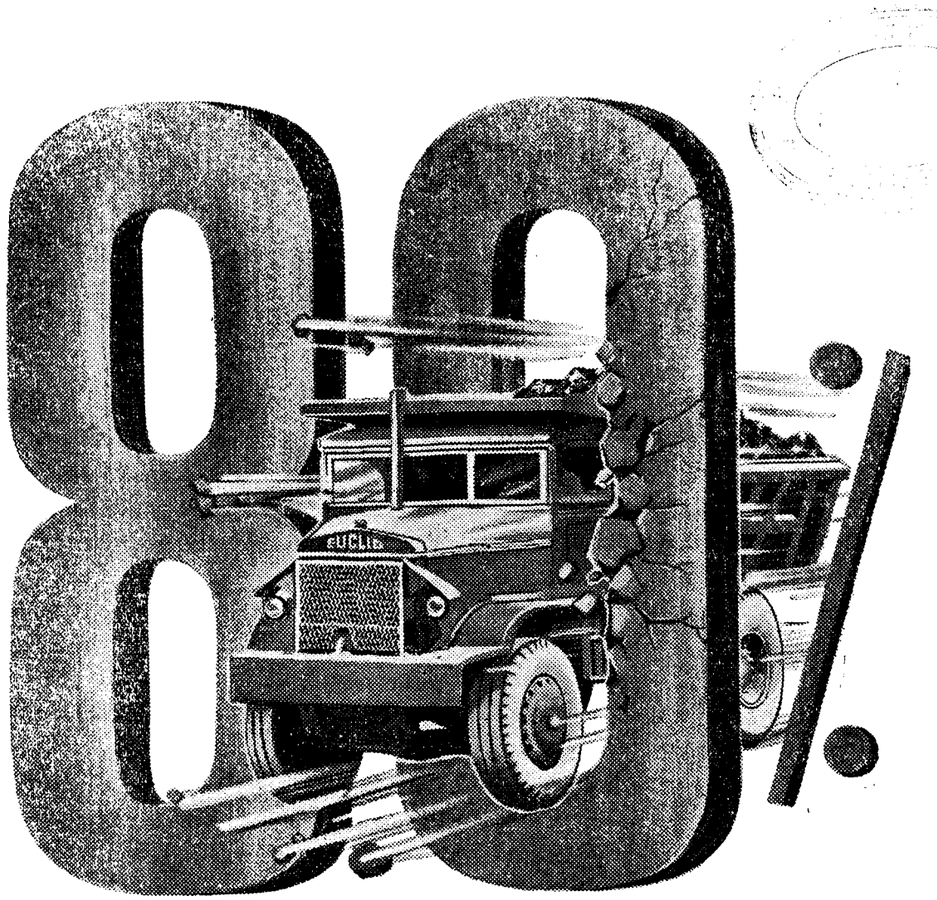
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DALDA FORUM

IS FAT really FATTENING?

YOU: Isn't fat *fattening?*

NUTRITIONIST: Not as fattening as you might think.

YOU: How do you mean?

NUTRITIONIST: Well, usually the fat in food doesn't turn into body fat as easily, let's say, as starches, I mean foods like rice or potatoes, for instance.

YOU: I don't understand.

NUTRITIONIST: Let's put it this way. Getting fat isn't purely a result of what you eat. It also depends on how well you assimilate your food.

YOU: I see.

NUTRITIONIST: People who have a tendency to become fat have a defective capacity for assimilation. In most cases, it is the starchy foods that are not used up and what remains turns largely into body fat.

YOU: Surely, this happens with fatty food, too...

NUTRITIONIST: Not exactly. Fat is actually the least fattening of foods. This is because fat is used mainly for providing energy—it acts as bellows to body fires, helps burn up even the fat that is stored up in the body.

YOU: Is this a scientifically tested fact?

NUTRITIONIST: Research has proved all this quite conclusively. Incidentally modern 'slimming diets' call for a fat and protein intake—and a reduction in carbohydrates and starches.

YOU: You mean this is actually a better method of reducing than eating less food and following a low calorie diet?

NUTRITIONIST: Well, cutting down on the amount you eat and on calories will cut down your weight. But such diets are less strengthening than a high fat, high protein diet.

WE: It's quite simple. Fats provide energy. Lots of energy. Much more than wheat or rice.

YOU: But what are the direct sources of fat?

WE: Oils—any edible oil or hard fat that is part of food.

YOU: ...And do all these oils and fats provide energy?

WE: Yes. All of them do. But there are fats like DALDA Vanaspati which have more than energy. DALDA, for example, is also nourishing.

YOU: Nourishing?

WE: Yes, because DALDA contains vitamins. Seven hundred International Units of Vitamin A and 56 IU of Vitamin D go into every ounce. These are protective vitamins and are good for the skin, bones, teeth and eyes.

YOU: I see...

WE: All in all, DALDA Vanaspati is an excellent fat. It is made from refined vegetable oils and purified to a high degree. Since it is odourless and has no taste of its own, DALDA makes food taste as it should. And DALDA Vanaspati comes in hygienically sealed tins.

YOU: Hmm. I know that. We use DALDA for all our cooking. In fact, we have done it for over two decades.

WE: Over the years, more and more people are taking to DALDA Vanaspati because it makes an ideal cooking fat, whether they are on a reducing diet or not.

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Our West German Letter

DO THE GERMANS GET AID-MINDED?

From Our West German Correspondent

BONN, August 9.

NOWADAYS one can hardly open a newspaper without coming upon notes or reports referring to planning or already executed Western aid to developing countries in Asia and Africa. At last it seems to have dawned that aiding these States and thus contributing to the raising of the living standard of their masses, means in fact stemming the more and more threatening danger of Communism. In this connection one was waiting during the last weeks for comments on Mr. Morarji Desai's visit to Germany. It was strange to see the weak and hardly noticeable resonnance. The only comment criticizing the attitude of the German Government was an editorial in the influential Duesseldorf paper "Handelsblatt" under the heading "Morarji Desai s last resort." Numerous organisations and all political parties—it was pointed out therein—are making ceaseless declarations that something had to be done and sacrifices had to be made (in order to help underdeveloped countries), but so far nothing had happened that looked like a sacrifice. The writer comes to the following conclusion: "The ascetic Morarji Desai will shake his head and feel compelled to find the last and bitter resort by reducing drastically the imports from West Germany and in this way improving India's balance of trade with Germany." In German Government circles one hears a different opinion. It is pointed out that West Germany will definitely assist India in executing the Third Plan and will endeavour to make it possible for the Indian Government, as declared in the official communiqué, to place immediately orders within the framework of the Third Plan, especially for the extension of the Rourkela steelworks. Inquiries about the actual amount Germany would be willing to contribute, yielded the answer that the "Creditors Club" will decide about the contributions at its forthcoming meeting in Washington in September.

In another article of the same paper it is indicated that Rourkela should be considered also from the political (and not only from the commercial) point of view. Allegedly the Russians and representatives of East Germany have offered to finance and to execute the expansion of Rourkela and, therefore, Bonn and the Ruhr industry should take care that the continuity will be observed, i.e., that the expansion of Rourkela must be closely connected with the already existing plant. For this project about 500 mill. DM will be required in foreign exchange as well as about 300 experts who will at the beginning and for a certain period keep the work going. So far, it is said, that only 20 German technicians have been mustered.

In the discussions of the Parliament three speakers who had studied problems of Asian countries on the spot, made eloquent appeals for aid. Germany's Deputy Prime Minister and Minister of Economics, Prof. Dr. Erhard, who had visited India as guest of her Government after the meeting of the World Bank in October 1958, pointed out in the debate that one milliard of the world's population have an income of less than $100 per annum and in those countries people refuse to take their poverty as imposed by God. "West Germany has been asked to help the developing nations to a greater extent," Dr Erhard said, "and the German people should not consume ("verfruehstuecken"—an untranslatable expression) alone what it has produced. The misery in those states is unimaginable and nobody should assume that we could lead a quiet and comfortable life in the long run if the difference of well being between ourselves and the young nations will not become smaller but bigger." Foreign Minister von Brentano who had been in India this year, announced at the same meeting of the Parliament that the next budget will provide for a new section of his ministry in which the aid for developing countries will be concentrated. The economic expert Dr Deist, and Deputy Chairman of the Social Democratic Party which is in the opposition, emphasized in his speech that the career diplomat is not always the right representative in developing states, and at least all deputies of ambassadors should be familiar with economic problems and open minded to the trends in newly created nations. The personnel policy of the Foreign Office, he said, is also an "undeveloped territory".

In this context the efforts of the Catholic Church in Germany deserve to be mentioned. The amounts collected for developing countries may not be sky-high but the value of such activities lies in the awakening of the conscience of the masses in Germany that something has to be done to improve the lot of peoples in Asia, Africa and elsewhere. Through the so-called "fasting offerings" of German Catholics 43 million DM have been collected which will be spent in Asia, Africa, South America and Oceania. Near Frankfurt, in the Taunus mountains Catholics, amongst them bishops, industrialists, bankers and publicists, met to discuss the various problems of developing countries. The Bishop of Essen, Dr. Hengsbach, stressed in his speech that about 30 million people are yearly dying of hunger and although the living standard would never reach one and the same height all over the world, the solidarity of all nations and especially of Christianity, he enthused, should succeed in preparing conditions of social justice. Remy Montagne, member of the French Parliament and President of the "Association Parlementaire Europe-Afrique," lectured on the co-existence between the West and the newly created states in Africa and German students reported about their personal experiences they had made in Ghana, Togo, the Lebanon etc. Papers on economic aspects of developing countries were read by Dr K. Dohrn, member of the board of the Bank for Reconstruction, and Prof. Dr. R. Meimberg, Director of the Deutsche Bank. Prof. von Nell-Breuning, S. J. spoke on the psychological situation of Western aid. At a meeting of the Catholic Agricultural Youth Movement, Food Minister W. Schwarz disclosed that in future the German Government would see to it that young agriculturists who volunteer to go to developing countries for several years, would get proper jobs after their return. In Berlin's suburb, Tegel, a new institute has been opened where Germans who are going to Asia and Africa, are to be trained. At the same time young people of these continents would have the chance to get acquainted there with modern methods in various fields. The first course has just started. The students are living together in hostels.

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After the model of the Rockefeller and the Ford Foundations the family of Thyssen, belonging to the upper ten of the Ruhr industrialists, have incepted a similar institution, the first of its kind in Germany, the "Fritz Thyssen Foundation". The start was not too promising as a controversy about it flared up. Dr. Adenauer's close friend and adviser in financial affairs, the Banker Robert Pferdmenges, announced over Television the inauguration of this Foundation whose chairman he will become. The widow of the Steel Magnate Fritz Thyssen and her daughter, the Countess de Zichy-Thyssen, have decided to pass on to the Foundation 100

Mill. DM in shares from two of the companies of the concern (Phoenix-Rheinrohr A.G. and the August Thyssen-Huette) which represent a market value of about 350-400 million DM. The yearly dividends will amount to at least 10 Mill. DM which will be spent for scientific research. The papers were generally full of praise for this "magnificent donation" and expressed the hope that other industrialists would follow soon. A few days after the announcement, "The World of Labour," the periodical of the head organisation of 16 important trade unions (Deutscher Gewerkschaftsbund-DGB) with 63 million members, published an article about this foundation business. Therein it was pointed out that the Thyssen family had actually not renounced the 10 million DM of dividends because had they not started the foundation, they would have to pay income, wealth and other taxes on this amount as well as on the value of the shares which, according to tax experts, would amount to 72 million DM. Therefore, the Thyssen family has in fact donated only 28 million DM while the balance of 72 million DM constitutes a loss to the state or the public. The same trend was followed up by Germany's most controversial weekly "Der Spiegel" (The Mirror) which also mentioned that Fritz Thyssen had helped Hitler to come to power and had introduced him to the exclusive circles of the Ruhr industry. But the Deputy Chairman of the DGB, Rosenberg, contradicted the periodical of his organisation by pointing out that the trade unions had to judge positively foundations like the one of the Thyssen family.

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The Ministry of Economics published the 6th edition of "Achievements in Figures" with the subtitle "Results of the reconstruction work in West Germany". In the preface Prof. Erhard points out that from the dry figures the untiring, successful labour of the German people will be evident. "They represent a balance of which we can be proud", he says, "and they prove what a free and social welfare minded policy of economics and finance can accomplish." Dr. Erhard mentions the countless sacrifices and privations connected with the reconstruction work which started from scrap. But together with it many milliards DM were invested also in kindergartens, schools, colleges, museums, theatres, churches, homes for aged people, sportfields etc. And all this had been achieved although during the first years of reconstruction the creating of a new basis of production and the re-building of destroyed cities needed all available labour.

Out of the wealth of figures and statistics made up in 68 pages of this interesting booklet, some especially instructive examples may be quoted. The average gross income per month of government officials, other employees and workmen rose from 1950 to 1959 by 91 per cent. The sale of "long-lived" consumer goods has considerably increased; in March 1960, 93 per cent of all households owned radio sets, 22 per cent television sets, 32 per cent refrigerators, 62 per cent vacuum-cleaners and 37 per cent electric cooking stoves. The number of motor vehicles (trucks, cars and motor-bikes) amounted on 1st January, 1960 to 7,331,500. More and more employees are buying cars. 20.7 per cent or 691,004 are owned by workmen, 18.6 per cent or 621,483 by clerks and 7.2 per cent or 239,389 by government officials. The book production (1st editions and reprints) rose from 14,094 in 1951 to 20,476 in 1958. The number of theatres and (professional) orchestras amounted in 1951 to 112 and 70 respectively. The corresponding figures for 1958 are 129 and 79. Hiking and wandering is an old sport of German youth. States, municipalities and private organisations are maintaining youth hostels for night's shelters. In 1950 there were 513 hostels with 34,343 beds and 719 hostels with 75,183 beds existed in 1959. The increase of private consumption (which means improvement of the standard of living) amounted from 1950 to 1958 in the OEEC member states to an average of 26 per cent. In comparison, it amounted in West Germany to 63 per cent, in U.K. to 13 per cent, in USA to 10 per cent and in Denmark to 8 per cent. These percentage figures also prove the hard work of the German people, of employers and employees as well, to overcome the aftermath of defeat. During the period from 1950 to September 1959 the comparative increase of industrial production showed in West Germany 130 per cent, in U.K. 35 per cent, in USA 34 per cent. Italy follows Germany with 114 per cent. To increase the agricultural production the consolidation of holdings is continuously promoted under a voluntary system and supervision of expert officials. It resulted in consolidating from 1945 to 1959 about 7,700 square miles. In comparison to 1949, the iron and steel industry could almost treble its production which amounted to a yearly production of 18.4 million ton pig-iron, 25.8 million ton raw steel and 16.8 million ton sheet steel. The export rose within the years 1950 and 1959 from a value of 8.4 to 41.2 milliard DM, an almost five times increase! The import rose within the same period from 11.4 to 35.8 milliard DM. West Germany's private investments in foreign countries amounted to 2,252 milliard DM, in Europe to 780.9, in Africa to 147.7, in America (USA, Canada, Central and South America) to 1,205.4, in Australia to 34.5 million DM and in Asia to 83.5 million DM. The comparatively small sum invested in Asia shows on the one hand a lack of spirit of enterprise by German investors and on the other hand, the necessity for Asian governments to protect foreign capital against losses caused by nationalisation. For the first time figures are being published which show the various ways by which aid to developing countries had been given by Germany. The total amount of 539.15 million DM for the period of 1950-55 rose to 1,557 milliard in 1959. Besides these sums, the German Government guaranteed up to the end of March 1960 exports to developing countries to the tune of 10 milliard DM and provided from the ERP-Funds further 260 million DM. The contribution from the latter source will probably be substantially raised in the near future.

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Special Article

DISINFLATION: A MEASUREMENT OF THE LIMITS OF ACTION ON FOODGRAINS AND CLOTH

"THE EASTERN ECONOMIST" suggested a fortnight ago that the only way to hold the price line was to pin down the prices of foodgrains and cloth, two central necessities. It was also recommended that the prices for both these items should be brought down at once by at least 10 per cent in relation to the existing level. It is the purpose of this Special Article to measure the possible fall in the general price level that would follow this drop in prices and the likely benefit to the different classes of consumers. Happily, the Indian Cotton Mills' Federation has already announced the decision to reduce the retail prices of cloth by as much as 10 per cent. A similar fall in foodgrain prices is not easy to induce without the active cooperation of the dealers and through larger supplies of imported foodgrains, particularly wheat.

The relief from the postulated decline of 10 per cent in foodgrains and cloth prices will vary with the importance of these items in the consumer's budget. According to a recent survey conducted under the sponsorship of the Central Statistical Organization for the middle classes, foodgrains and cloth together account for about a quarter of total family expenditure. The corresponding percentage fluctuates widely from 35 to 60 in the case of industrial workers. It is computed that the proposed decline in the food and cloth prices will benefit working classes from 4 to 6 per cent, according to the importance of these items in the consumer budget at different industrial centres. In the case of the middle classes, the relief is not likely to be more than 3 per cent.

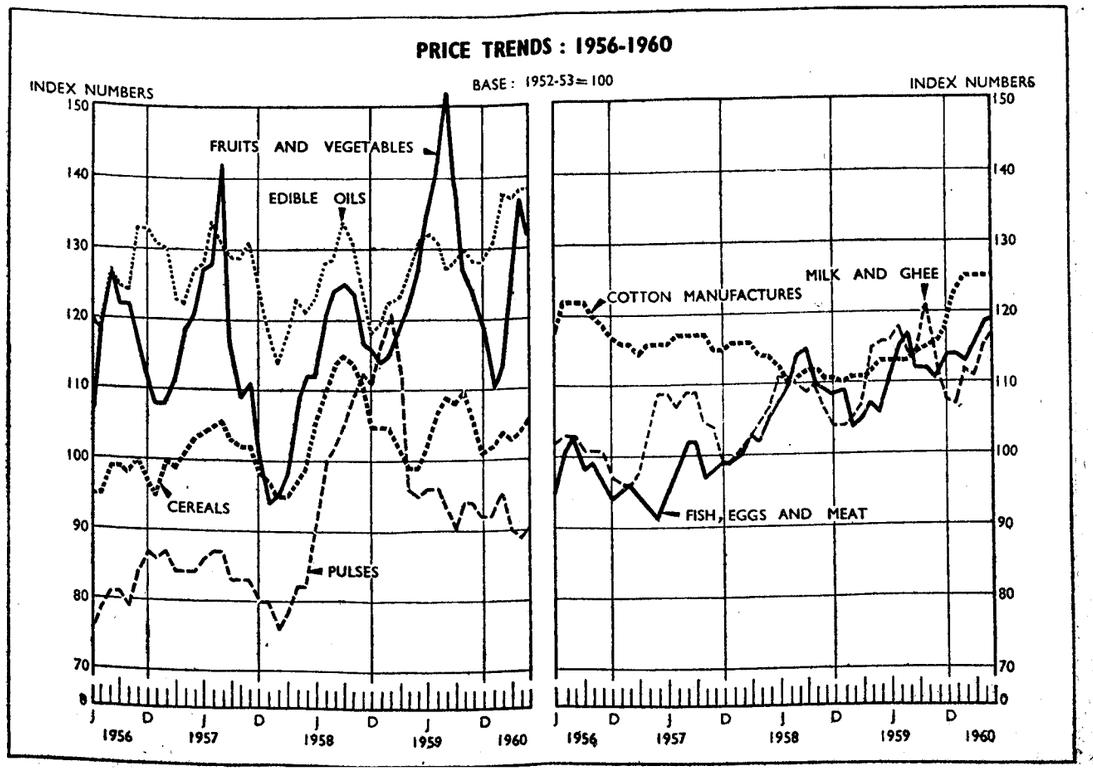
The fact that the overall reduction in the consumer price level is likely to be substantially lower than the proposed drop of 10 per cent in food and cloth prices is to be partly accounted for by the steep rise in the prices of such food articles as meat, fish, eggs, oils, vegetables and fruits, milk, ghee, spices etc. The extent of the rise in the prices of these quality foods has been different at different centres. The idea of the degree of rise in the prices of these commodities can be had from the wholesale price index for the week ended July 23, 1960 — the latest week for which these prices are available.

PRICE TRENDS IN FOOD ARTICLES

Base: 1952-53=100

	Wholesale Price Index 23rd July, 1960
Food Articles	125
1. Cereals	110
2. Pulses	96
3. Fruits & Vegetables	130
4. Milk & Ghee	123
5. Edible Oils	150
6. Fish, Eggs & Meat	128
7. Sugar & Gur	140
8. Others	170

The striking fact brought out by this table is that the pressure on cereals and pulses is not as severe as in the case of other items. With regard to the base 1952-53, cereals indicate a rise of 10 per cent accompanied by a fall of 4 per cent for pulses. All the other components show increase between 23 to 70 per cent.

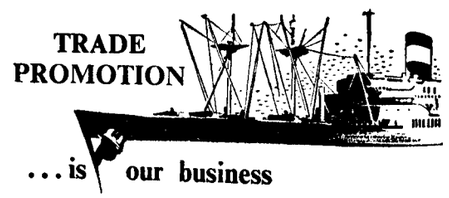


Most of the quality foods come in the category of the "unplanned sector" as the Five-Year Plans do not seem to provide enough resources to increase their production.

This is not to suggest that steps should not be taken to keep down foodgrain prices. In fact, the irresistible conclusion which emerges from a study of these indices is that the lowering of foodgrain prices is a necessary though not of itself a sufficient condition for holding the price line. The rising incomes in the next few years will necessarily result in a shift in the consumer's choice, thus enhancing the pressure on quality foods. Thus, the Third Plan must earmark sufficient funds for raising the output of these quality foods as well.

Another element which tends to increase the pressure on fixed income groups is that of violent fluctuations in prices which take place within a year. This fact is demonstrated in the graph on the previous page. Though in some cases the fluctuations are of a seasonal character — such as in the case of vegetables, fruit etc. — it is to be borne in mind that these wide fluctuations enhance the hardships of the fixed income groups during periods of shortages. The graph shows clearly that even though the level of prices of pulses was 10 per cent lower at the end of May 1960, than the 1952-53 base, there was no guarantee, because of wide fluctuations, that an individual consumer was protected.

Also, the pressure of prices cannot be measured adequately by an overall index which tends to cancel out diverse movements in prices in the various regions of the country. This point may be illustrated with reference to wheat. The index for wheat prices for the Rewa market in Madhya Pradesh was 35 per cent below the 1952-53 level while at Moga in Punjab it was higher by 21 per cent, with reference to the same base for the week ended July 23, 1960. The averaging of price movements over a number of places conceals the degree of hardship experienced by people in certain pockets in the country. Thus the impact of rising prices is not adequately reflected in the official index numbers and there is urgent need to lower the price level also by increasing the supply of these commodities and by lowering the monetary pressure caused by deficit financing. A cut-back of Government expenditure is necessarily involved.



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THE BUSINESS WORLD

Cloth, Promise and Performance

By CROESUS

WRITING in the issue of "The Eastern Economist" July 29, 1960, on the rise in cloth prices, I concluded my piece with the sentence: "The 'bona fides' of the industry will, in fact, be judged by the stand that the industry will take on the price question at this week's meeting of the Cotton Textile Consultative Board." What, then, was the stand of the industry at this meeting and how far has the industry stood by it? The answers to these questions are important not only to prove the 'bona fides' of millowners but also to remove the unfortunate impression that those who argue or write in a dispassionate manner are influenced in any way.

At the meeting of the Cotton Consultative Board held in New Delhi on July 29, 1960, the spokesmen of the Indian cotton mill industry gave the assurance that millowners would ensure adequate supplies of cloth at reasonable prices and take all the measures necessary towards this end. True to their word, following the meeting, the millowners lost no time in implementing their assurance. Early this month, after due deliberations, the Indian Cotton Mills' Federation announced in a Press Note the measures proposed to be taken immediately by the industry both to ensure sufficient supplies and to make cloth available at reasonable prices. It must be mentioned here, in fairness to the industry, that these measures were the same as those that had been adumbrated by Mr. Krishnaraj Thackersey at the Press Conference preceding the CTC Board meeting.

In regard to ensuring reasonable prices, apart from requiring the mills to review their price policy immediately, the Federation wanted them particularly to do whatever they could to see that between the ex-mill stage and the retailer end, prices did not get pushed up unduly. At the same time, the Federation suggested a reorientation of distribution so as to keep the market adequately fed and thereby effectively counter the shortage psychology. The Press Note of the Federation also said that it would consider the price situation in detail at its Committee meeting scheduled for August 11, 1960, and the public was naturally led to expect the extent of reduction in cloth prices to be announced after that date. But the reduction in cloth prices—a cut of 10 per cent in the retail prices of coarse and medium varieties of cloth—was announced on August 7, 1960 itself that is full four days before the formal meeting of the Federation's Committee, evidently after hurried consultations. The result was some confusion, and it was left to the Union Minister for Commerce and Industry to question the justification of the Federation's general decision, namely that there should be 'pro rata' reduction. He, in fact, asked: "What about those mills which have not increased their prices beyond 16 or 18 per cent? How will the Mills' Federation justify 10 per cent reduction in their case?" But what is relevant in the present context is not the confusion but the earnestness of the mills to meet the situation by prompt action.

Whatever the provocation, I am not able to appreciate the "indecent haste" with which the Federation Chairman convened a Press Conference hurriedly on a Sunday to announce a "general decision" that created rather than cleared an uncertainty, on the one, and hardly pleased the authorities whom it was obviously sought to please, on the other. Uncertain as to whether the reduction was applicable to cloth produced by all mills and to all varieties (although there was no justification for the latter) and, more particularly as to who should bear the incidence of the proposed reduction—mills or dealers—wholesalers in cloth practically suspended business. On the other hand, there was hardly any appreciation from the authorities. Although Mr. Shastri welcomed the 'informal' discussions of the Federation about the pattern of production, the retail shops, the exhibiting of list of prices and the exercise of adequate control over the wholesalers and retailers for selling cloth at the fixed prices and he even took credit for having suggested these himself, though the Press had heard of all of them from the Federation President himself weeks earlier—he said: "I am not satisfied with 10 per cent reduction".

He was considerate enough to add, "I must not minimise it also; 10 per cent is from their point of view perhaps a substantial reduction" and to suggest that he would very much like the Federation to bring down the prices further. He did not, however, specifically indicate to the Federation by how much further the prices should be brought down. But he said enough to create the impression—unwarranted by facts—that prices had risen by 40 per cent and that, except in the case of two or three mills, they should come down to much below 30 per cent. In the course of his speech in the Lok Sabha at one stage, he is reported to have said: "I cannot justify the increase of 40 per cent in the price of cloth; it is very much on the high side. I am prepared to give a margin of 18 to 20 per cent. (This, according to him, seems to be justified by the increase in the price of cotton and the increase in the wage bill). I shall even go further up to 25 per cent, because the market does not cut so fine".

Had Mr. Shastri left it at this, the industry would have regarded it merely as an expression of opinion, but the spokesmen of the industry must have felt badly let down by the tone and threats of the Minister. It is not given to all to appreciate a genuine gesture. That is not uncommon. But after one has accepted and honestly endeavoured to implement every reasonable suggestion from a person in authority, the latter, if he be still not satisfied can at best express dissatisfaction. He is not expected, at least in a democracy, to hold out, all manner of threats, as, for example, this: "If the industry does not adequately respond, the Government will not hesitate to take effective action to bring down the prices of cotton textiles"...."Government's advice cannot be easily ignored by these people".

What is the reaction of the mill industry to this unkind cut? The Federation's Committee had not only

the price question but the fulminations of Mr. Shastri to consider at its last meeting on July 11, 1960. It is a tribute to the level-headedness of the Federation's Chairman that, in the Press Note on cloth prices following the deliberations of the meeting, not a word was said about the Government's 'gesture' to this earlier announcement of 10 per cent reduction in cloth prices. The Press Note merely confined itself to the misunderstanding about the rise in percentage and the consequent charge of profiteering by mills. Regretting that the figure of a rise of 40 per cent had been freely tossed about, the Press Note said: In fact, not more than five per cent of the total cloth produced by mills would be selling at this rate, whereas in all other varieties, the rise has been much less." It rightly referred to the sensible observation of the Minister himself that the rise had been 40 per cent only in some cases, whereas in others the rise had been much less. But in order to substantiate its stand, the Federation has said. "The industry is prepared to place before the Government audited accounts of the first six months of any of the mills to prove conclusively that the industry has not indulged in profiteering."

Obviously, without wanting to say in so many words that the Minister has not properly understood the 10 per cent cut in prices proposed by it, the Federation clarifies the position in its Press Note thus: "The cuts proposed by the Federation on those coarse and medium varieties where the price rise had been abnormal related to the current prices. With a 40 per cent rise over 100, in such abnormal cases, today's price comes to 140 and a 10 per cent reduction therefore means a reduction of 14 which brings down the price to 126, and this is just one per cent, more than what Government considers justified." (To quote Mr. Shastri's words in this context in the Lok Sabha: "I shall even go further up to 25 per cent").

In addition to submitting this dignified rejoinder, the Federation has prescribed the specific percentages over the October, 1959, contract prices (10 per cent for superfines, 12½ per cent for fine, 20 per cent for higher medium, 24 per cent for lower medium and 27½ per cent for coarse) beyond which no mill should take up its prices. And what is perhaps the most important and eloquent gesture, the Federation has told the mills that "deliveries to be made henceforward against all outstanding contracts should also be made at prices not higher than those indicated above regardless of the contract prices" I advisedly say "the most important and eloquent gesture" because Mr. Shastri only wanted that "in all the contracts entered with say from tomorrow or two to three days latter (i.e. 9th or 10th to 11th August, 1960) with the wholesalers it should be seen that the cloth supplied to them is at the reduced prices, so that the consumer also may get them at the reduced prices."

I have merely recorded here the promise and the performance of the industry at this length because Mr. Shastri categorically declared in the Lok Sabha. "I am not prepared to accuse the wholesale trader, but it is the mills who are responsible for this unwarranted increase in prices." It is now for the wholesalers, and also the retailers, to prove their 'bona fides' by bringing down their prices in a more positive way than was depicted by the cartoonist the other day in the "Times of India".

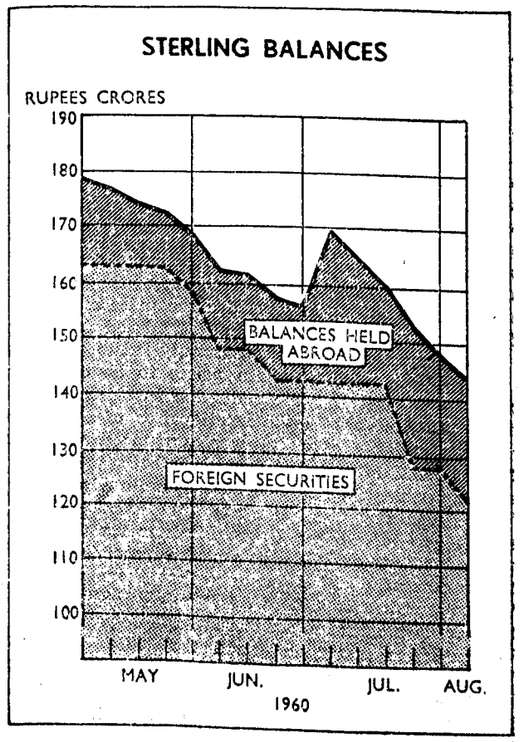
Business Notes

Foreign Assets

STEEP FALL

THERE HAS been a noticeable drain on our foreign exchange resources during the last three months and it seems that this trend may continue for sometime more. Figures of the sterling balances reveal that during the week to August 5, 1960, alone the fall in the balances held abroad was to the extent of Rs. 5.4 crores. Again during the week ended August 12, there was a fall in the foreign securities to the extent of Rs. 5 crores. The fact appears more significant when seen in the light of falling foreign securities during the previous three months. From Rs. 163 crores at the end of May, the foreign securities dropped to around Rs. 143 crores in the last week of June and again came down to Rs. 128 crores in the last week of July. There has been a fall of about Rs. 45 crores in a period of about three months and the sterling balances at Rs. 144 crores have touched the lowest level ever recorded during the last several years.

The depletion of sterling balances at this rapid rate indicates the arrival of another sizeable shortage of foreign exchange. It may be remembered that the previous foreign exchange crisis that the country faced in 1957 could be mitigated by withdrawals from the sterling balances which on an average, during the year were Rs. 400 crores. If the drain continues for some time more this time a comparatively small amount of Rs. 144 crores may not be able to provide a safe cushion and keep the crisis in abeyance for long. It may be observed that in spite of some strict controls on imports the adverse balance of trade during the first 6 months of 1960 has been, on an average, of the order of Rs. 26 crores every month. Another factor that has caused this fall in the sterling balances may be that part of the foreign assistance we are receiving is tied to specific projects and current arrivals of shipments are not related to them. Imports which are rising can be financed therefore, largely by export earnings. The scope for further pruning of imports hardly exists. The current difficulties urge a more determined effort to push up exports.



Direct Tax Legislation

HASTY AMENDMENT

MR. GOPALA REDDI could not adduce any cogent and satisfactory reasons to justify the haste with which the Bill to amend the Indian Income-Tax Act, the Wealth Tax Act, the Expenditure Tax Act and the Gift Tax Act was rushed through the Lok Sabha. It is noteworthy that opposition to the hasty passage of the Bill in the Lower House was voiced, among others, by some members of the Congress Party itself.

The plea for go slow and fuller deliberation by reference of the Bill to a Select Committee was a plea for caution to avoid hardships resulting from the rush technique. Already the Company Law has been a singular victim of "legislate in haste and repent at leisure." The provision in the Bill to extend concessions to certain industries smacks of discrimination. Disclosure of information regarding the amount of tax payable by an assessee places an instrument of harassment in the hands of the blackmailer. Mr. Gopala Reddi explained that the taxing authority was being vested with discretion to refuse information to 'confirmed' blackmailers. But what are the criteria to determine who is a confirmed blackmailer? The mischief can nevertheless be committed by a blackmailer who may not be branded as a 'confirmed' blackmailer. Publication of names of persons punished for tax offences together with particulars of the offences is sought to be defended on the ground that it will deter others and this class of persons is not entitled to claim a privilege. There is no question of claiming any privilege because the name of offenders punished for other classes of more repugnant offences are not published for the so-called deterrent effect.

The best course was to wait and bring a carefully considered comprehensive Bill on the basis of all the recommendations of the Direct Tax Administration Inquiry Committee. Mr. Reddi has indicated that a Bill for curbing tax evasion would be introduced in the next session. This piecemeal method of legislation is certainly not necessitated by any emergency or expediency. There was a sound case for a comprehensive and integrated Bill. It is a poor reflection on the Government's zeal for the present Bill that Mr. Mahavir Tyagi, Chairman of the Inquiry Committee, has not extended his whole-hearted support to it.

Rubber

HIGHER CESS ON MANUFACTURERS

AN AMENDMENT to the existing legislation on rubber providing for an increase in the maximum cess that could be levied on rubber was passed by the Lok Sabha recently. The cess which till now was levied at a maximum of one anna per lb. has now been raised to a ceiling of 50 nP. per kilogram which means an increase of nearly 400 per cent. The amendment also permits the levying of cess on the manufacturers rather than on growers. This change has been brought about to tighten up collections as there was good reason to believe collection at the plantations resulted in considerable loss of revenue due to evasion. According to the Rubber Board as much as 35 per cent of the cess collection is lost because the number of growers exceeds 26,000 and a large number of them own considerably small holdings. On the other hand the number of registered manufacturers is just 347 which seems to be quite a manageable number.

It has been pointed out that the increase in the cess has been rendered necessary for the "implementation of certain plans for speeding up the production of natural rubber in the country which are now under consideration." The Rubber Board has not succeeded in creating enthusiasm among the rubber interests over its idea of expansion programme. In fact the Rubber Board has not clearly stated the nature and extent of its planning. There is strong criticism that during the last five years of its existence the Board has done practically nothing to raise the yield or acreage of rubber plantations. There is a large gap between the actual demand and the output of natural rubber in the country. If some positive steps are taken to raise the output there is no reason why dependence on the imports of raw rubber cannot be reduced. Now that the authorisation for putting up the cess has been granted by law it is upto the Rubber Board to make out a case for utilising the additional source of revenue by giving tangible proof that it can deliver the goods.

IISCO

15 PER CENT DIVIDEND

REACTION TO the declaration of a dividend of 15 per cent for the year ended March 31, 1960 by the Indian Iron and Steel Company has been quite favourable. Though this dividend has been described as an interim dividend, the Directors have explained that it will also be the final dividend. This is to say that the total dividend is declared at the rate of Rs. 1.50 per share of the face value of Rs. 10 each. This dividend is, of course, subject to income-tax, but it brings a net yield of 10.5 per cent. This compares well with the previous year's tax-free dividend of 10 per cent.

The Directors took the step to declare the dividend without waiting further for the announcement of the revised retention prices of steel in order to put an end to any suspense. Indian Iron's output of saleable steel improved in 1959-60 to 6.6 lakh tons as against 4.97 lakh tons in 1958-59. This improvement reflected the results of a substantial part of the expansion of the plant having been brought into commission. The balance will be put into production by the end of the current year. There is hardly any room for doubt that the retention prices will remove the present handicap of working expenses showing a burden on the finances of the steel industry. Freight, coal and wages have all gone up and the retention prices due to be declared very soon will undoubtedly make proper allowance for these increases.

Housing

JAXBOARD FOR BUILDING HOUSES

IN ORDER to make the construction of more houses possible, it is imperative that construction material should be economical and capable of being easily fabricated. An entirely new process has been developed recently for manufacturing reeds into strong building boards by Messrs. Ludwig Berger of Austria which can be used successfully in tropical countries for the construction of houses. In India, William Jacks at the instance of the National Buildings Organization have undertaken to develop the manufacture of reed boards. They have entered into negotiations for this purpose with the Austrian patentees of the new board-making process and have obtained the right for its exploitation in India. The factory that has been set up in U.P. where reed grows in abundance has an installed capacity of 36 lakh sq. ft. of board a year.

The points in favour of Jaxboard are that it is an ideal constructional material for a tropical country and meets all the requirements of low cost housing in rural areas. It is adaptable for walling, roofing, partitioning, shuttering etc. and can be easily plastered with cement, lime or mud. Besides it has unique insulation properties. Expectations are that it will be able to replace steel in the construction of many types of houses. In case it succeeds in eliminating the use of steel from a wide variety of building and housing construction work, it would prove to be great boon for not only will we be conserving steel for top priority purposes, but save some foreign exchange by cutting down imports.

Plastics

PHENOMENAL PROGRESS

THANKS TO the exigencies of the Second World War and the acute shortage of conventional materials like steel, aluminium, wood, glass, etc., which the world experienced during the war years, new discoveries were made in the realm of plastics for varied and extensive uses ranging from a small paper clip to television and radar equipment. In India too, this industry developed only after the second global war, when the government realised the tremendous bearing it has on the growth of chemical industries. During the past decade or so, the industry has registered phenomenal progress, having about 150 major plastics factories, accounting for an estimated capital investment of Rs. 22 crores and providing employment to about 25,000 workers. The output of the industry, value-wise, stood around Rs. 16 crores in 1959, as against Rs. 12 crores in 1958. The performance of the industry in the export field has also been very encouraging. As the following table shows, the export figures for 1959-60 show an increase of about ten times the level reached in 1955-56!

Year	Exports in value
1953-54	Rs. 15,98,100
1954-55	„ 14,41,000
1955-56	„ 7,62,000
1956-57	„ 7,41,400
1957-58	„ 21,00,000
1958-59	„ 27,78,000
1959-60	„ 73,66,500

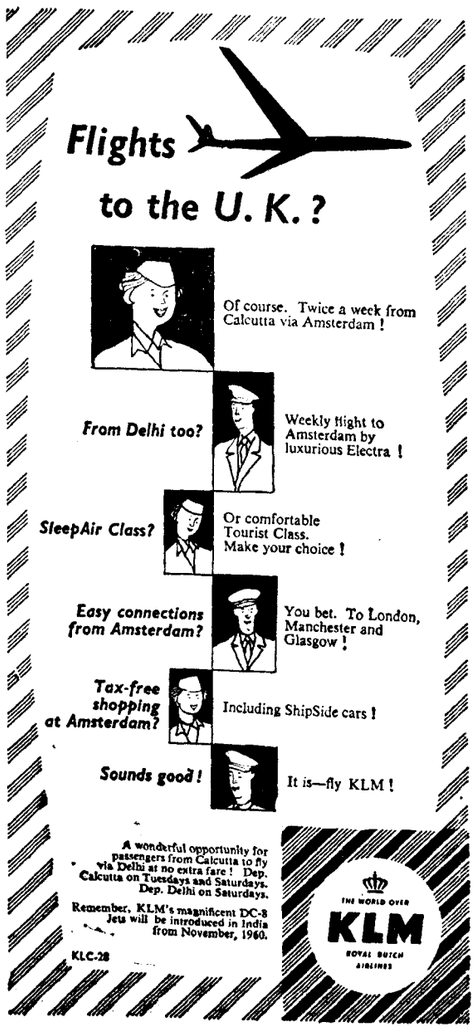
That the industry has achieved such a remarkable progress, despite difficulties in respect of raw materials, is a tribute to those who are guiding the destinies of the industry. The question of raw materials shortage is very real and, in fact, quite serious. The only lasting solution to meet this problem appears to be, as Mr. Krishnaraj M. D. Thackersey, said whilst presiding over the thirteenth All-India Plastics Manufacturers' Conference in Bombay, last week, to develop the basic chemicals industry in the country. True, we are producing raw materials like polyethylene, polystyrene and urea formaldehyde which compares in quality even with the imported materials, but our prices are still comparatively much higher than those prevailing in the international markets. This is probably attributable to the relatively smaller scale of our output. It may be hoped that, with the enlargement of domestic production, prices would be brought down. In this connection, the assurance given by the Chief Minister of Maharashtra, Mr. Y. B. Chavan, in his inaugural address to the conference that his government would give every assistance and was prepared to recommend suitable schemes of production of the industry's raw materials will be widely welcomed.

Transport

POOR PROVISION FOR PORTS

THE OMISSION of any explicit reference to an immediate expansion of port capacity, in the inaugural address of Dr. P. Subbarayan, the Union Minister for Transport and Communications, delivered at the Ninth meeting of the National Harbour Board held in Bombay, last week, is somewhat disappointing. The aggregate capacity of all the major ports, which stood at around 20 million tons in 1950-51, went up to about 50 million tons in 1957-58. And this is expected to go up during the Third Plan to around 41 million tons. If the recent trends in respect of the volume of cargo passing through the major ports of the country are any indication, it seems obvious that India would have to experience serious congestion at ports — which has been with us almost since the beginning of the Second Five-Year Plan — during the Third Plan period also. Thus, the quantum of goods that passed through both the major ports and the ports of Saurashtra, Kutch and Okha which stood at 23.94 million tons in 1951-52, shot up to 32.79 million tons in 1957-58. With the anticipated increase of 3 to 15 million tons of cargo in the next few years consequent upon the export of iron ore, the volume of cargo that is likely to pass through the ports will increase tremendously. In spite of this, the Draft Outline of the Third Plan says that, "in the Third Plan, the main objective will be to maintain and improve the existing port facilities, rather than to increase port capacity."

The Minister's address too did not contain anything pointing to our increase in the port capacity during the Third Plan. He was content merely to refer to the outlay and add: "We are now on the threshold of the Third Plan period. The chief features of the Third Plan for the major ports have been set out in a separate memorandum. It lays emphasis on the early completion of the carryover items and on schemes necessary for maintaining existing services and also on essential improvement schemes. Including the carryover, we are making a provision of Rs. 75 crores for the major ports and, out of it, we have already tentatively allotted Rs. 74 crores, with Calcutta getting Rs. 29.5 crores, Bombay Rs. 25.6 crores, Madras Rs. 7.3 crores, Cochin Rs. 1.7 crores, Vizag Rs. 6.3 crores and Kandla Rs. 4.3 crores." If the projected industrialisation of the country during the Third Plan is to be smooth, we are afraid, the present plans for port capacity leave very much to be desired.



Shakespeare once observed "Beauty is an innate craving of man—so he seeks to dwell in lovely parts of the creation." No age has ever been immune to this captivating spirit of Beauty, the balm of life. Even mother Sita of our epic age fell a victim to the attractions of beauty when she noticed an illusory golden deer, and longed for having it, which resulted in the out-turn of a chain of momentous events in the social life of that epic age.

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Current Topics

EXTERNAL ASSISTANCE 1956—60

The latest Report on Currency and Finance has brought up-to-date the position with regard to external assistance for India's Second Five-Year Plan. This is given below.

TOTAL foreign aid authorised during the first four years of the Second Plan period amounted to Rs. 1,337 crores; **including a carry over of Rs. 191 crores from the First Plan period, the total assistance available for use amounted to Rs. 1,528 crores. Of this Rs. 852 crores or 56 per cent comprised loans while PL 480 and PL 665 assistance accounted for nearly one-third viz. Rs. 488 crores which was received in the form of agricultural commodities mainly foodgrains. This is brought out in the table below.

(Rs. crores)

	Undisbursed balance at the end of First Plan	Authorised between April 1956 and March 1960**	Total (1+2)	Estimated utilisation between April and March 1960	Undisbursed amount at the end of March 1960**
1. Loans*					
(a) Repayable in foreign currency ..	87.0	621.5	708.5	441.0	267.5
(b) Repayable in rupees	25.1	117.9	143.0	82.0	61.0
Total I	112.1	739.4	851.5	523.0	328.5
2. Grants	67.1	121.2	188.3	154.1	34.2
3. P.L. 480 and 665 aid (Gross)	11.8	476.1	487.9	357.6	130.3
Total (1 to 3)	191.0	1,336.7	1,527.7	1,034.7	493.0

* Excluding loans out of P.L. 480 and 665 balances.
** Excluding authorisations of (i) Rs. 179 crores from the USSR. (ii) Rs. 23 crores from Czechoslovakia and (iii) Rs. 19 crores from Yugoslavia earmarked for use in the Third Plan period.

Of the total aid of Rs. 1,528 crores comprising authorisations during the first four years of the current Plan and the undisbursed amount at the end of the First Plan, Rs. 1,035 crores or more than two-thirds was utilised, leaving an undisbursed balance of Rs. 493 crores at the close of March 1960; of this, loans accounted for Rs. 329 crores. The utilisation of total aid was considerably lower in 1959-60 (Rs. 294 crores) as compared to that in the preceding year (Rs. 343 crores).

The purposewise distribution of foreign loans excluding credits earmarked for use in the Third Plan period (given in table below) shows that over one-third of loans authorised (Rs. 336 crores) was for several industrial projects while Rs. 274 crores was for the steel plants and for import of steel for other projects. Loan earmarked for transport development totalled Rs. 172 crores, of which Rs. 143 crores was for railways. The bulk of the loans authorised for steel and steel projects and for transport was utilised by the end of March 1960.

(Rs. crores)

Purpose of Loans	Aid available for utilisation after March 1956	Estimated utilisation between April 1956 and March 1960	Undisbursed amount as at the end of March 1960
1. Steel and Steel Projects	274.0	225.9	48.1
2. Transport			
(a) Railway Development	143.0	111.1	31.9
(b) Ports Development	20.5	2.9	17.6
(c) Airways Development	8.0	8.0	—
Total 2	171.5	122.0	49.5
3. Power Projects	40.8	20.9	19.9
4. Industrial Development	336.4	138.6	197.8
5. Iron ore Project	13.3	—	13.3
6. Wheat Loans	15.7	15.7	—
Total Loans	851.5*	523.0	328.5*

* Excluding credits totalling Rs. 221 crores earmarked for use in the Third Plan period.

After March 1960, additional assistance of Rs. 678 crores was authorised. Of this, Rs. 607 crores came from the USA for the supply of agricultural commodities under PL 480. The remaining amount of Rs. 71 crores was in the form of loans extended by the USA from the Development Loan Fund (Rs. 43 crores), Poland (Rs. 14 crores) and West Germany (Rs. 14 crores).

BRITISH CREDIT TO INDIA

An agreement for a credit of Rs. 13.33 crores (£10 million) from the Government of the United Kingdom to the Government of India, was signed on August 16. A third of the credit is repayable in 10 years and the balance in 20 years, the first instalment of repayment on either portion of the credit falling due on May 31, 1966. The rate of interest will be the same as that currently applied by the UK Treasury to a loan for a comparable period out of the UK Consolidated Fund on the same date plus one-fourth of 1 per cent for administrative charges. India will be able to draw on this credit for a broad range of her imports from the UK. With the present credit, the UK Government's assistance for India's Second Five-Year Plan totals Rs. 100.66 crores.

(ESTD. 1919)

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A DELHI NOTEBOOK

BHOPAL HEAVY ELECTRICALS PLANT

THE Government of India, it is understood, is reconsidering the expansion programme of the Bhopal Heavy Electricals Plant. Last year an assessment was made that India would be requiring heavy electrical goods worth about Rs. 80 crores per annum towards the close of the Third Plan. It was then contemplated to meet these requirements by doubling the output at the Bhopal Plant to Rs. 50 crores and by setting up two more factories, one in collaboration with the USSR and the other with the technical assistance from Czechoslovakia. Now it is proposed to expand the capacity of the Bhopal Plant only to about Rs. 35 crores. This, it is thought, is essential to avoid too large a concentration of the industry at one place. A new unit with British aid is, therefore, proposed to be set up elsewhere; it will produce goods worth nearly Rs. 15 to Rs. 20 crores.

Preliminary work has also been taken on hand in regard to the two plants to be set up with the Soviet and the Czech aid. A Committee of Technical Experts has been constituted to discuss the details of their production programme with the Soviet and Czechoslovak experts and to recommend suitable sites for their location. Preliminary project studies for these two plants are expected to be submitted by the Soviet and Czechoslovak experts shortly.

HEAVY MACHINE BUILDING PLANT

According to the detailed Russian project reports, the capital costs of the Heavy Machine Building and the Coal Mining Machinery projects will be as follows:

	Rs. crores
Heavy Machine Building Plant (1st stage 45,000 tons)	21.85
Foundry/forge Plant (corresponding to the 1st stage of the Heavy Machine Building Plant)	45.27
Coal Mining Machinery Plant (30,000 tons)	13.10
TOTAL	80.22

These figures do not include several items of expenditure such as construction of structures outside the plant premises, namely, water works, drainage, sewage, electric supply, railway lines, motor roads, power engineering and telephone communications, cost of the project reports, working drawings, services of Soviet specialists for rendering technical assistance during construction, construction of plant and township with its several services and amenities, construction of temporary storage sheds and other installations for construction purposes, customs duty on imported machinery and equipment, cost of expenditure connected with preparatory work preceding and required for putting the plant in actual production, training of Indian personnel in USSR and in India, cost of services rendered by Soviet specialists at the initial stages of production, technical documentation, cost of fabrication etc. These are being worked out.

The expansion programme of the Heavy Machine Building Plant and the Foundry/Forge Plant to 80,000 tons stage and that of the Coal Mining Machinery Plant to 45,000 tons stage are expected to cost another Rs. 40 crores.

The plants are likely to be completed during the latter half of the Third Plan period. The total expenditure incurred on these projects so far is about Rs. 3 crores. Orders to the tune of Rs. 12.8 crores have been placed with the Russian Export Organisation for the Heavy Machine Building Plant and worth Rs. 7.5 crores for the Coal Mining Machinery Plant. Orders placed with the Czechoslovakian Organisation for the Foundry/Forge Plant amount to nearly Rs. 10.9 crores.

FERTILIZERS AND PRIVATE SECTOR

Government of India's policy in regard to manufacture of fertilizers in the private sector has been clarified by Mr. Satish Chandra, Deputy Minister for Commerce. In reply to a question in the Lok Sabha last week, he made the following statement:

"It has been decided that during the Third Plan period a limited number of fertilizer factories may be allowed to be set up by Indian firms in collaboration with foreign investors. Some Indian parties are exploring possibilities of financial participation by US firms in such joint ventures. Concrete proposals will be considered on merits as and when applications are received for issue of industrial licences. No pre-conditions can be attached to such participation, but foreign investors desire to be assured of the payment of a reasonable price for their product."

Mr. S. K. Patil, Union Minister for Food and Agriculture, has pointed out that during his recent tour abroad he found keen interest among foreign entrepreneurs, especially in the United States, to set up fertilizer factories in India. Much had been done to give the necessary assurances to intending investors, he said. The price policy to be followed for fertilizers during the operation of the Central Fertilizer Pool was being considered and an announcement would be made soon. When this policy was announced, Mr. Patil added, private entrepreneurs keen on investing in fertilizer production in this country would have no cause for fear that the price would work against their interest.

Production of fertilizers in the public sector henceforward will be managed by a single State-owned company, to be called Fertilizer Corporation of India, which will come into being on October 1 as a result of the proposed merger of Hindustan Chemicals and Fertilizers and Sindri Fertilizers.

Hindustan Chemicals and Fertilizers have three projects under construction, one at Nangal which is nearing completion, another at Trombay for which global tenders have been received and the third one in Assam which is at the initial stage of planning.

As a preliminary step towards this merger, both Hindustan Chemicals and Fertilizers and Sindri Fertilizers have been given draft order inviting their objections to it. This is a formality to be observed under the Company Law before the merger can take place.

BRIEFS

Seven ropeways schemes—four for Jharia and three for Ranigang coal field—are contemplated. The Government of India has already received the project reports for one of the ropeways for Jharia area and the three ropeways for Raniganj fields. The remaining project reports are expected to be received shortly. A global tender enquiry for the award of a contract for the first ropeways scheme for Jharia fields is to be put out in India by the Coal Board in a few days. Similar action in regard to the other ropeways will be taken on the basis of their project reports. It is expected that all the seven ropeways would be commissioned by the end of 1962.

*

The Government of India has approved a scheme of Messrs. New India Industries Ltd., Baroda, for the manufacture of 1.2 million square metres of photographic paper per annum in collaboration with the West German firm Agfa. Production is expected to start in another 18 months' time. Box cameras are already being manufactured by this Indian firm in collaboration with Agfa.

*

Messrs. Simon Carves Ltd. are collaborating with the East India Distilleries and Sugar Factories Ltd., Madras, in setting up a fertilizer factory at Ennore. They will design and fabricate the equipment and meet part of the foreign exchange expenditure required for the project.

UNDER SECRETARY TO GOVT. OF INDIA
23 AUG 1960
PUBLICITY DEPARTMENT

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7



WORLDGRAM

India

Desiliconising Plant Commissioned: The Desiliconising Plant at the Durgapur Steel Works, the first of its kind in India was commissioned recently. This plant is designed to remove a large part of the 1 to 1.5 per cent of the silicon which is present in the blast furnace iron and which has to be removed in the open hearth furnaces. Its functions are as follows: the blast furnace iron is carried from the mixer in which it is stored in 120 ton ladle to which is added a measured quantity of limestone. The ladle is placed under a refractory-lined hood through which oxygen lances are lowered to the surface of the metal. Gaseous oxygen is blown through steel pipes for a pre-determined time according to the amount of silicon to be removed. After blowing, the slag formed from the limestone and the oxidised silicon is decanted and the disiliconised metal is poured in the open hearth furnaces. The main advantages of the process are, firstly it enables a larger proportion of the blast furnace iron to be used in the open hearth furnaces, secondly, it should result in a considerable increase in the rate of working in the open hearth furnaces and finally, it results in fuel economy. Oxygen for this process is supplied by a separate plant at the Steelworks which consists of two units, each producing daily 50 tons of gaseous oxygen of 99.5 per cent purity.

*

Manufacture of Paints and Varnishes: As a result of the survey recently carried out by the Government, it is felt that for the present there is scope for the establishment of additional capacity for the manufacture of paints and varnishes in the northern region comprising the States of Uttar Pradesh, Punjab, Rajasthan, Jammu and Kashmir, Himachal Pradesh and Delhi and in the Southern region comprising the States of Madras, Andhra Pradesh, and Kerala. Government have, therefore, decided that as a part of the expansion proposed during the Third Plan, fresh capacity of 10,000 tons be installed in each of these two regions and applications under the Industries Act have been accordingly called for from the interested parties. No licence has been granted for the manufacture of paints yet.

*

Government's Guarantee for Repayment of Loans: It was disclosed in the Lok Sabha recently that the Government had guaranteed repayment of the following loans in foreign currencies taken by the private sector agencies from the International Bank for Reconstruction and Development: (1) TISCO — I Rs. 35.71 crores, (2) TISCO — II 15.47 crores, (3) IISCO — I Rs. 14.30 crores, (4) IISCO—II Rs. 9.52 crores, (5) TROMBAY—I Rs. 6.64 crores, (6) TROMBAY — II Rs. 4.67 crores (7) ICICI —I Rs. 4.76 crores and (8) ICICI—II Rs. 4.76 crores. It was also revealed that the guarantee covered repayment of principal and payment of interest and other charges as per loan agreement between the borrower and the International Bank for Reconstruction and Development.

*

Bureau of Petroleum Information: The Bureau of Petroleum Information set up in New Delhi to promote a better understanding of the oil industry is functioning quite efficiently. Its book shelves contain the leading works of reference on the oil industry of the world, particularly emphasis being paid to the data on oil in India and neighbouring countries. The clipping service of the Bureau is quite comprehensive. Besides the oil series, the Bureau maintains economic series, facility series, monetary series, general series in which articles pertaining to various aspects of the country's economy are kept. The B.P.I. plans to issue quarterly a digest of petroleum articles appearing in various periodicals. It also intends to hold film shows relating to the oil industry. It is becoming quite popular among the journalists, authors and all others who write about the oil industry. This Bureau is located on the ground floor of the National Insurance Building, Parliament Street, New Delhi, and is well worth a visit for all those who are interested in the oil industry, both in India and elsewhere in the world.

*

Loans Due from State Governments: The Finance Minister, Mr. Morarji Desai, confirmed in the Lok Sabha recently that State Governments owed to the Central Government large amounts advanced to them as loans. He said the loans were for different periods and were repaid as and when they fell due. No major default on the part of the State Governments had been brought to notice. As regards the total amount of arrears to be recovered from the States, as at the close of the financial year 1959-60, the Minister said that the accounts for the year 1959-60 had not yet been closed. He, however, placed the following statement showing the amounts outstanding against each State, at the end of the year 1958-59 (as on March 31, 1959) on the table of the House: Andhra Pradesh—Rs. 139.31 crores; Assam —Rs. 34.99 crores; Bihar—Rs. 109.71 crores; Bombay—Rs. 174.02 crores; Kerala—Rs. 37.55 crores; Madhya Pradesh—Rs. 81.19 crores; Madras—Rs. 94.78 crores; Mysore—Rs. 71.39 crores; Orissa—Rs. 123.33 crores; Punjab—Rs. 255.00 crores; Rajasthan—Rs. 74.69 crores; Uttar Pradesh—Rs. 171.99 crores; West Bengal—Rs. 215.48 crores and Jammu & Kashmir Rs. 27.75 crores. The total outstanding amounts was Rs. 1,581.18 crores.

*

Naphthalene Plant at Durgapur: The Naphthalene Plant, associated with the By-product Plant at Durgapur Steelworks, was commissioned recently. The Naphthalene plant works in conjunction with the Tar Plant which produces crude naphthalene oil. This is pumped from the storage tanks at the Tar Plant and delivered into crystallising trays at the Naphthalene Plant. The naphthalene oil is allowed to cool for four days to permit complete crystallisation and the oil drained off and pumped back to the Tar Plant for blending purposes. The solid naphthalene crystals are then transferred of the 'Hot Press' unit for pressing into cakes of refined naphthalene. The cakes are delivered by conveyor belt to a crusher and bagging machine and then to storage for subsequent loading to road or rail transport. Naphthalene is one of the versatile and important industrial organic chemicals, being an essential raw material for the preparation of a great many products. It is, for example, familiar to every one in the form of moth balls. Its partial oxidation product, phthalic anyhydride is used quite extensively in the preparation and production of resins, lacquers and plastics of various kinds and for dyestuffs, for fabrics, paper and paint. Derivatives of naphthalene are used in the manufacture of explosives, soaps, photographic chemicals, wetting agents, insecticides, disinfectants and pharmaceuticals, synthetic tannins, oils, fuels and ignoranic synthetics, all of which represent only a part of its widespread potential application. The plant at Durgapur is designed to handle 36 tons per day of crude naphthalene oil to produce approximately 20 tons of refined naphthalene. It has been built by Messrs. Simon-Carves Ltd., a member company of ISCON — the British consortium constructing the Steelworks at Durgapur.

U.S.A.

DLF Loan to Indian Railways: The US Development Loan Fund has announced approval of a $50 million loan (Rs. 23.8 crores) to the Government of India for procurement of diesel and electric locomotives and centralised traffic control equipment. This is the 19th loan granted by the Development Loan Fund to India and brings the total Fund assistance to $348.3

million (Rs. 1,65.8 crores). This is also the third occasion in which Indian railways have received loans from the Development Loan Fund. Out of the latest loan, $10 million will be utilised for procuring electric locomotives and $40 million for purchase of diesel locomotives and centralised traffic control equipment. The diesel locomotives, numbering 170, will consist of the following: 60 metre-gauge, main line locomotives, 40 broad-gauge main line locomotives, and 30 broad-gauge shunting locomotives, all fully assembled, and 40 broad-gauge main line locomotives, to be partly assembled in India. Centralised traffic control and related signalling equipment will be installed between all stations of India's North-East Frontier Railway which connects Assam with the rest of the country. The line on which the traffic control equipment will be installed is of metre-gauge and single-tracked. Installation of a central traffic control system will avoid the necessity for more costly double-tracking of line, will increase carrying capacity and will make possible operating economies, better service and greater safety. Like all credits extended by the Development Loan Fund, this loan can be repaid in rupees.

*

Establishment of Underwood Subsidiary in Venezuela: The Wm. Underwood Company in Boston announced recently the establishment of an Underwood subsidiary in Venezuela which will be producing Underwood Deviled Ham there before the end of 1960. The $1,025,000 operation includes a plant in Cagua, which is about 60 miles west of Caracas, capital of Venezuela. The International Finance Corporation invested $500,000 in Underwood's subsidiary in Venezuela with repayment due within 9 years. Under the terms of the agreement, Underwood owns its newly-established Venezuelan subsidiary, Diablitos Venezulanos CA.

U.S.S.R.

Equipment for Afghanistan: A Soviet-Afghan agreement on the sale of Soviet equipment to Afghanistan on the basis of consignations has been signed. The agreement provides for sale of tractors, workshop equipment, washing machines, radio equipment, photo and cinema cameras, refrigerators, cycles, automobile tyres and tubes. The agreement covers a two year period. In all various goods to the value of 300,000 US dollars will be exported to Afghanistan. The USSR will import chiefly fruit from Afghanistan.

*

Assistance to Korean Democratic People's Republic: Scientific, technical and industrial co-operation between the Korean Democratic People's Republic and the Soviet Union is increasing every year. Under the terms of the agreement of March 17, 1959, the Soviet Union will render technical assistance to the KDPR in the construction of a number of industrial projects and supply them with equipment which is not manufactured as yet in North Korea

United Kingdom

Setting up of Indian Gelatine Plant: A new company for the production of gelatine and glue has been established in India by the British firm P. Leiner and Sons Ltd. Treforest, Glamorgan, who are the world's largest producers of Ossein gelatine. Name of the new company is LEINTER - KNIT Gelatine Company Limited, the shares being jointly owned by P. Leiner and Sons Ltd., and KNIT (Kapurthala and Northern India Tanneries Ltd., Kapurthala). The authorised capital is 50 lakhs of rupees. The new plant, a site for which has not been finally chosen, will be the first of its kind in India, and is expected to start production in six to nine months' time. Technical experts from the Treforest Factory of P. Leiner and Sons Ltd. will assist in the organisation of the factory.

*

Steel Production in July: Production of Steel in Britain in July—a month in which several works closed for the summer holidays — was at an average of 3,91,400 tons a week, compared with 466,400 tons a week in June and 320,000 tons a week in July 1959, the Iron and Steel Board announced recently. Pig iron production was at an average of 288,900 tons a week compared with 295,200 tons a week in June and 221,600 tons a week in July 1959. Deliveries of finished steel to using industries in Britain during the second quarter of this year are provisionally estimated to have been at a weekly average of 300,700 tons, compared with 242,500 tons in the second quarter of 1959.

Australia

Tobacco Growing: Queensland's tobacco-growing industry has become the State's third most important industry, with announcement of a record production of 7,750 tons of leaf valued at nearly £7 million. By comparison last year's sugarcane crop was worth £39 million, while wheat brought this northern Australian State £7,800,000 in the year to June 30. Sound marketing and improved production methods are responsible for the industry's rapid growth, and production is also being assisted by improved irrigation facilities. In addition to higher production total, the quality of the tobacco leaf is equal to the best that Queensland has produced.

Yugoslavia

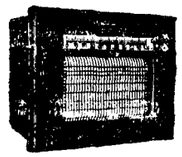
Imports of Crude Oil: The production of crude oil in Yugoslavia has been increasing very rapidly since the last war. Last year the country produced 592,485 tons of oil, as compared with 1,122 tons in 1939. This year, further advances will be made. It is expected that the total production this year will come to 911,000 tons, which will be enough to cover 70 per cent of the country's needs. Next year production is to be increased to 1,200,000 tons, so that Yugoslavia will no longer be obliged to import this essential commodity.

*

Trade with European Countries: Yugoslav trade with the European countries was valued at 154.9 billion dinars or 75 per cent of total trade done. Trade with the European countries was 35 per cent higher than in 1959 exports having risen by 19 per cent and imports by over 46 per cent. In terms of value exports and imports were 9.3 and 30.4 billion dinars higher respectively than in the corresponding period last year. Exports to the European countries account for 75.4 per cent of total deliveries, of this 49.1 per cent was absorbed by the OEEC countries, 26.0 per cent by the East European countries and only 0.3 per cent by the other countries. The share of the European countries in total imports was 74.9 per cent of which the OEEC countries accounted for 48.2 per cent, East European countries 26.7 per cent, while among the other countries, Finland, accounted for only 36 million dinars.

Pakistan

Warsak Project: The 35-crore Warsak Multi-Purpose Project is the first biggest post-independence national development project not only in the Frontier Regions but in the whole of Pakistan. The project, now almost complete within a record time of five years, is example of international co-operation and a lasting momument of goodwill and friedship between Canada and Pakistan who jointly sponsored it under the Colombo Plan. Canada gifted under this Plan all the heavy equipment and machinery worth about 36 million dollars for the construction of this great Project and also the service of 150 Canadian experts while the rupee expenditure has been met by the Government of Pakistan. Much of the country's happiness, prosperity and economic development is linked with the Warsak Project. With the commissioning of all the four generators at the Warsak Power House, each of 40,000 k.w. power requirements in West Pakistan to a large extent will be met.



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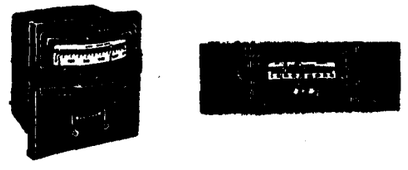


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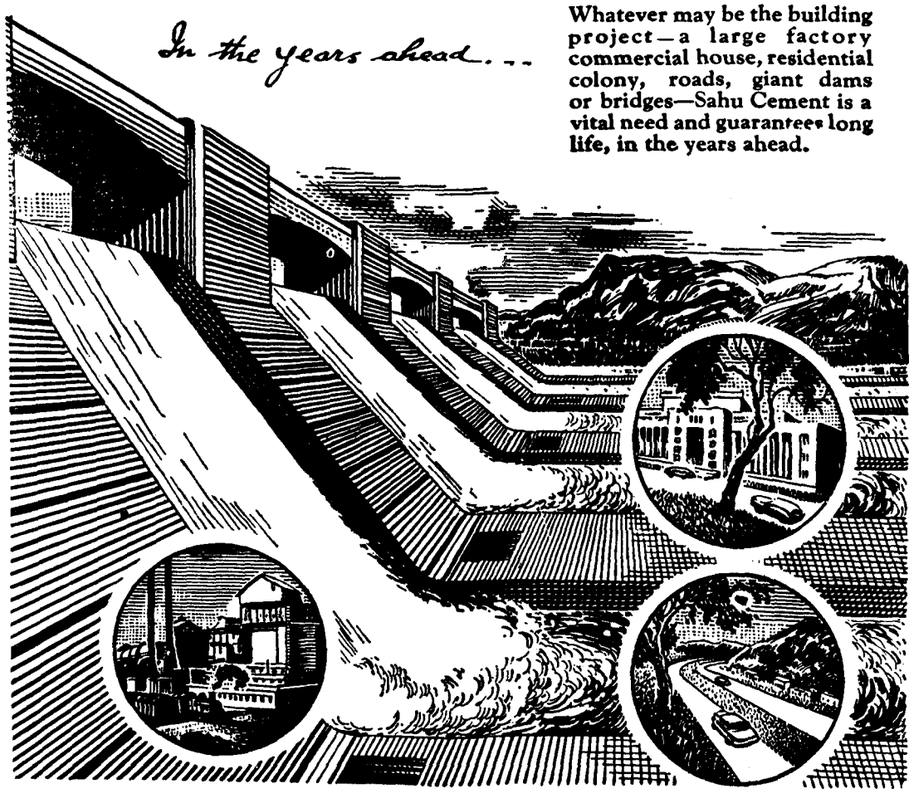
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NEWS IN BRIEF

INDIAN

Dr. K. L. Shrimali, Union Minister of Education, told the Lok Shabha recently that tabulated results of the pre-test of the first draft of the census questionnaire for the 1961 census, confined to small selected areas of each State, conducted by the Registrar General of India, had revealed a literary percentage of 40.7 per cent as against 16.6 per cent according to 1961 census.

*

Mr. K. D. Malaviya, Union Minister for Mines and Oil, informed the Rajya Sabha recently that the total crude imported by the three refineries during 1959 was 4.9 million tons at prices varying from Rs. 76 to Rs. 85 per ton c.i.f. Bombay/Visakhapatnam.

*

Nearly 500 factories employing about 10,000 persons are now functioning in the industrial estates completed so far. Production in these factories would amount to about Rs. 10 to 11 crores worth of goods per annum. The total investment on the completed estates amounts to about Rs. 5 crores, thus giving an investment-production ratio of 1 to 2.

*

The construction of a railway line between Bailadila and Kottavallasa has been included in the Third Five-Year Plan for facilitating the development of mineral resources in Dandakarnya area. The 310 mile railway line will pass through Jeypore and Koraput in Orissa.

*

The Central Warehousing Corporation has decided to undertake construction of storage accommodation for 50,000 tons at 10 more centres in the country. Project reports for the new construction works were approved at a meeting of the Executive Committee of the Corporation held in New Delhi recently.

*

The U.S. Technical Co-operation Mission has made a further grant of $2.5 million (Rs. 1.2 crores) to India's Malaria Eradication Programme. This brings the total U.S. aid to the programme to Rs. 39.9 crores.

*

An agreement between India and Iran for the operation of air services between the two countries was signed at Tehran recently. The agreement is designed to promote the development of air traffic between India and Iran.

*

A Study Team has been set up by the Committee on Plan Projects to make an appraisal of the schemes of seed multiplication that are being tried in the country and make suggestions for ensuring the supply of pure seed of improved varieties to cultivators.

*

The total electricity produced by the public utility power stations in India in April, 1960, was 1,320.9 million kWh. of which 1,081.9 millon kWh. were sold to ultimate consumers.

*

It is proposed to have an output of about Rs. 30 35 crores at Bhopal and to set up another unit elsewhere for a production of Rs. 15 to 20 crores.

*

The capital investment in the Indian railways, which was Rs. 970 crores, in 1950-51, has risen to about Rs. 1,560 crores. This will go up to Rs. 2,300 crores at the end of the Third Plan.

FOREIGN

Exports of the U.K. drugs, medicines, and medicinal preparations rose by 12 per cent during the first six months of 1960, compared with the same period of last year.

*

French car output in June totalled 135,235 units compared with 130,667 in May and 123,165 in June 1959. In the first six months of 1960 output reached 765,206 units against 665,511 in the first half of 1959.

*

Russia plans to import high quality consumer goods to satisfy the taste of the population, the Soviet news agency "Tass" reported recently. The Agency also reported that the Soviet Government and the Central Committee of the Communist Party had adopted a new decree "on the measures to be taken to achieve a further improvement in internal trade."

*

Pakistan's jute production targets fixed in the Five-Year Plan is to be achieved by raising production per acre instead of bringing more land under cultivation, the Governor of East Pakistan told the Pakistan Jute Mills Association recently.

*

Japan's foreign currency reserves at the end of July totalled $1,505 million — an all-time record. This was an increased of $54 million over end-June holdings.

*

World Bank officials stated recently that negotiations were advancing for a 25-year loan to Israel of $27.5 million for a harbour at Ashdod.

*

It is reported the U.S. Federal Reserve Board is reducing the reserve requirements for some commercial banks.

*

Canadian gold production in May amounted to 376,675 fine ounces, compared with 380,019 ounces in May a year ago. Output for the first five months was up 0.6 per cent at 1,879,802 fine ounces, compared with 1,869,350 ounces in the same period last year.

*

The nationalised Bolivian mines produced 1,230,340 kilos of tin in June, compared with 1,179,416 kilos in May, but 11.42 per cent lower than production in June last year.

*

The U.S. and Canada have agreed on increased co-operation in the development of heavy water-moderated power reactors, the Atomic Energy Commission announced recently.

*

The U.S. Department of Agriculture, in a first official estimate of the 1960-61 American cotton crop issued recently indicated probable production at 14,471,000 bales and the yield per acre at 447 lbs.

*

Export surpluses and the credit squeeze have combined to send up West Germany's gold and foreign exchange reserves to a new record level. The reserves have been rising this year. Since the discount rate was raised from 4 per cent to 5 per cent at the beginning of June the reserves have increased by DM 2,396.2 million.

COMPANY AFFAIRS

BIRLA JUTE'S STEADY PROGRESS

Trading conditions during the year to March 31st, 1960 were difficult in the earlier part due to heavy accumulation of gunny stocks. In the second half of the year under review demand for the jute goods improved considerably. Prospects for the 1959-60 jute crop were on the other hand, good in the beginning but as the season advanced, crop estimates were revised downward, the latest estimate being a crop of only 55 lakhs of bales for India. As a result of this expected shortage in the supply of raw jute, there was a steep rise in the prices in the beginning of 1960. The situation was further aggravated by an unprecedented drought in the jute growing belts during the months of April and May.

The Directors have reported that the modernisation programme of the jute mills machinery, which was undertaken last year, made satisfactory progress and it is hoped to complete this in September 1960. Full benefits and economy resulting from this will be then available and should partly be reflected in the accounts of the current year.

The expansion of the Calcium Carbide Factory was completed during the year and the new furnace with the rated capacity of 25 tons per day was put into commission from November, 1959. In accordance with company's understanding with Government, the benefit of lower cost resulting from this higher production has been entirely passed on to the consumers by reducing the selling rates of Carbide by Rs. 60 per ton for all sizes.

It was decided during the year by the Directors to raise the capacity of Staple Fibre Spinning Mill belonging to the Company from 16,000 spindles to 30,000 spindles. Orders for the machinery have been placed and it is expected to complete this expansion programme by November, 1960. This section worked satisfactorily throughout the year.

The Company's Cement Plant at Satna did not work smoothly during the year due to several breakdowns and other troubles. The total clinker produced during the year was 1,45,937 tons and the total cement produced was 1,63,411 tons. Modifications and improvements have since been made in the plant and better results are expected this year. The machinery suppliers have been unable to fulfil the production guarantee of 750 tons per day and they have, therefore, agreed to pay compensation according to the terms of the contract.

The overall results of the Company however show surplus of Rs. 1.06 crores out of which provision has been made for depreciation to the extent of Rs. 42.27 lakhs, for development rebate reserve to the extent of Rs. 15.66 lakhs, for general reserve Rs. 7.50 lakhs and for taxation Rs. 16.10 lakhs. The Directors have recommended the payment of dividends subject to deduction of tax on ordinary shares at the rate of Rs. 1.50 per share which comes to 15 per cent per annum.

ORISSA CEMENT

The Directors have reported that some breakdowns and mishaps occurred during the year under report which have adversely affected both production and despatches of cement. Due to incessant rains in August, 1959 on one occasion the electrical equipment of the coal mills was submerged in water which caused a setback to the production for about a fortnight. Breakdown in the crane, cement mill and other mechanical troubles in the kiln were also responsible for the decline in production and despatches compared to 1958. The despatches of cement further suffered due to slackness of demand and for some time the silos being full, production had to be curtailed. Compared to 1958, the clinker production registered a decline of 9.7 per cent and cement despatches went down by 24.3 per cent. It is rather unfortunate that after keeping up the clinker production at a satisfactory level throughout the strike period and uptil July, 1959, due to the unfortunate mishaps mentioned earlier, production and despatches received serious set back in the remaining five months of the year.

Another factor affecting the earnings has been payment of stockist commission on cement sales. The retention price of cement fixed by the Government of India on the recomendations of the Tariff Commission with effect from July 1, 1958 for different cement producers did not take care of stockist commission due to State Trading Corporation having taken over the responsibility of cement sales. Some of the producers, however, decided to continue their previous practice of payment of commission to their stockists. This company also introduced, during the year under review, payment of commission to the stockists to stimulate the sale of their cement which has declined on account of a shrinkage in the demand. The commission amounted to about Rs. 1.25 lakhs during the year.

In spite of these adverse conditions the working result have been quite fair. Gross profits for the company during the year ended December 31, 1959 amounted to Rs. 80.33 lakhs against Rs. 85.41 lakhs during the previous year. Net profits come to Rs. 27.15 lakhs. The Directors have recommended a dividend of Rs. 1.10 per ordinary share along with other appropriations. The Company is making application under Section 18(3F) of the Indian Income Tax Act to ascertain the exempted portion of its income from tax under Section 15C of the Indian Tax Act,

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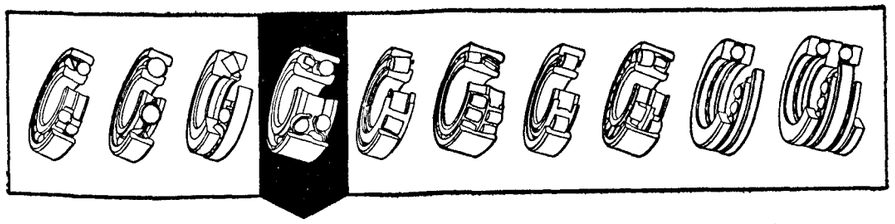
HEAD OFFICE : CALCUTTA
14, India Exchange Place,

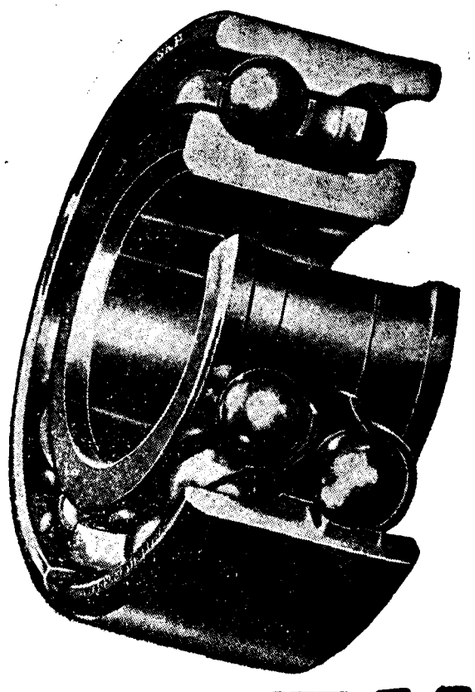
Authorised Capital	Rs.	1,00,00,000
Subscribed Capital	Rs.	60,00,000
Paid-up Capital	Rs.	45,50,000
Reserve Fund	Rs.	1,08,00,000

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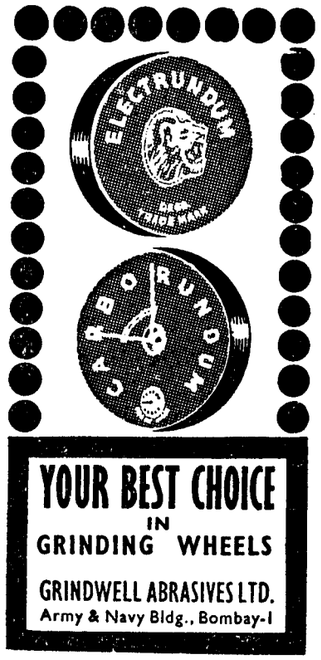
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Full particulars can be obtained at any of the Offices of the Reserve Bank of India or branches of the State Bank of India or at any treasury or sub-treasury in the State of Orissa.

COMMODITY NEWS AND NOTES

PRODUCTION OF COAL IN PRIVATE SECTOR DURING THIRD PLAN PERIOD

The general policy of the Government of India was to confine the expansion of the private sector in coal industry to areas immediately contiguous to their working mines, and covered by the same mining lease. Exceptions to this rule were made only in individual cases provided the areas involved were small and were not required for development in the public sector. A working group consisting of the representatives of the coal industry and the Central Government had been set up by the Government of India to make an assessment of the capacity of the private sector for additional production, both in the short range and during the next Plan period. The allocation of the target of additional production for the next Plan, between the private sector and the public sector was a matter to be decided by Government. In taking the decision the Government would take into consideration the report of the working group which has already submitted its recommendations in regard to coking coal in the short range.

STEEL IMPORTS

Steel imports in 1960 are expected to be of the order of 600,000 tons. Arrangements are being made for the import of steel from the rupee payment Agreement countries, namely, U.S.S.R., Czechoslovakia, Poland, Hungary and Yugoslavia according to the agreements concluded by the Government of India with these countries. Contracts for the imports of 55,500 metric tons of steel from the U.S.S.R. and 500 tons of steel wire from Czechoslovakia have already been finalised. Imports of steel are also being arranged against the U.S. Development Loan Fund credits as well as barter imports from the United Kingdom, U.S.A., West Germany, Japan, Belgium, Holland and Australia.

TWO LAKH TONS OF SUGAR RELEASED

The Government of India has decided to release 2 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, Bihar and Punjab except a small quantity which will be released to each factory for sale to its employees. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Maharashtra, Gujerat, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In case of Punjab and Jammu & Kashmir allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis. Allotments will be made at prices fixed under Notifications No. GSR 1188[Ess. Com.] Sugar dated October 25, 1959 and GSR 386[Ess. Com.] Sugar dated April 4, 1960. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

INDIA'S 1959-60 RICE CROP

The Commonwealth Economic Committee Rice Bulletin, issued recently in London, shows that the production of paddy in 1959-60, outside China, promises to reach a new record total of 138,000,000 tons. Harvests in Japan and Indonesia reached a new high level, while those in India, Pakistan, and the Philippines were near-records. Reviewing production for the year in India, the report says: "The final estimate of the harvest in India is of 43,100,000 tons of paddy from 81,300,000 acres, slightly lower than the record crop in 1958-59 (now put at 44,600,000 tons from 81,400,000 acres).

ERRATUM

Reserve Bank of India

In the advertisement appearing on pages 289 and 290 of "The Eastern Economist" dated August 12, 1960, inviting applications for filling vacant posts in the Reserve Bank of India, the last item was inadvertently omitted in print. The last item of the advertisement should read as below:

"10. Convassing will be regarded as a disqualification."



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* **HER CHOICE**
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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures			All Commodities
						Intermediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108 2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
May	1959 ..	116.1	98.6	115.8	119.5	108.1	108.5	108.4	114.0
June	,, ..	118.7	97.6	115.9	120.3	108.2	109.3	109.1	115.6
July	,, ..	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
May	1960 ..	119.9	107.3	118 6	140.1	125.4	118 9	119 8	122.7
June	,, ..	120.3	109.5	118.5	139.6	127.2	118.6	119.8	122.9
July	,, ..	124.0	109.6	118 3	137.1	130.4	119.4	121.0	124.7
9-7-1960	..	123.7	110.5	118.8	136.7	130.2	118 9*	120.5	124.4*
16-7-1960	..	125.1	109.0	118.9	136.4	130.5	119.3	120.9	125.1
23-7-1960	..	124.8	109.0	118.3	136.7	130.9	119.7	121.3	125.2
30-7-1960	..	124.7	109.0	118.2	137.8	131.2	120.1	121.7	125 3

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	-	—	105	104		106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 September	403	422	319	156	399	465	510	162	434	162	179	173
October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168*
February	399	418	294	161	389	468	511	165	448	167	167	168*
March	395	414	287	157	392	464	510	165	446	166	168	168*
April	402	421	288	155	392	463	511	165*	446	162	163*	168*
May	402	421	295*	153	396	461	510	165*	452	166	163*	168*
June	403	422	—	154	399	460	510	—	462	—	—	170*
July	—	—	—	—	—	—	—	—	467	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	5-8-1960			29-7-1960			22-7-1960			15-7-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ...	133.16	130.12	131.76	131.94	129.66	130.45	132.22	130.00	131.05	130.69	128.62	129.62
Silver (per 100 fine tolas)	222.94	220.81	217.75	221.87	219.44	220.50	222.06	216.50	219 42	220.12	216.94	218.36

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,04	38,47	60.48	30?,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	324,29
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,06	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167.32†	66.77	385,54
1958-59 ..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133.27†	56.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144.49†	53.87	725,20
Average of Fridays										
January 1960 ..	754,54	1131,99	1,886,54	46,23	78,23	6.59	841,75	158,76†	53.03	773,37
February ,, ..	748,29	1149,47	1,897,76	45,11	72,06	6.17	889,52	159,19†	55.26	767,23
March ,, ..	768,84	1154,11	1,922,96	56,88	79,67	7.10	930,20	166.32†	57.02	749.40
April ,, ..	800,17	1162,83	1,963.01	51,40	89,55	7.18	950,14	177,77†	57.46	729.23
May ,, ..	785,27	1193,71	1,978,98	48,84	90,72	7.05	964.21	167,88†	57.21	744,91
June ,, ..	790.17	1202,95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
Week Ending										
24-6-1960 ..	786,80	1216,31	2 003.11	46,57	107,34	7.68	976,31	149,56†	56.21	739,72
1-7-1960 ..	790.28	1218,40	2,008,68	48,67	107,08	7.75	978,32	149,34†	56.14	744 47
8-7-1960 ..	782,65	1221,90	2,004,55	49,66	105.47	7.74	988,41	149,93†	56.79	749 04
15-7-1960 .	787,37	1211,84	1,999,21	50,61	121,62	8.61	987,92	140.41†	56.44	732,24
22-7-1960 ..	804.43	1211,39	2,015,82	47,60	106,77	7.66	972,52	146,87††	55.53	728,88

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56 .	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75.94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
1959-60 .	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+203,44*
January 1960 ..	2,589,94	1,793,78	796,16	778,08	18,08	+70,38
February ,, ..	2,619,71	1,825,55	794.16	778,57	15,59	+29,77
March ,, ..	2,702,19	1,861.78	840 41	818,62	21,79	+82,48
April ,, ..	2.746,10*	1,912,71*	833.39*	812,80*	20.58	+43,91*
May ,, ..	2,723 89*	1,894.36*	829,53*	810,43*	19.11	—22,21*
June ,, .	2.702,40*	1,867,70*	834,70*	811,79*	22,92	—21.49*

* Provisional.
* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

REGIONAL BALANCE OF PAYMENTS ON CURRENT ACCOUNT

1952-53 — 1959-60

(Rs. crores)

	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59*	1959-60**
DOLLAR AREA:								
Exports	143.8	115.6	113.3	120.4	121.0	118.1†	104.4	117.6
Imports	185.6	108.4	116.8	132.2	209.5	283.2	244.9	226.5
Trade Balance	— 41.8	+ 7.2	— 3.5	— 11.8	— 88.5	—165.1	—140.5	—108.9
Invisibles (Net)	+ 5.6	+ 1.4	+ 3.4	+ 6.1	+ 6.8	+ 14.4	+ 26.6	+ 31.7§
Official Donations	+ 9.3	+ 18.6	+ 15.0	+ 44.9	+ 37.2	+ 28.6	+ 32.6	+ 34.7
Current Account (Net)	— 26.9	+ 27.2	+ 14.9	+ 39.2	— 44.5	—122.1	— 81.3	— 42.5
STERLING AREA:								
Exports	306.2	291.2	339.7	330.9	332.6	298.0	300.4	294.7
Imports	281.8	302.3	357.4	361.2	466.5	450.7	378.4	401.0
Trade Balance	+ 24.4	— 11.1	— 17.7	— 30.3	—133.9	—152.7	— 78.0	—106.3
Invisibles (Net)	+ 73.0	+ 74.9	+ 69.8	+ 74.4	+ 93.9	+ 75.5	+57.2	+ 48.2
Official Donations	+ 1.5	+ 0.4	+ 0.8	+ 0.1	+ 2.1	+ 5.4	+ 1.8	+ 0.7
Current Account (Net)	+ 98.9	+ 64.2	+ 52.9	+ 44.2	— 37.9	— 71.8	— 19.0	— 57.4
O.E.E.C.								
Exports	63.1	45.4	60.6	72.5	62.6	57.4	50.8	60.2
Imports	82.2	101.6	135.0	154.3	262.3	314.1	213.8	160.5
Trade Balance	— 19.1	— 56.2	— 74.4	— 81.8	—199.7	—256.7	—163.0	—100.3
Invisibles (Net)	— 1.2	— 1.3	— 1.3	— 2.7	— 0.3	+ 0.8	— 4.3	— 5.8
Official Donations	..	..	..	..	+ 0.1	+ 0.1	—	+ 0.1
Current Account (Net)	— 20.3	— 57.5	— 75.7	— 84.5	—199.9	—255.8	—167.3	—106.0
REST OF NON-STERLING AREA:								
Exports	88.8	87.5	83.0	116.4	119.0	120.6	120.3	150.8
Imports	83.4	79.5	74.6	113.7	161.2	185.6	192.5	135.7
Trade Balance	+ 5.4	+ 8.0	+ 8.4	+ 2.7	— 42.2	— 65.0	— 72.2	+ 15.1
Invisibles (Net)	+ 3.1	+ 5.5	+ 5.5	+ 10.7	+ 12.1	+ 13.3	+ 12.2	+ 9.9
Official Donations	..	..	..	..	+ 0.1	..	..	+ 0.1
Current Account (Net)	+ 8.5	+ 13.5	+ 13.9	+ 13.4	— 30.0	— 51.7	— 60.0	+ 25.1
ALL AREAS:								
Exports	601.9	539.7	596.6	640.2	635.2	594.1†	575.9	623.3
Imports	633.0	591.8	683.8	761.4	1,099.5	1,233.6	1,029.6	923.7
Trade Balance	— 31.1	— 52.1	— 87.2	—121.2	—464.3	—639.5	—453.7	—300.4
Invisibles (Net)	+ 80.5	+ 80.5	+77.4	+ 88.5	+112.5	+104.0	+ 91.7	+ 84.0§
Official Donations	+ 10.8	+ 19.0	+ 15.8	+ 45.0	+ 39.5	+ 34.1	+ 34.4	+ 35.6
Current Account (Net)	+ 60.2	+ 47.4	+ 6.0	+ 12.3	—312.3	—501.4	—327.6	—180.8

** Preliminary. * Revised.
† Transaction relating to repatriation to the U.S. of lend-lease silver valued at Rs. 74.4 crores have been excluded.
§ Includes. + Rs. 5.9 crores on account of non-monetary gold movement.

Source: Reserve Bank of India Bulletin.

INDIAN UNION

OWNERSHIP OF DEPOSITS OF SCHEDULED BANKS: 1955 — 59

(Rs. crores)

	1955		1956		1957		1958		1959	
No. of Reporting Banks	(85)		(87)		(86)		(87)		(92)	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
I. Demand Deposits of:										
1. **Business concerns**	260.08	52.3	255.94	49.0	264.00	46.4	263.95	47.9	283.02	50.0
(a) Manufacturing concerns	63.56	12.8	63.57	12.2	61.95	10.9	59.68	10.8	69.21	12.2
(b) Trading concerns	114.41	23.0	117.00	22.4	118.85	21.0	123.17	22.4	130.56	23.1
(c) Public utilities*	11.43	2.2	12.74	2.4	10.45	1.8	8.00	1.5	8.52	1.5
(d) Plantations	11.00	2.2	10.65	2.0	8.23	1.5	8.68	1.6	9.45	1.7
(e) Financial concerns	59.69	12.0	51.98	10.0	64.52	11.3	64.43	11.7	65.28	11.5
2. Personal	125.57	25.3	127.70	24.5	130.08	23.0	119.48	21.7	123.19	21.8
3. Government and quasi-Government bodies	39.35	7.9	60.72	11.6	70.95	12.5	71.70	13.0	66.01	11.6
4. Others	61.66	12.4	66.47	12.7	89.49	15.8	82.77	15.0	80.18	14.2
5. Unclassified**	10.37	2.2	11.38	2.2	11.73	2.1	13.02	2.4	13.87	2.4
Total of Demand Deposits	**497.03**	**100.0**	**522.21**	**100.0**	**566.25**	**100.0**	**550.93**	**100.0**	**566.26**	**100.0**
II. Savings Deposits of:										
Personal	140.79	86.0	158.40	86.3	173.00	85.6	189.30	85.3	212.59	85.6
Others	4.70	2.9	5.70	3.1	6.01	3.0	6.29	2.8	7.41	3.0
Unclassified**	17.04	10.5	19.55	10.6	22.97	11.4	26.38	11.9	28.22	11.4
Total of Savings Deposits	**162.53**	**100.0**	**183.65**	**100.0**	**201.98**	**100.0**	**221.97**	**100.0**	**248.22**	**100.0**
III. Time Deposits of:										
1. Business concerns	92.77	27.8	82.08	22.3	126.77	21.9	130.03	16.9	193.28	19.0
2. Personal	174.27	52.2	201.90	54.7	250.94	43.3	321.40	41.8	359.84	35.4
3. Government and quasi-Government bodies	36.68	11.0	50.78	13.8	153.99	26.6	88.65	11.5	106.56	10.5
4. Others	28.58	8.6	32.28	8.7	45.50	7.8	225.53	29.3	352.75	34.7
5. Unclassified**	1.78	0.5	1.91	0.5	2.18	0.4	2.83	0.4	3.74	0.4
Total of Time Deposits	**334.09**	**100.0**	**368.95**	**100.0**	**579.38**	**100.0**	**768.43**	**100.0**	**1,016.14**	**100.0**
Grand Total (Demand, Savings and Time Deposits	**993.66**		**1,074.81**		**1,347.61**		**1,541.33**		**1,830.62**	

* Transport, communications, gas, electricity,etc.
** Accounts of less than Rs. 500.
Note: Figures against items No. 3 and 4 under Demand and Time Deposits are not comparable due to the reclassification of P.L. 480 deposits.

INDIAN UNION

DISTRIBUTION OF DEPOSITS OF SCHEDULED BANKS : 1951 — 1959

(Amount in Rs. Crores)

	Demand Deposits (1)		Savings Deposits (2)		Time Deposits (3)		All Deposits (4 = 1+2+3)	
Period	**No. of Accounts ('000s)**	**Amount**	**No. of Accounts ('000s)**	**Amount**	**No. of Accounts ('000s)**	**Amount**	**No. of Accounts ('000s)**	**Amount**
1951 ..	10,17	456.31	19,13	135.35	3,05	229.96	32,34	821.62
1952 ..	10,11	427.66	19,86	136.67	3,29	250.03	33,26	814.36
1953 ..	9,96	417.57	20,46	138.82	3,45	266.68	33,87	823.07
1954 ..	9,97	464.63	21,41	146.46	3,76	298.84	35,14	909.93
1955 ..	10,19	497.03	22,75	162.53	4,25	334.09	37,19	993.66
1956 ..	10,76	522.21	24,65	183.65	4,82	368.95	40,23	1074.81
1957 ..	10,62	566.25	27,39	201.98	5,86	579.38	43,87	1347.61
1958 ..	11,24	550.93	30,27	221.97	7,22	768.43	48,72	1541.33
1959 ..	11,98	566.26	33,24	248.22	8,62	1016.14	53,84	1830.62

Source: Reserve Bank of India Bulletin.



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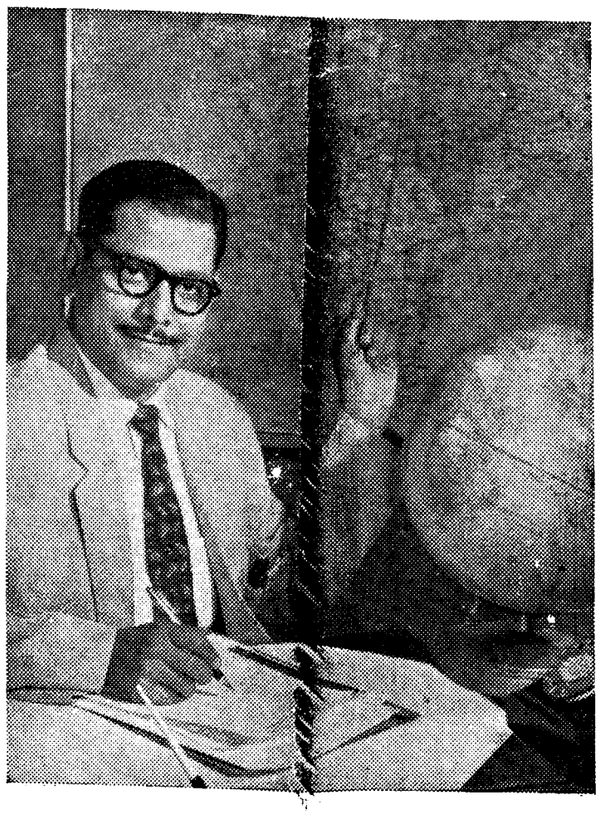
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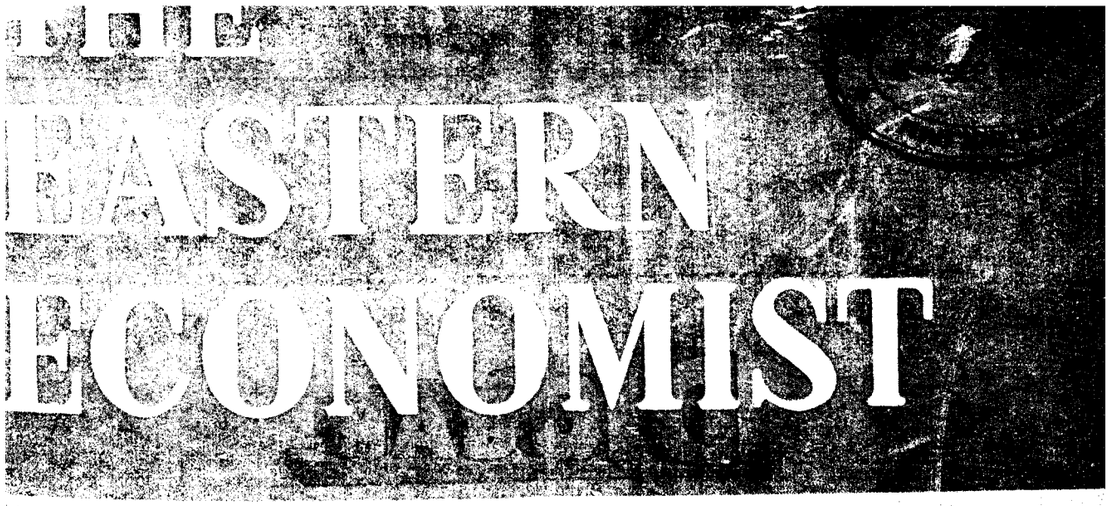
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The Eastern Economist

AUGUST 26, 1960

The New Foreign Exchange Crisis

THE return of the Reserve Bank of India for the week ending Friday, August 12, is well calculated to provide concern on India's foreign payments problems. In the month from July 15 to August 12, foreign securities have come down from Rs. 143.01 crores to Rs. 123.01 crores and balances held abroad from Rs. 22.35 crores to Rs. 21.48 crores. Thus, in a matter of nearly one month, something like Rs. 21 crores net have been paid out in foreign exchange, reducing India's sterling balances to an all-time low of about Rs. 144.5 crores. It is true that we have not long to go before our seasonal exports begin to tell favourably on our current balance of trade. But it is widely believed that, before the tide turns, India might lose another Rs. 15 crores, bringing down the sterling balances below Rs. 130 crores.

This figure by itself is disturbing, but coming as it is at the threshold of the Third Five-Year Plan, it has produced this week exaggerated pessimism in Parliament. When our foreign exchange requirements (including repayments) are of the order of about Rs. 3,000 crores, there is no reason why a drop of Rs. 30 crores should register so powerfully. Our trade and development accounts do not balance one another. Certainly India's obtaining the foreign exchange for the Third Five-Year Plan does not depend primarily on her performance in any one trade year. Quite bluntly, India's foreign exchange needs are to be underwritten by friendly countries and by private foreign investment negotiated on business terms. It is not to be expected that the current trade balance will ever be a major factor in the solution of the wide gap in our foreign exchange payments anticipated in the next five years, and for some time beyond.

While the current "low" in India's foreign balances should not deter us from decisions in the Third Five-Year Plan, it would be foolish to ignore its short-period consequences on import policy at least for the next six months. Until the "Aid-India" meeting of September 12 produces somewhat heartening news on the willingness of our friends to "untie" their credits and make them available for trade deficits, the pressure on the current trade account is such that further drastic import restrictions will be inevitable. The Import and Export Advisory Councils, which are to meet on Saturday and Sunday this week, are expected to advise on where the cuts are best applied. While everyone will recognise that some restrictions are necessary, it is vital that we should not lose all perspective and forget that restrictions, which prevent our exports from rising more than the saving import cuts effect in foreign exchange, are basically in error. Thus, the refusal to permit adequate import of raw jute cuttings from Pakistan at a time when manufactured jute goods are selling well in the United States, is a type of blindness of which 1959 produced many instances. It is a tragedy that the error of 1959 is being repeated in 1960. Similarly, the delay in import of raw cotton under PL-480 last year must be deemed primarily responsible for the rise in the cotton textile prices, following internal shortage, as well as for a reduction in exports. The greater the crisis, the more the imagination and understanding there needs to be in the avoidance of rules of thumb. One of the great difficulties of the last year has been the lack of this recognition that often one needs to import more in order to improve the overall balance of payments. It would appear from the experience of the last six months that the patterns of imports and exports have been far from co-ordinated. The net result is that the foreign exchange crisis has been made greater than before.

It is sincerely to be hoped that the Import and Export Advisory Councils' meeting this week will provide the Government with enough detailed information by which substantial errors in the dovetailing of imports with foreign exchange earnings can be avoided. Thereafter the country will need all the discipline that it has in order to accept with good grace a situation which, for the shorter period, at any rate, cannot be remedied. In the longer period, a far more enterprising policy of explanation of India's Plans is required in order that the Third Five-Year Plan should get under way. When, it is being asked, will the Government recognize the magnitude of the effort that is necessary for this purpose ?

The Third Plan Debate

IF anybody was looking forward to the Lok Sabha debate on the Draft Outline of the Third Five-Year Plan for any fresh light to be shed on some of the burning problems of the day in relation to planning, he must have been sorely disappointed. The tone of the debate was perhaps set by the Prime Minister himself who in his characteristic rambling way initiated the discussion. He dwelt upon, at considerable length, on some of the all-too-familiar aspects of planning in this country, but failed to spotlight such crucial matters as the staggering unemployment, soaring cost of living, and resources for the Plan; the Prime Minister's long speech betrayed a certain amount of lack of enthusiasm which had never been the case hitherto in his references to the great endeavour of the Indian people to improve their lot. What followed late in the debate too had the familiar ring; some Members made a show of their regional loyalties and complained about their States having been neglected in matters of economic development, others pleaded for a bigger or a smaller Plan or asked for allocation for some particular sectors of the economy to be stepped up.

Some Members did touch upon the question of holding the price line as did the Prime Minister, but the suggestions they put forth were painfully old and for the most part academic. It is a pity the Prime Minister could not hold out any assurance of having a definite price policy, though he and his Government have been seized of this problem for quite some time and the country has been crying hoarse that something should be done on this front. Two points stand out of the whole discussion; firstly, there is need to avoid excessive recourse to deficit financing, and secondly, selective controls may be unavoidable if the price spiral is to be held from expanding further. In an expanding economy like ours, there may not be any escape from some rise in prices, but that does not mean that the recent past can be allowed to repeat itself. Controls, no one can deny, are a poor substitute for increase in production and in this country they have not been an unqualified success, rather the reverse. But still the Prime Minister used the magic word as though it were a substitute for action. His categorical assertion that "at the present juncture of India, deficit financing has to be kept in control" is, however, heartening; it can go some way in checking the prices from rising to abnormally high levels. Suggestions have been put forth that price level can be contained by a cut in direct taxation. But this raises the important issue of resources for the Plan. Surprisingly enough the debate contained little on this aspect of the Plan. It was generally taken for granted that the Planning Commission's assessment of the resources would be fulfilled.

On the question of solving the unemployment problem, some powerful voices were heard. It is indeed depressing to note that each Plan should have a bigger backlog of unemployment; the Second Plan which started with a backlog of 5.3 million is anticipated to leave it with an addition of about 2 million. It is, however, an irony that those who spotlighted this vulnerable point in the Plan had hardly anything to suggest as a remedy. Did they lack the courage to point out that there should be a more rational distribution of resources between the capital-intensive heavy and basic industries, on the hand, and the development of secondary and tertiary activity having greater employment potential, on the other?

Equally surprising is the fact that the Prime Minister's dogmatic assertion that co-operative farming was the only panacea for the ills of our agrarian economy went unchallenged from the Members both belonging to the Congress Party and the Opposition. It does not require second thoughts to assert that whatever benefits co-operative farming will confer, we have to go slow with it as long as we have dearth of entrepreneurial skill which is so essential for the success of this experiment. And coercion in this regard can only spell disaster, at least in the short run when the country can ill-afford any setback in agricultural production.

Perhaps the only encouraging fact about the debate is the Prime Minister's highlighting the necessity of having satisfactory audits of performance of the Plan. The real problem before India, as he pointed out, is one of implementation and not of constantly laying down policies. This new stress on implementation is welcome as also the suggestion that a Committee should be set up to find out where the increased income is going. The findings of this Committee can be revealing and would be a good guide for the investment pattern in the future.

Accounting as a Tool of Management

THE three-day seminar on Management Accounting held in the Capital during the weekend did not attract the attention it deserved. Its purpose was to apply modern accounting techniques to evaluation of managerial decisions. As the Prime Minister, who inaugurated the Seminar, pointed out the subject is of considerable value from the point of view of developmental planning. The growing importance of the corporate sector in the economy and more especially the growth of the public enterprises is now generally recognised. Because of the increasingly large investments of national resources in their creation and expansion, the public have a continuing interest in their management and control. While science and technology may provide the know-how and the tools and financiers and financial institutions provide the needed funds for production and marketing, it is obviously the responsibility of management to build a coherent structure to bring into close relationship the diverse elements that enter into production and exchange. Management in the corporate sector has thus to take into account modern concepts of integrated behaviour and social responsibility.

This new responsibility naturally entails new techniques of management. It is no use merely making a plan without evolving an adequate machinery for its satisfactory execution. These exercises in planning and control involve a wide range of activity, but the ultimate test will be the effectiveness of the investment that is made. Mr. Nehru, therefore, urged that well-thought out methods had to be devised for securing data which would show what was actually being done. Management accountancy is a technique that is based on the concept of "promise and performance" and which also seeks to show the way to maximum efficiency and helps in achieving the greatest output at the lowest cost. One way of ensuring efficiency, for example, is to reduce the time lag between the starting up of an operation and its optimum utilisation. This time lag may sometimes be inevitable, but it is often made an excuse for camouflaging inefficiency and defects in management. All these necessitate the working out of a series of dynamic norms against which performance can be judged at each stage of development.

Management accounting comprises various elements, but its chief characteristic is that it is a forward looking approach instead of being just a backward looking philosophy. It seeks to provide a continuous supply of information concerning production and costs to the management on the bases of proper systems of recording, analysis, tabulation and interpretation of the relevant data relating to the working of an enterprise. Essentially, the technique is one of expressing in economic terms the targets of the plan and also measuring performance at each stage so that corrective action can be taken in time. Here the most widely adopted practice is known as budgetary control which helps the management to set up standards of efficiency and performance in advance so that one can go along the course charted in an orderly and planned fashion. By fixing yardsticks of performance sector by sector within the organisation and then affording the means of judging achievement, budgetary control helps in

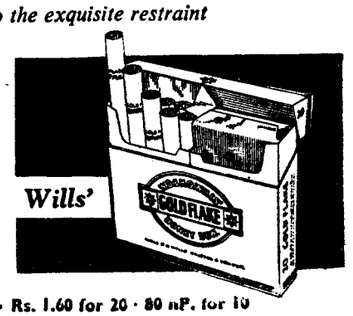


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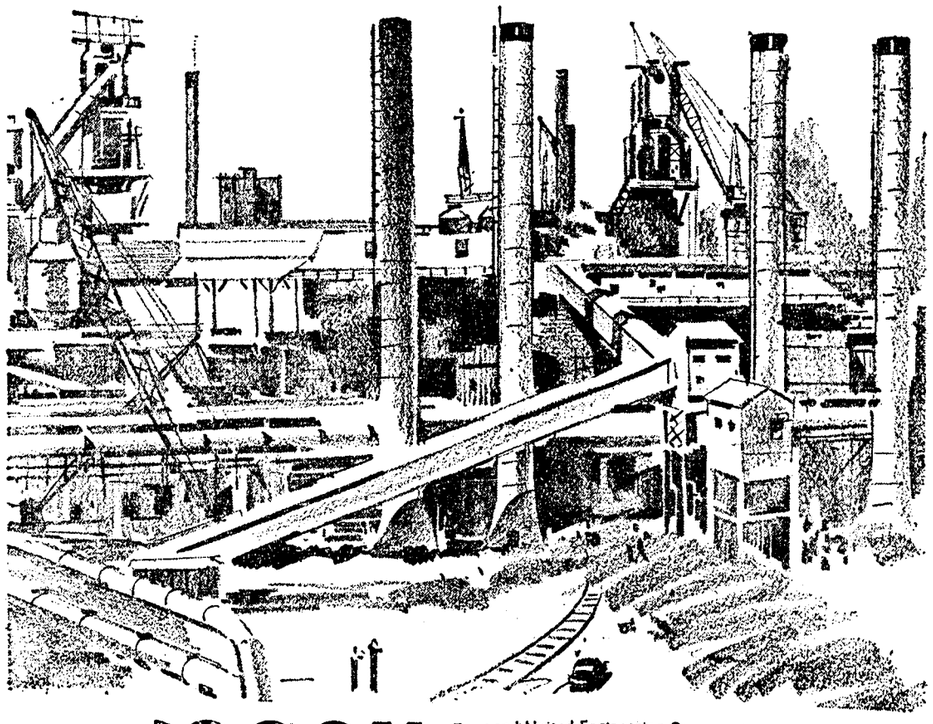
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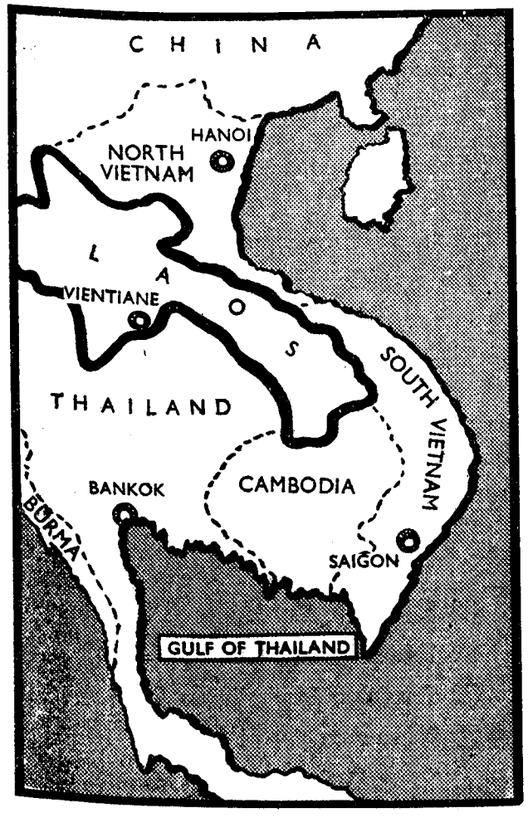
PSIC 17

THE WEEK'S NOTES

Laos

THE COUP AND AFTER

THE SPOTLIGHT in South-East Asia is now on Laos where a new Government has been formed after the military coup on August 9. This Buddhist Kingdom in Indo-China, with a population of three million and the size of Great Britain, became independent in 1949 from French rule, but during the last decade it has been perpetually in a state of civil war because of the activities of the Pathet Lao forces from the north. In May last, after a General Election, a rightist Government was formed under the premiership of Prince Somsanith. There was bitter criticism that the elections were rigged since the entire opposition was routed. The leader of the extreme left Neo Lao Haksat, Prince Souphanouvong, escaped with his companions from Vientiane, where they were held, to rejoin the Pathet Lao guerillas. Since the Government feared that the situation was "grave" and the Pathet Lao rebel activity may be stepped up, it took strong measures for putting down "subversive" activities. The situation since then was



far from easy. But no one could have believed that a military coup for exchanging a pro-American Government for one that is strongly neutralist, could have taken place so soon. The circumstances under which it took place were also dramatic. The Government was then at Luang Prabang, the religious capital of Laos, when the 27-year old Captain Kong Le seized power. The revolutionary regime lost no time in attaining a measure of legality and stability by the support it had from Price Souvanna Phuma who had been Prime Minister twice before. The Prince, however, chose to support Captain Kong Le only after the National Assembly had passed a vote of no-confidence in the Somsanith Government.

But the position is far from settled. To the United States, Laos is of vital strategic importance, as it forms a crucial buffer that separates Communist China and North Vietnam from pro-West Thailand and South Vietnam and neutralist Cambodia and Burma. She has poured more than 300 million dollars into the country in the shape of economic and military aid, which is considered a higher per capita aid income than any other country. If the last US soldiers are to leave the country, will she continue to give aid? Evidently, the new Government has to do a lost of tight-rope walking. Immediately, it has to face two problems. One is the threat of a civil war which may be precipitated by any extremist action that may be taken by the former Defence Minister, General Phoumi Nasavan who is held to be the "strong man" of the overthrown Government and who has now fled to Thailand. The situation is further complicated by the fact it is not known how much army support Captain Kong Le enjoys. The second problem is one of ending the war with the Communist-led guerillas. On the whole it is a difficult situation facing the country. Looking back, it would appear that had the Soviet request to Britain as one of the co-chairmen for reviving the Supervisory Control Commission, set up by the 1954 Geneva Conference, been implemented, there could have been a chance for guaranteeing free elections which might have averted the further developments that followed. The next few weeks may perhaps show how far the new Government would make it certain that the coup of August 9 will be an established fact and its writ will run over the entire country.

Espionage

POWERS' TRIAL

PRESIDENT EISENHOWER has said that the sentence passed on Francis Gary Powers at the Moscow trial was 'severe'. This may be partly true, but the fact remains that it could have been worse. The wonder is a trial at all was held when one would have thought that in a case of this sort, a country like the Soviet Union could have chosen to imprison or deport the persons concerned even without any trial. Except for the fact that Powers was not allowed to see a consular representative of his country (that is usually permitted in the West), it could not be said that the trial was in any sense unfair. As a matter of fact, Powers in the dock appeared a genuine witness and there was no suspicion of any "brain-washing." The restrained mode of the proceedings also confirmed to show that Powers got a fair trial. However, the entire episode was used by Mr. Khrushchev to secure propaganda points. According to Soviet Russia, it was not Powers that was on trial but the United States itself. Even before the accused confessed his guilt, President Eisenhower had accepted the responsibility for the directives ordering the flight.

At home, the trial will have the effect of showing the people how devastatingly efficient the Soviet armed machinery is, because as confessed by Powers himself, the plane was shot down at a height which it was thought, would be impossible to do; secondly, Mr. Khrushchev apparently feels he has succeeded in showing to the West that "Socialist legality" is a fact and that Russia has moved far away from the Stalinist days of purges and deportations; thirdly, far more important, Mr. Khrushchev has tried to show to the neutralist countries the magnanimity of Russia towards a man who could have been given a heavy sentence for the grave charge of espionage. He may still have a trump card

in his hands and might choose to further mitigate the sentence to secure still another propaganda point. All these might be true, but the question is whether Mr. Khrushchev is going to let bygones be bygones so that a further attempt may be made for another East-West negotiations after the break-up of the Summit; for it is inconceivable that when the U-2 flights have been stopped, President Eisenhower's successor could ever order them to be resumed. An incidental off-shoot of the trial however, so far as Russia is concerned, seems to be that many Russians are worried that there may be a recrudescence of the powers of the security police over Soviet citizens. According to reports, restrictions on Soviet citizens' rights to correspond freely with foreigners appears to have been re-imposed and there seems to be an obvious danger that foreigners in Russia may be pestered by petty spies while the spy scare continues.

Rourkela

RAW MATERIAL SHORTAGES?

THE STATEMENT of the Union Minister for Steel, Mines and Fuel, Sardar Swaran Singh, in the Rajya Sabha on Friday last that though the third blast furnace at the Rourkela Steel Plant was ready, it would be commissioned into operation only towards the end of the current year, because of lack of adequate and continuous supplies of coking coal and iron ore, is as revealing as astonishing. Coming close on the heels of the startling disclosure of steep fall in production at Sindri last year, it would certainly lead to raising of eye-brows in many a quarter and provide good ammunition to the critics of the public sector; it is yet another instance of the fact that all is not well with the public sector enterprises in this country. Whether it is due to faulty planning or complacency on the part of those who guide the destinies of the State enterprises or inexperience of the bureaucracy in handling the affairs of giant Government-owned commercial establishments, it cannot be denied that the country has lost substantial production of pig iron which could have been utilized for earning valuable foreign exchange, especially at a time when our foreign assets have touched a new "low".

"The Eastern Economist" over a month ago spotlighted the developing coking coal crisis, but, in view of the repeated assurances of the Prime Minister that no industry would be allowed to suffer loss of production for want of essential raw materials, it was hardly envisaged that matters would come to such a pass and that the worst sufferer would be the public sector itself. The Union Government, it is stated, has taken some steps in the past one month or so to increase coal output, which obviously account for the heartening observation of Sardar Sawarn Singh that during the rest of the Second Plan period, the country would be assured of a surplus of 80,000 to 115,000 tons of coking coal every month. But this encouraging view is of little solace as long as transport bottlenecks remain. That transport difficulties are there is evident from the fact that the Rourkela Steel Plant is being starved of iron ore as well the supply position of which is quite easy. Otherwise why should the Minister for Steel and Fuel be sceptical about commissioning in of the third blast furnace before December?

The Rourkela and the Sindri espisodes have a moral to convey. The moral is that the execution of our Plans has to be properly phased, besides the Plans themselves being imaginatively drawn up. The coking coal shortage would have hardly occurred, had steps to increase output been taken early enough during the current Plan period. And though transport bottlenecks are apparant and fears have been widely expressed that they will only accentuate in the coming years, the Planning Commission has not thought it fit to earmark adequate funds in the next Plan for the development of transport in keeping with the other development activity. Can it be hoped that in the final blueprint of the Third Plan a rational balance would be struck between allocations for transport and other components of the development programme and that efforts would be made to properly phase the execution of the Plan?

U.S. ELECTION FORECAST

According to a public opinion poll conducted by George Gallup, Director of the American Institute of Public Opinion, on the prospects of the US Presidential election, Vice-President Richard Nixon starts the race proper ahead of Senator John Kennedy. After interviewing a cross-section of voters from coast to coast it finds that the sentiment is divided as follows: Nixon-Lodge 50 per cent, Kennedy-Johnson 44 per cent, Undecided 6 per cent. It is stated that if it is assumed that the six per cent, who said they are undecided today will divide approximately in the same ratio as the "decideds," the figure would become Nixon-Lodge 53 per cent and Kennedy-Johnson 47 per cent. It is, however, cautioned that the situation is so fluid that it could easily change. According to the Gallup Poll's final pre-convention test of the two men's chances, Senator Kennedy was ahead of Vice-President Nixon among those who had made up their mind by a margin of 52 to 48 per cent. One explanation for the possible shift now may be due to the fact that the survey was conducted just after the GOP convention adjourned which gave Vice-President Nixon the opportunity to have "gotten in the last word."

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The European Scene

BRITAIN'S COMMON MARKET PLAN

From Our Special West European Correspondent

PARIS, August 22.

DURING his recent visit to Bonn, Mr. Macmillan is reported to have suggested to Chancellor Adenauer the formation of a Europe-wide customs union for industrial manufactures, which would however exclude agricultural produce and raw materials. This would mean that Britain, abandoning her objections to a common external tariff (and abandoning too her Little Free Trade Area which differs from the Common Market in not having a common external tariff), would join the Common Market, no doubt bringing with her the Scandinavian countries but not the neutrals, Austria and Switzerland. But this wider Common Market would cover only manufactures, which members would eventually exchange duty-free among themselves while imposing a uniform duty on manufactures imported from outside. It would not cover primary produce: Britain would continue to discriminate against Continental agriculture to protect her own farmers and to grant concessions to the Commonwealth countries; and the Continental nations could continue, if they wished, to tax raw material imports but Britain would not. In other words, there would be no common external tariff for agriculture.

This grandiose plan, which is in the best British tradition of ingenious compromise, would be the most realistic proposal London has yet made to the Continental nations. It would be taken much more seriously than the earlier and unworkable project for a free-trade area, whose impossibility London now frankly admits. It would, incidentally, have considerable repercussions on India's foreign trade, most of them favourable in the long term. While guarding free access for her raw materials to the British market, India would lose some preferences for her manufactures: all her industrial exports to West Europe would meet a uniform tariff barrier, but that barrier would be in general lower than the normal British tariff, and it would surround a vast economic unit whose expansion potential (and thus import requirements) would be immense. Moreover, the need to keep their industrial costs down to the British level (since manufactures would be traded duty-free inside Europe) would oblige the Continental nations to lower duties on imported raw materials and to buy abroad in the cheapest market, thereby ceasing to discriminate against India in favour of the African "associated territories".

However, the implementation of this plan would encounter numerous obstacles: objections from the USA about an anti-dollar association in Europe, objections from French industry about British competition being added to West German, and objections from the Little Europe unity-fanatics about the abandonment of integration (because obviously no association that includes Britain can ever move a step towards political unification). Above all, it would meet great opposition inside the UK itself: from British industry when required to sacrifice its present protection, the cosiest in Europe, and from the Commonwealth mythomaniacs of the "Sunday Express" variety. These difficulties would be so considerable that Mr. Macmillan's project could mature only very slowly and would pre-suppose interminable negotiations. In fact, some Continental cynics think that the plan is not sincerely meant.

Indeed, Mr. Macmillan's suggestion would entail the total re-writing of the Common Market treaty, not to mention the ruination of the seven-nation free-trade area. And that, for the time being, is the most interesting thing about it. Sincere or not, practicable or not, how is it that a plan of this revolutionary nature can be put forward now without being rejected out of hand, when the Common Market is supposed to be already firmly established? To understand that, one might look back to the article that appeared here on June 10, where it was shown that, despite official propaganda about the Common Market being "speeded up", the six member-nations had not yet passed the point of no return and would not do so until January next year; until then, it will not be too late for Britain to suggest the most radical changes in the Common Market's programme. Secondly, it was shown that the projected speeding up concerned only industrial manufactures, whereas the integration programme for agriculture had in reality been slowed down because protectionist farming interests in West Germany (whose feelings Dr. Adenauer has to consider in an election year) were frightened by the prospect of cheap agricultural surpluses being imported from France.

The British proposal is neatly designed to meet just this situation. By offering to bring the British and Scandinavian markets for manufactures into the customs union, it removes all the fears of German industrial exporters about losing those valuable markets. By insisting on keeping farm produce out of the customs union, it attracts those interests (mainly but not solely West German) who are beginning to feel that all the agricultural part of the Common Market is a mistake. The Continentals have been finding that the industrial part of their integration enterprise is progressing swimmingly while the agricultural part is causing great trouble. So London offers a scheme that will extend and accentuate the advantages on the industrial side while writing off agricultural integration as a hopeless venture. If this offer is too complicated to be accepted straight away, it is also too attractive to dismiss, and so the Continentals might be enticed to postpone passing the point of no return in January, in order to negotiate. At worst, that will mean so much time gained for Britain; at best, it could produce doubts about the Common Market's future that would slow down or even destroy the enthusiasm for a six-nation customs union.

It is not only the economic situation that favours plans to remodel the Common Market, but a number of complicated political considerations. Dr. Adenauer, and for that matter most West Germans outside the business interests represented by Dr. Erhard, remain firm believers in the building of a supra-national Continental authority whose political institutions would grow naturally out of the process of economic integration. As long as that is the objective, as long as there is a political ideal behind economic union, such difficulties

as those concerned with agriculture or German markets in Scandinavia can be readily solved; no private interests would be allowed to sabotage so grand a political design. But there is General de Gaulle. To everyone's surprise, he has been converted to the project of economic union because he sees the evident benefits it brings to Continental industries, but he remains as opposed as ever to the emergence of supra-national political authorities that would limit French sovereignty. To forestall the campaign in favour of such authorities (e.g. the proposal to elect a Parliament of Europe recently described here), de Gaulle is urgently pressing his demand for a confederation of Continental governments—in reality a Franco-German directorate. Realising that no progress can be made toward supra-national integration as long as de Gaulle is in power, Adenauer is reluctantly agreeing to go along with de Gaulle, limiting the power of the Common Market's international authorities and transferring the initiative to national governments. Thus he delighted Mr. Macmillan in Bonn the other day by saying that Britain's relations with the Common Market would henceforth be dealt with, not by Professor Hallstein and the Common Market Commission, but by the member-governments.

Yet in return for making this concession, Adenauer demands something important from de Gaulle: if the European political authority is not to evolve naturally from the supra-national economic institutions but is to consist in an alliance of governments, then it must not be mistaken for a "third force", or a splinter-group within NATO, or a Continental faction independent of Britain and the USA on whom German defence depends. So Britain must be invited to join. This is the last thing de Gaulle wants, because he could never dominate an association that included Britain, but he is willing to make the gesture toward London, confident that British insularity will always prevent the invitation being accepted. But there he under-estimates British anxiety to break into the Common Market by the political door, and the anxiety of the Erhard faction in Bonn to exploit the slowing down of political unification to slow down economic unification on a six-nation basis.

This criss-cross of motives is tangled and much current negotiation is probably based on misunderstanding. Parts of the London Press, for instance, have run away with the idea that because the move toward political union on the Continent has been stopped by de Gaulle, therefore the process of economic union is threatened and the Common Market can be broken up fairly easily. On the contrary, de Gaulle, who is solely responsible for the political crisis, is ardently in favour of more rapid economic union, and if Paris has its way the Common Market will cross the Rubicon at the end of this year by setting up its common external tariff. All the economic forces pushing the six nations toward a customs union remain as strong as ever. What is true is that by dampening the political enthusiasm for integration, de Gaulle has unwittingly increased the difficulty of dealing with economic opposition to the Common Market: Bonn, for example, would cheerfully sacrifice the farm lobby for the sake of a European Nation, but it cannot sacrifice its farmers for the sake of French farmers' profits. In this atmosphere of uncertainty, the will to push boldly on with the Common Market has been weakened and the British proposal for a new sort of Common Market, which would cover a wider area but fewer products, has some chance of being earnestly considered.



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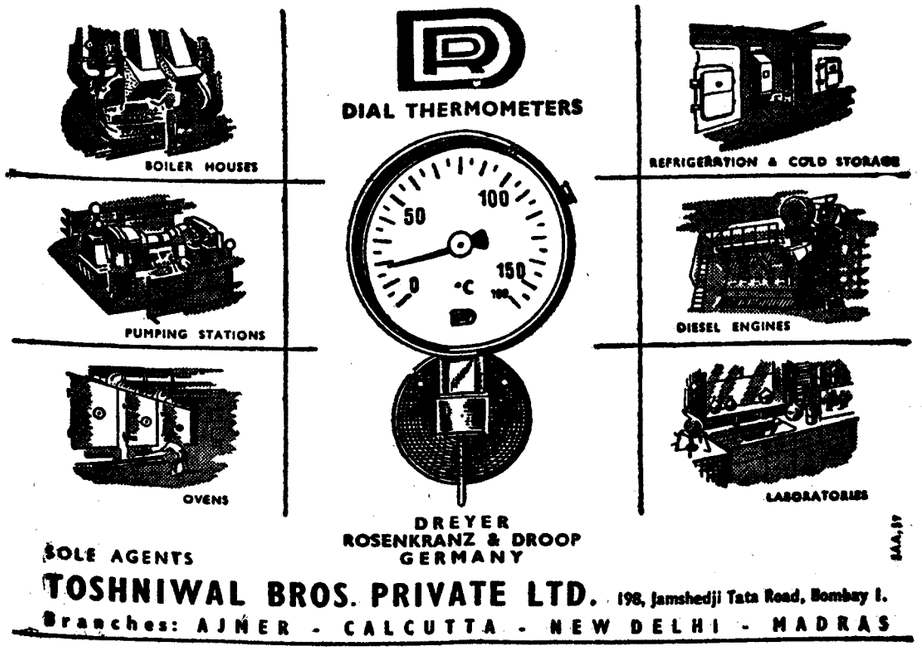
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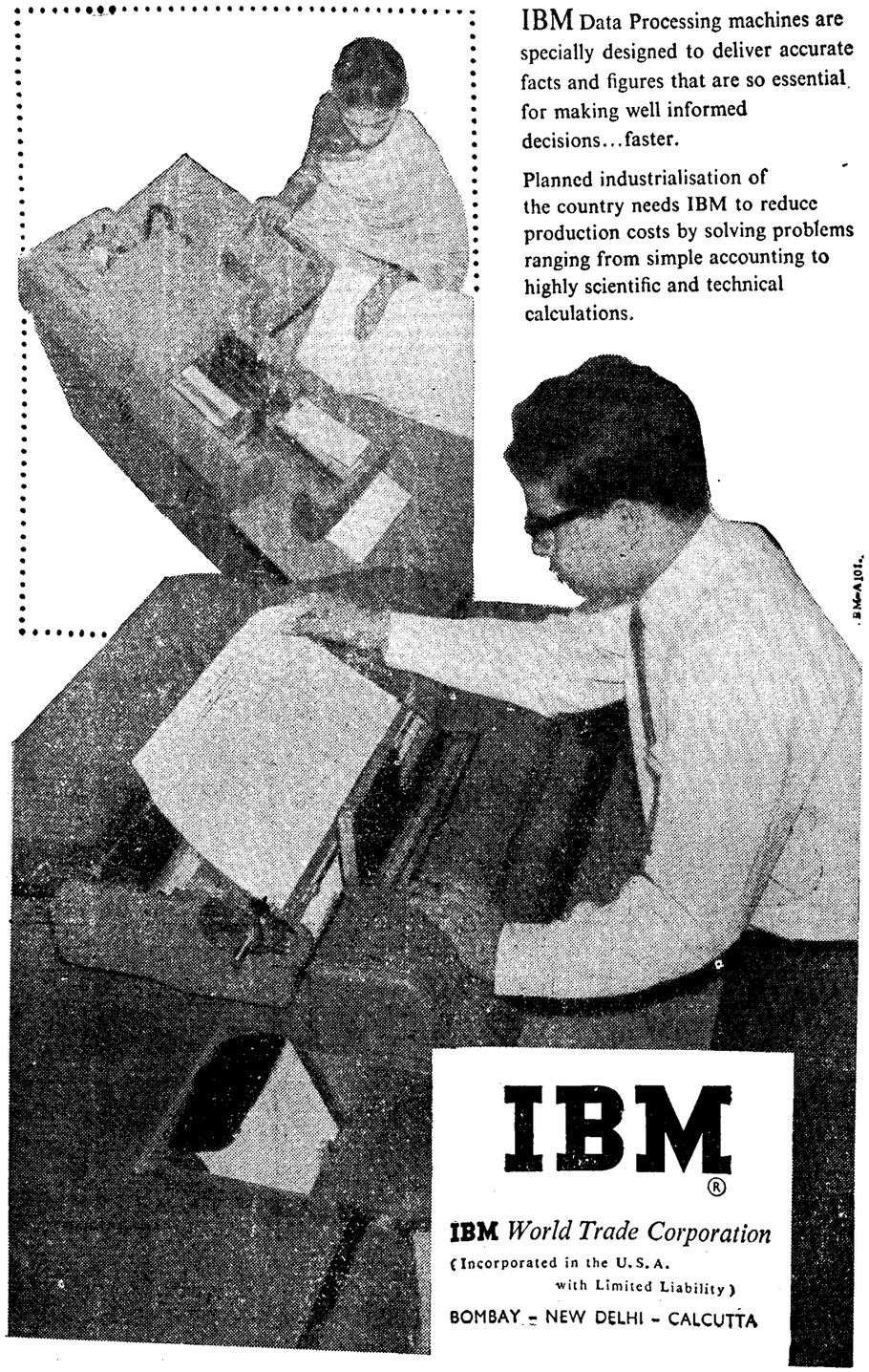
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Special Article

THE STATE OF THE PRESS

THAT the Indian Press has passed through a dynamic period during the last decade is evident from the figures of rise in circulation of newspapers in general. There has been a steady increase in the political consciousness of the people coupled with an encouraging rise in literacy which together have not failed to impinge heavily upon the demand for newspapers. The annual report of the Press Registrar for the year 1959 brings home this fact with the aid of facts and figures. It also highlights some of the salient features of the Indian Press and the role of the press in educating the public. It is the purpose of this Special Article to estimate the likely pressure on the Indian Press because of the anticipated steep increase in the number of readers and the consequent likely changes in the pattern of demand.

According to the Press Registrar's report the Indian Press continues to be, by and large, multi-lingual, though dominated by two main languages, namely, English and Hindi. The English newspapers still occupy a place of pride both in terms of total number and circulation. The Hindi newspapers are steadily rising to reach the level attained by the English newspapers. The other important language papers are in Urdu, Bengali, Gujerati, Tamil and Telugu. In the English Press, the daily paper in particular occupies at place of unique importance and it is believed that a tremendous impact on the minds of the intelligentsia is created through this medium.

The table on the next page shows the volume of circulation in 1958 and 1959 (with percentage increase in 1959 over 1958) in respect of important dailies, weeklies and other periodicals having a circulation of more than 50,000. It will be seen that amongst the daily papers there are no less than four which have a circulation of more than 100,000. Three out of the four are in English language; they are, "Indian Express", "Times of India" and "Hindu". In the all-India scale, the Tamil "Daily Thanthi" takes the third place. Amongst the Hindi dailies, "Nav Bharat Times", published simultaneously from Delhi and Bombay and owned by the Bennett Coleman Group occupies the first place, though in the all-India scale its rank is tenth. The total daily circulation of the "Indian Express" which is published in English is more than double the total circulation of "Nav Bharat Times". The annual rate of increase in circulation in the case of "Nav Bharat Times" is slightly lower than that of the "Indian Express".

Amongst the weeklies, there are only two periodicals, both in Tamil, which enjoy a circulation of more than 100,000. In the case of "other periodicals", including tri-monthlies, fortnightlies and monthlies there are only three which have a circulation of more than 100,000. The Tamil tri-monthly "Kumudum" tops the list with a circulation of 1,67,136 and has recorded a steep rise in the year 1959 over 1958. It seems that circulation of the next two important periodicals, namely, "Kalyan" in Hindi and "Filmfare" in English received a setback in 1959.

All in all, there are about a dozen newspapers and other periodicals which enjoy a circulation of 100,000 each.

Curiously, amongst the English weeklies, "The Illustrated Weekly" has yielded place in circulation to "Blitz" and "Screen". It is a sad commentary on the new tastes which the reading public has developed in recent years; but, perhaps, this may act as a stimulus to new thinking in the newspaper world. Why has the Harmsworth revolution of mass circulation escaped India?

While the figures in regard to the total circulation of particular papers make interesting reading, the total circulation of all dailies in all languages does not make a good impression especially when correlated with the total literate population in the country. The last Census (in 1951) indicated that there were no less than 60 million literate people in the Indian Union. By literacy was meant the capacity to read or write one of the major languages. As against these 60 million literate people, the volume of total circulation of daily newspapers at 4.7 million seems inadequate. It means that for every 12 literate people only one daily newspaper is published in the country. This, however, ignores the fact that some of the copies of the daily papers are read by more than one person. Also there are large sections of literate people in the country who cannot read or write but who would like the newspaper to be read to them. This fact was brought to light in one of the all-India rural surveys of readership and news consciousness conducted by the Indian Institute of Public Opinion. The Institute, after having analysed the information collected by its team of interviewers scattered throughout the country, came to the conclusion that a "significantly large number of people" who are unable to read, seek news. This Indicates the scope and tasks of the mass media of communication other than the press. The rural readers of newspapers, according to the survey, displayed a sense of discrimination. One-half of the readers in the all-India sample of the Indian Institute were "satisfied" with the newspapers they read, while only one-third believed "every word in print to be reliable." The survey also indicated that the theory of backwardness of rural India has been rather overworked. It is now almost out of date. This adds to the responsibility of the newspapers which are presented in a fashion acceptable to the sophisticated urban population. There is need for introducing simplicity of language in presentation so that even the rural folk can easily understand the news and the views; perhaps the press should turn towards their major occupation, which is agriculture.

The fact that needs to be underlined in regard to the Indian Press is that the age groups which, after independence have been educated either through Hindi or through the regional languages, have not as yet put pressure on the supply of the newspapers because they are still in the group of "dependents". During the next five years when India's young men and women leave their schools and colleges after having completed their education through Hindi and other languages, there is bound to be an explosion in demand for newspapers in these languages. Then newspapers in English are likely to receive a relative setback. It is for this reason that most of the daily newspapers are simultaneously printing Hindi editions so that any loss in the circulation of English newspapers in future is compensated by the increase of Hindi or other language newspapers.

LEADING NEWSPAPERS*

I — Dailies

Name of the Paper	Circulation during 1958 (1)	1959 (2)	Percentage change of (2) over (1)
1. Indian Express**, English (Delhi, Bombay, Madurai and Vijayawada)	1,62,494	1,79,768	+10.63
2. Times of India, English (Bombay and Delhi	1,21,662	1,39,265	+14.47
3. Thanthi, Tamil (Madras, Madurai, and Trichur)	1,17,515	1,31,034	+11.50
4. Hindu, English (Madras)	88,882	1,10,973	+24.85
5. Statesman, English (Calcutta and Delhi)	90,782	97,589	+ 7.50
6. Free Press Journal, English (Bombay)	81,701	87,962	+ 7.66
7. Amrita Bazar Patrika, English (Calcutta)	77,266	86,721	+12.24
8. Ananda Bazar Patrika, Bengali (Calcutta)	79,391	84,035	+ 5.85
9. Jugantar, Bengali (Calcutta)	76,918	80,401	+ 4.53
10. Navbharat Times, Hindi (Delhi and Bombay)	72,615	79,894	+10.02
11. Malayala Manorama, Malayalam (Kottayam)	57,144	75,548	+32.03
12. Lokasatta, Marathi (Bombay)	61,570	73,826	+19.91
13. Hindustan Times, English (Delhi)	63,231	70,519	+11.53
14. Mathrubhumi, Malayalam (Kozhikode)	63,794	69,952	+ 9.65
15. Dinamani, Tamil (Madurai)	28,258	65,323	+131.17
16. Hindustan, Hindi (Delhi)	47,902	51,785	+ 8.11
17. Andhra Prabha, Telugu (Vijayawada)	56,360	37,110	—34.16
18. Sunday Standard, English, Sunday Paper (Bombay, Vijayawada, Madurai and Delhi)	1,18,433	1,82,965	+54.49
19. Bharat Jyoti, English Sunday Paper (Bombay)	52,585	54,657	+ 3.94

II — Weeklies

Name of the Paper	Circulation during 1958 (1)	1959 (2)	Percentage change of (2) over (1)
1. Anandavikatan, Tamil (Madras)	1,19,619	1,58,132	+32.20
2. Kalki, Tamil (Madras)	95,646	1,03,688	+ 8.41
3. Blitz, English (Bombay)	63,104	87,186	+38.16
4. Malayala Manorama, Malayalam (Kottayam)	52,816	78,347	+48.34
5. Cine Chitra, Hindi (Calcutta)	54,749	77,500 (uncertified)	+41.56
6. Screen, English (Bombay, Vijayawada)	53,352	73,094	+37.00
7. Illustrated Weekly, English (Bombay)	63,479	71,158	+12.10
8. Dharam Yug, Hindi, (Bombay)	61,022	64,194	+ 5.20
9. Cine Advance, English, (Calcutta)	48,455	55,200 (Uncertified)	+13.92
10. Mathrubhumi, Malayalam (Kozhikode)	47,291	53,832	+13.62
11. Weekly News and Views, English (Calcutta)	77,299	53,343	—30.99

III — Other Periodicals

Name of the Paper	Circulation during 1958 (1)	1959 (2)	Percentage change of (2) over (1)
1. Kumudum, Tamil, Trimonthly (Madras)	1,31,765	1,67,136	+26.84
2. Kalyan, Hindi Monthly (Gorakhpur)	1,15,000	1,14,949	— 0.04
3. Filmfare, English Fortnightly (Bombay)	1,18,188	1,06,570	— 9.83
4. Astana, Urdu Monthly (Delhi)	74,540	77,967	+ 4.60
5. Manohar Kahaniya, Hindi Monthly (Allahabad)	72,167	66,332	— 8.09
6. Rashtrapati, Hindi, Fortnightly (Delhi)	21,625	63,636	+194.27
7. Maya, Hindi Monthly (Allahabad)	69,250	62,750	— 9.39
8. Padi Pantalu, Telugu Monthly (Hyderabad)	45,000	61,397	+36.44
9. Chandamama, Hindi Monthly (Madras)	52,003	57,577	+10.72
10. Shama, Urdu Monthly (Delhi)	58,582	57,166	— 2.42
11. Pesum Padam, Tamil Monthly (Madras)	55,736	54,217	— 2.73
12. Betar Jagat Bengali Fortnightly (Calcutta)	47,972	50,432	+ 5.13

* Papers having circulation above 50,000.

** It includes the average circulation of the Madras edition of this publication which was discontinued towards the end of April 1959.



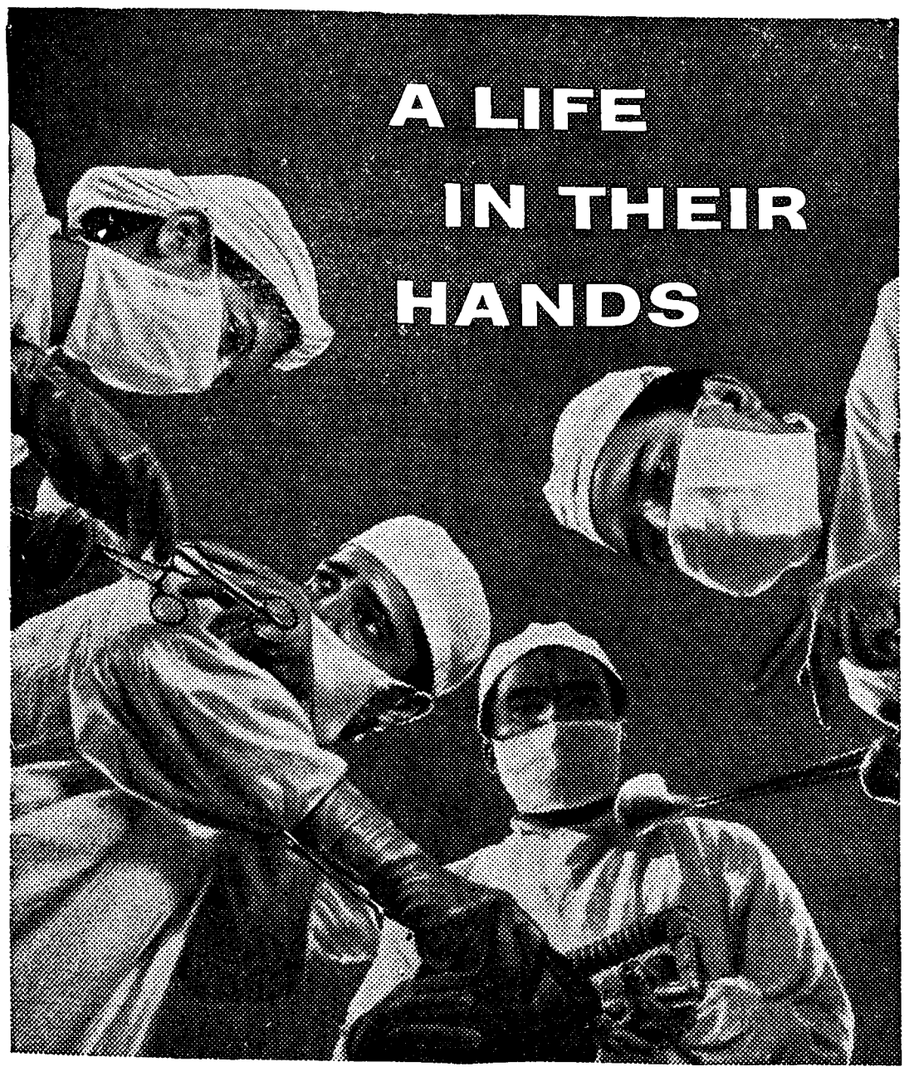
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THE BUSINESS WORLD

Post-Mortem on Palai

By CROESUS

THERE is a very good word in English to describe the outlet to emotions afforded by a drama. The word is "catharsis." The two emotions that well up in any one that witnesses a drama, particularly a tragedy, are pity (or sympathy for the victim) and fear (for oneself). Both these have been in abundant evidence since the unfortunate closure of the Palai Central Bank, which is indeed a tragedy for Indian banking. These are,however, to be expected; they are perfectly natural reactions. But there is a limit even to these understandable, nay justifiable, reactions. If they cross a limit and begin to impinge on judgment, the results may be disastrous. I am not quite sure whether this has not been happening ever since that fateful Tuesday (9-8-1960) when the Palai Bank ceased operations. From the very large publicity that the closure of this bank has received and the unusual interest that has been evinced by some politicians in this episode, one could be excused if one concluded that this country has not known anything like, let alone experienced, a bank mortality. The hard facts, however, are that, as in every country, in our country also, there is what is termed in banking parlance as a certain "wastage" or loss due to bank failures. Over the past 10 years, this "wastage" in Indian banking has been estimated at an annual figure of about Rs. two crores. Insignificant though this admittedly is against a total bank deposit of some Rs. 2,000 crores, it is there all right. A comforting thought, however, is that the incidence of this "wastage" has been kept at, or brought down to, this low level by the vigilance of the Reserve Bank, although, unfortunately, the latter has come in for considerable ill-informed criticism in this connection.

To apportion blame is as easy as it is irresponsible, especially when one does not know all about a particular case. From the way in which even some responsible members of Parliament, let alone interested parties (e.g. the Communists who have not been slow to seize this second chance that has offered itself to them to discredit the Socialists by attacking the present Kerala Ministry headed by a PSP leader, conveniently forgetting that this Ministry has come into power only after the major part of the swindling in the Palai Bank had taken place during the Communist Ministry itself) deemed it fit to dispute the accuracy of the Reserve Bank's figures—it is a great pity the Union Finance Minister did nothing to discourage this—and accept the figures reported to have been furnished by one of the directors of the very discredited Bank, it almost appeared that the pitch had been sedulously queered to bring the Reserve Bank into disrepute. It required the timely intervention of Mr. Nehru to stop this game of witch-hunting started knowingly or unwittingly—and started, I dare say, without any realisation of the likely harm to the Central Banking Institution as a result of this. At this point, it is very necessary for all of us to know precisely what role the Reserve Bank is expected to play in such or similar circumstances. The Governor of the Reserve Bank did well to dwell at some length on the responsibility of the Reserve Bank in the matter of the operational efficiency and integrity of commercial banks in the course of his admirable speech to the Indian Institute of Bankers at that body's annual meeting. These remarks are reproduced here 'in extenso' for purposes of record. Said Mr. Iengar:

> "The Reserve Bank has been given pretty wide powers to inspect, give advice and issue directives. All this, however, is no substitute for operational responsibility. Commercial banking consists in the acceptance of deposits and their outlay, largely in advances to customers. This involves, among other things, assessing the creditworthiness of individual constituents, keeping track of their business, checking securities by, for example, inspecting stocks in workshops and godowns and generally enforcing numerous internal controls and checks. (I do not suppose any one suggests that the Reserve Bank should carry out these responsibilities over nearly 4,000 branches in the country; apart from the sheer physical difficulty, that would be taking over a direct and continuous administrative responsibility which rests on the commercial banks.) The Reserve Bank's powers of control are not and cannot be a substitute for the efficiency and integrity of the management themselves. The need for efficiency and integrity can be forcefully pointed out and they can be encouraged and sustained, but they cannot be created by orders of the Reserve Bank. In the final resort, if a management does not listen to advice and chooses to be recalcitrant, and it is felt that continued pressure would be useless, the Reserve Bank would have no option but to close down in the interests of the depositors. But this decision involves a very delicate balancing of several factors, some of them operative and some psychological, and timing is particularly important. It is easy enough to be drastic. But surely it is better to nurse an institution and bring it to a healthy state if there is any reasonable hope of doing so. It has in fact happened in a number of cases that persuasion and pressure applied persistently over some years have resulted in a bank reforming its ways and puting its house in order.... Such a reform takes patience and time, for the recall of weak advances is a time-consuming process. In some cases, a Board has itself been guilty of mismanagement and pressure has proved useless. There are cases in between. Moreover, the gravity of cases varies a great deal. There is, in other words, a considerable variation of pattern, and there can be no automatic or rule of thumb formula in the matter of the precise action that should be taken or its timing."

Only those in the know of things can judge to what extent the Reserve Bank has acted in conformity with this policy. For ourselves, we can only accept the Union Finance Minister's verdict on this point as final. He categorically said in the Lok Sabha last saturday: "I have little doubt that the action taken by the Reserve Bank and its timing were appropriate. Any further delay in winding up the Palai Bank would have meant that the run on the Bank would have continued and preferential creditors would have got away with whatever ready assets were available."

As Mr. Iengar said in his speech, there cannot be a rule of thumb formula in these matters. So many factors are involved. The credit mechanism—and every bank, be it noted, is a part of this mechanism—is such a delicate device, and the intention of the Banking Companies Act, as has been appropriately argued in the memorandum sent to the Prime Minister by the second batch of 30 Members of Parliament, " is not to wind up banking companies, but to ensure their continuance in business" by, I suppose, employing every mean-

possible. In this process, it is arguable that the depositors of an ill-fated bank would suffer more than they really need to—that is, if anyone can really draw the line so unerringly. But at least 90 per cent out of these depositors, I venture to submit, will not hesitate to give the Reserve Bank, if asked, a free hand to take its time and see that something is done to salvage as much of the assets of the bank as possible. It seems to me, therefore, unjust to charge the Reserve Bank as being late in acting. Law as well as prudence dictates that the Central Bank of a country ought to wait and exhaust every means—that is until it is convinced that a given bank is really beyond redemption—before wielding its big stick.

The next question is: what should the Government do when a bank closes its doors in the circumstances in which the Palai Bank has done? More precisely, must it rush to the assistance of the unfortunate depositors? Judging from the playing up in the Press of the innumerable distress stories of depositors and the pressure that is being openly brought to bear on the Prime Minister, it would seem that there is a school which honestly favours this course, no matter what its consequences or repercussions may be. What is worse, it is being gratuitously suggested that the State Bank of India or some scheduled bank be asked to take over and run the Palai Bank, of course with the Government of India guaranteeing to make good all the losses of the Palai Bank. Every one of these suggestions, however well-intentioned—and who doubts them?—is fraught with grave danger, apart from creating very bad precedents for the future. In the first place, neither the State Bank nor any scheduled bank can be forced to take on such a responsibility without reference to its shareholders and depositors, even if the Government were to underwrite all the losses. Secondly, how can the poor tax-payer be asked to make good to a small section of the community, however pitiable their plight, the losses suffered by them due to the fraud practised by the directors of their own bank? Thirdly, if the depositor victims of one bank failure receive this treatment, will not depositor victims of all bank failures in the future also ask for a similar treatment?

There is then what I suspect is the intriguing silence of the shareholders of the Palai Bank. What is now known to the whole world must have been known at least to some of them? If so, why did they not speak out? Maybe, not every shareholder of a bank, or any company for that matter, understands the risks he may be running, but is it not the sacred duty of the Auditors concerned to disclose to the shareholders the correct state of finances of the Bank or any suspected misuse of funds by the management? Strangely enough, hardly anything is said about all these and only relatively passing demands are made for the prosecution of all those involved in or responsible for, the fraud. For the moment, all the fury seems to have been focussed on the Reserve Bank for its alleged acts of omission and commission.

Finally—and this proves that some good can come out of evil—the cry has come (and, let me add here, not a day too soon) for a scheme of deposits insurance. The way in which this has been put forward by some suggests that it is some brain wave or original idea of theirs. Let these people note that a system of deposit insurance for our country was recommended as early as in 1950—by the Rural Banking Enquiry Committee—and, again, in 1954—by the Shroff Committee. If it was not adopted then, it was presumably because there was no unanimity of opinion among banks in this matter and positively because the Reserve Bank itself thought then that "the time was not ripe for introducing a system of deposit insurance." If it has taken the failure of the Palai Bank for the Reserve Bank to revise its view, a wag whispers that the threat of nationalisation has forced the banks to make up their minds about a scheme of deposit insurance. Whatever may be the provocation, the depositors, especially the small depositors, will wholeheartedly welcome the move, and it is to be hoped the Reserve Bank will lose no more precious time in putting forward a practicable scheme of deposit insurance. (I reliably gather that the Reserve Bank will in all probability produce a scheme in the next few days).

Business Notes

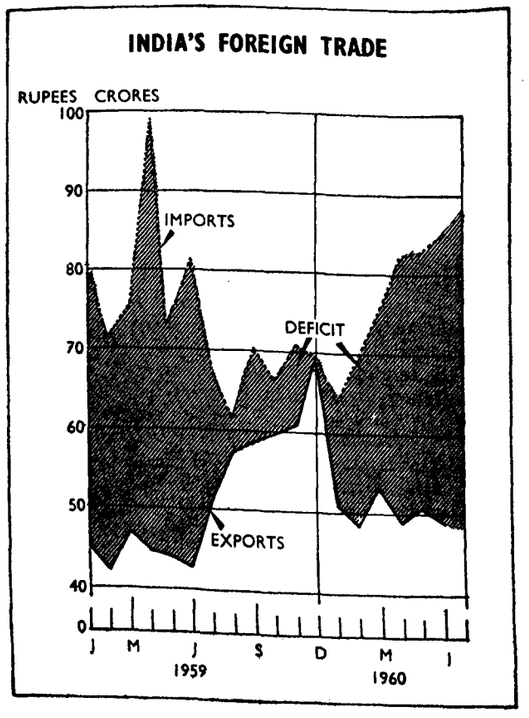
Foreign Trade

THE YAWNING GAP

WITH A deficit of the order of Rs. 158 crores during the first half of 1960, India's foreign trade cannot be considered to be following a very safe course. Although when compared to the performance of the previous year, the picture does not appear to be very discouraging, it must be remembered that the annual average gap envisaged in the draft of the Third Five-Year Plan is of the order of Rs. 440 crores. It appears, therefore, that if positive improvement does not occur in the second half of 1960, as it did during the corresponding period of 1959, and the gap widens at the present rate, the final deficit for the whole year may even be larger than the previous year.

The details of the composition of foreign trade for these six months indicate that the gap would have been narrower if the imports of raw cotton were not rendered imperative due to a partial failure of crops. While the raw cotton imports almost doubled during the six months, imports on account of mineral fuels were higher by about 40 per cent. In the case of other items, like transport equipment and electrical goods, imports remained at the level of the previous year. There was a marginal increase in the imports of the other items of machinery. On the export front, certain improvements were registered in the case of jute manufactures and cotton textiles as also in the case of leather, raw and manufactured. Spices made a remarkable advance and registered a three-fold increase in exports. In the case of tea, however, exports just emained at the previous year's level.

The overall picture that emerges in respect of our foreign trade for the first-half of 1960 is that imports



which have been reduced to a bare minimum can hardly be cut much further in the interest of a sustained growth of the economy. As it is, exports have to be raised to reduce the widening gap. Serious thought should, therefore, be given to find ways and means to achieve a higher level of exports.

Capital Issue

A RECORD PERFORMANCE

IT IS not known what the World's record capital issue is, but no one need hesitate to say that the record for India goes to Synthetics and Chemicals Ltd. The total number of applications for the shares of this new issue, according to a Press Note released by the company last week, reached the astounding figure of 2,74,805, the total number of shares sought falling only a little below one crore. As against 165,500 ordinary shares offered thus, the number of shares applied for aggregated as much as 99,62,750 which means that the issue was oversubscribed by over 60 times! None of the recent issues to subscribe for which there had been a crazy race received anything beyond 20 times and even that performance was hailed at the time as spectacular and unprecedented. Now, it would be worth while getting details of the response to all the recent issues to ascertain how many applications were really genuine. The following details of some of the recent issues make interesting reading.

Name of Company	Amount offered to the Public	Amount Actually applied for
1. Baroda Rayon	Rs. 159.20 lakhs	Rs. 841.70 lakhs
2. Premier Tyres	Rs. 44.10 lakhs	8 times(?)
3. Indian Rayon	Rs. 52.00 lakhs	Rs. 196.64 lakhs
4. Colour Chem.	Rs. 35.00 lakhs	Rs. 600.10 lakhs
5. Synthetics and Chemicals	Rs. 165.50 lakhs	Rs. 9962.75 lakhs

It is common knowledge that in all these cases, at least some applicants sought shares in their own names, in those of their relatives and friends and, quite a few, in permutations and combinations of their own names. Many instances of the same person sending several applications, in the hope that at least one of them might "click" when lots are drawn, also must have been there. Now it can not certainly be that all the applicants were really prepared to take the entire allotment as per their own applications, and, to this extent, therefore, one is bound to get a somewhat exaggerated, as also distorted, idea of the response. Purely from the point of view of the Indian Capital Market, it is evident that this is anything but healthy. There is an enormous amount of 'wastage' involved, in the sense that not all the applications could be said to be for only the number of shares actually required by the applicant himself.

Another interesting speculation about these new issues is how far the response to them has come out of genuine savings and how much from bank accommodation. Reports have been current that actually groups have been formed in some offices in Calcutta jointly to go in for some of these private issues and even a few cases of companies advancing money against their provident funds to employees for the purpose have come to light.

Then there is the question of whether or not the companies concerned should encash all the cheques received against application money. This has raised a volume of controversy.

A very larger number of applications also, creates bottlenecks in handling and processing—not only in the companies concerned but in banks and post offices. No wonder that Synthetics and Chemicals had to enlist the services of I.B.M. staff and their computing gadgets. If the activity in the new issues market were to continue on this scale, the need would arise for a new type of service, namely of handling and sorting out applications, cashing cheques, deciding the basis of allotment and allotting the shares and making refunds to unsuccessful applicants—in the case of Synthetics and Chemicals, this number came to as many as 2,46,000 But all these point to one redeeming trend, namely, the growing interest in shares, which is all to the good of the Indian capital market.

Chemicals

SUSTAINED GROWTH

THE CHEMICAL industry, an essential element in the growth of any economy, has made significant progress during the later part of the Second Five-Year Plan. For instance, the output of sulphuric acid has increased three times and that of caustic soda four times during the Second Plan period. The picture has been so altered that not only imports of chemicals have been greatly curtailed, but considerable potentialities also now exist to promote the exports of certain chemicals. Mr. Manubhai Shah, the Union Minister for Industry, therefore, rightly described the later half of the Second Plan period as the dawn of the era of chemical industry in India.

He pointed out at Calcutta recently that very soon a project will be launched in collaboration with a German firm for the manufacture of basic chemical intermediates. It is of special significance in view of the fact that so far dyestuffs are made mostly from imported intermediates. The proposed project will make the country self-sufficient in this respect. There is another project under the consideration of the Ministry to set up four factories for the manufacture of synthetic drugs, antibiotics, photo chemicals and surgical instruments in collaboration with the Soviet Union. Taking into account these new developments and the pace already attained by the industry, it appears that by the end of the Third Five-Year Plan the country will be able to look to the chemical industry to earn foreign exchange.

Electricity

URGENCY OF FINANCE

MR. A. N. HAKSAR, Chairman, Bombay Suburban Electric Supply Ltd., at its annual general meeting, made a strong plea for the reinstatement of confidence of the investors in electrical undertakings. He was of the opinion that due to the statutory control imposed on electric supply undertakings by the financial provisions of the Electricity (Supply) Act, investors were not attracted to it and the industry was starving for want of finance. He added that to meet the growing demand in the area, the company needed an investment of about Rs. 45 lakhs per year during the period of the Third Five-Year Plan. As far as the internal finance is concerned, the company might be able to raise an annual amout of Rs. 25 lakhs by way of development reserve permitted under the Electricity (Supply) Act, depreciation, etc. The Chairman seems to be worried about the remaining Rs. 20 lakhs.

Raising of finance for electricity undertakings from the market has become all the more difficult since the changes were introduced in the tax pattern by the Finance Act, 1959, whereby the facilities of "grossing up" of dividends were withdrawn. The deduction of tax at the rate of 30 per cent at source reduces the return to the investor. Although it is applicable to all the industries, this particular industry is hit very hard because it cannot distribute large dividends by reason of the stringent control applied under the above mentioned Act. Electricity companies are not allowed to step up their earnings. It is evident that if the present conditions continue, this basic industry would be starved for want of finance for expansion. Early action is, therefore, necessary to provide appropriate relief to it.

Current Topics

ECONOMIC DEVELOPMENTS IN WESTERN EUROPE

In almost all European countries, a vigorous industrial expansion continued in the early months of this year, accompanied by a rapid growth of international trade. However, in most countries throughout the continent, the rise of output achieved in the remainder of this year is likely to depend, to a greater extent than in 1959, on the growth of productivity with a relatively smaller contribution from rising industrial employment.

THESE facts are revealed in the latest edition of the Economic Bulletin for Europe, published by the Secretariat of the United Nations Economic Commission for Europe (ECE).

The present economic situation of western Europe can be considered highly favourable on several grounds, states the Bulletin. Industrial expansion continues at a very high rate, productivity advances have been considerable, and this—in conjunction with moderate nominal wage increases and stable prices for imported raw materials—has been responsible for a remarkable degree of price stability; and western Europe's foreign exchange reserves remain at a comfortable level. The Bulletin points out that in a number of countries the very pace of the expansion is beginning to give rise to concern that physical limitations, in particular labour shortages, may slow down the rate of growth of output, while demand may expand at an unabated rate, thus leading to re-emergence of a wage-price spiral or increasing balance-of-payments deficits or both. In order to discover whether this concern is well-founded, the Bulletin goes on to discuss two questions: to what extent do physical limitations constitute a serious impediment to the maintenance of a high rate of expansion throughout 1960; and what will be the probable effects on economic activity of the policies devised to forestall the appearance of inflationary pressures.

NATIONAL OUTPUT

The total output of western Europe rose in 1959 by some 4 per cent—with the largest increase in Italy, as had also been the case in 1958, followed by Western Germany. The most potent forces initiating the upswing in several countries were the increase in housebuilding activity and demand for consumers' durables. For the greater part of 1959, the principal sectors of expanding demand were exports and public consumption and investment (including residential construction), though in the latter part of the year, private investment and consumption made rapid advances in several countries. With few exceptions (e.g. Denmark and Belgium-Luxembourg) the pace of export expansion was much higher in 1959 than in the previous year (often by as much as three times); and the growth of output was greatest in countries where exports grew most—Italy, Western Germany, Sweden and the Netherlands. A high rate of increase of gross fixed capital formation was in general a feature of the expansion of output in 1959. By the last quarter of 1959 and the first quarter of 1960, private investment in manufacturing—particularly in the capital goods industries—was rising briskly. Private consumption also expanded during the year (except in France)—although generally more slowly than other sectors of demand; more recently—with rising employment and incomes—private consumption, particularly of consumers' durable goods, has risen more rapidly.

The steep rise in total industrial production, which occurred throughout 1959 in most western European countries, continued unabated in the first quarter of 1960. The Bulletin states that there is little to suggest any slackening of pace. For 12 western European countries the increment in total industrial output in 1959 over 1958 amounted to some 7 per cent; in the first quarter of 1960 the increment was almost twice as great —just over 12 per cent—compared with the first quarter of 1959. In all western European countries output is now above the peaks reached before the slow-down—in most of them by a substantial margin.

The authors of the Bulletin note that a rapid expansion of investment in building and construction—and especially of investment in housebuilding—preceded the general upturn of industrial output and has now lasted some 18 months. The housebuilding boom had gone so far by the end of 1959 in most countries (France was a notable exception, as were—to a lesser extent—Italy and Norway) that shortages of both labour and materials were experienced. By the end of 1959 there were no signs in most countries of any autonomous decline in the level of housebuilding activity, and several governments have taken steps to reduce the pressure of demand. The authors point out that with more stable demand for housebuilding both the efficient utilization of scarce manpower and greater flexibility of supply would be promoted.

WAGES AND PRICES

The year 1959 was a year of only modest increases in wage rates—both a reasonable indication that there was no serious pressure on labour resources and a reflection of the stability of the cost of living. Towards the end of last year and more especially in the first five months of this year, wages have been rising more briskly. There has been some wage drift in several countries and a shortening of the working week. Thanks to large gains in productivity and the stability at reduced levels of the prices of many imported raw materials, prices in western Europe have been notably stable. Such increases as have occurred have mainly affected rents, services and the tariffs of public utilities. The vigorous expansion of output in 1959 had resulted by the end of the year in a marked reduction in the numbers unemployed and a sharp increase in unfilled vacancies in all countries except France and the southern European countries. These trends have continued in the first five months of 1960. The authors of the Bulletin note that western European labour markets are becoming increasingly tight and examine the structure of the labour shortage in individual countries in terms of its distribution by sectors of industry, types of skill and regions of the country in order to decide whether there is now in western Europe a shortage of manpower such as to retard the rate of expansion during the remainder of 1960.

The proximity of the output ceiling in western Europe depends not only on the possibilities of mobilizing available labour, but also on the rate of increase in output per man-hour. The authors of the review note that there were appreciable gains in productivity throughout 1959—particularly in those branches of industry in which demand grew most (e.g. iron and steel, engineering and chemicals) and in which the rates of fixed capital to labour is highest. In the current situation of tight labour markets, higher wage claims, and the prospect of keener competition on account of establishment of the EEC and the EFTA, there is a strong inducement to maintain a high rate of investment in

(Continued on Page 374)

A DELHI NOTEBOOK

IFC LOAN FOR ASSAM SILLIMANITE

DETAILS are now available of the investment which the International Finance Corporation has agreed to effect in the Assam Sillimanite Ltd. The Government of India, it is understood, has agreed in principle to this investment, but has not yet examined and approved the terms and conditions proposed by the IFC.

The terms proposed by the IFC for this investment are:

(a) **Amount and Currency:** US$1,365,000 represented by unsecured notes.

(b) **Disbursement:** US$924,000 on or before December 31, 1961; US $441,000 on or before December 31, 1962.

(c) **Maturities:** Notes aggregating $924,000 to mature in 16 semi-annual instalments beginning October 1, 1965, and ending April 1, 1973. Notes aggregating $441,000 to mature in 16 semi-annual instalments beginning October 1, 1966, and ending April 1, 1974. The company will have the right to prepay upto 90 per cent of each note at any time at par plus accrued interest.

(d) **Interest:** 6½ per cent per annum, payable semi-annually in US dollars.

(e) **Profit Participation:** The Corporation will receive a participation in the annual net profits of the company. The participation shall be payable in Indian rupees and be equal to 30 per cent of such net profits in excess of 10 per cent of the then paid-in share capital of the company, for each fiscal year ending on March 31, 1963, 1964 and 1965. The percentage will decrease thereafter by 3 annually.

(f) **Share Subscription Right:** The Corporation will have the right, exercisable at any time upto and including April 1, 1974, to subscribe, in Indian rupees, at par, to 290,000 shares of the common stock of the company, of Rs. 10 par value each, with appropriate provision to protect such right against dilution. The shareholders of the company will have the right of first refusal.

(g) **Commitment Fee:** One per cent per annum, payable in US dollars on the amount undisbursed, accruing from the date of commitment.

The proposed investment will help to finance a plant designed to produce 46,000 tons of refractory materials annually. The plant will be located at Ramgarh in the Bihar State.

RADIO NETWORK IN NORTH-EAST INDIA

The survey work on laying an extensive radio network in north-east India is expected to begin in the immediate future. A contract for this network, which will cost over £950,000 has been secured from the Oil India (Private) Ltd., against international competition, by Murphy Radio, of Welwyn Garden City, England.

Starting near Dibrugarh, Assam, the radiophone system will follow the route of the oil company's pipeline 720 miles westwards, ending at Barauni, Bihar. The system will not only provide telephone facilities, but also carry telemetry and telecontrol signals between all pipeline stations and the central control headquarters at Nunmati (near Gauhati), Assam. At intervals of approximately 30 miles, a Murphy Type MR 851 radio station will be installed at pumping and repeater stations to give 36 communication channels along the pipeline.

A Murphy official, in an interview, has described the project as "one of the most complicated enterprises of its sort which have yet been attempted." All installations will be done by the British company. Ensuring accuracy and co-ordination at every stage of the pipeline system, measurements taken along the pipeline will be telemetered back every 75 seconds to the Nunmati headquarters. Telecontrol will switch valves on and off from a central control point.

Similar schemes using MR 351 have already been completed for the Snowy Mountains Hydro-electric Project in Australia and for rough-country communication for the British Guiana Post Office. The Murphy designs will provide for the maximum possible use of equipment manufactured in India.

CHEMICALS FACTORY NEAR BOMBAY

The Government of India has signed an agreement with a consortium of four West German companies—Bayers, Badische Anilin, Hoechst and Friedrich Udhe—for setting up a chemicals factory near Bombay, at a cost of nearly DM 35 million (£3 million). The factory will manufacture chemical products which are hitherto mostly imported and provide the basis for developing a pharmaceutical and plastics industry in India. The consortium will provide the scientific and technical personnel who will supervise construction of the factory and run it in the initial stages.

ABOUT FERTILIZERS

Ford Foundation, it is learnt, has addressed a letter to the Government of India, offering the services of a number of experts to advise this country on setting up fertilizer plants. The offer is said to be under consideration.

Meanwhile, the Union Government has agreed in principle to the West Bengal Government's proposal to establish a fertilizer factory at Durgapur in collaboration with a Japanese firm. The factory will cost Rs. 20 crores and would produce enough fertilizers to meet West Bengal's requirements. Of the total investment, the equity capital would be of the order of Rs. 5 crores and 51 per cent of it would be held by the State Government.

A proposal for setting up a fertilizer plant in Madhya Pradesh is also under consideration. A private party has offered to take up this project, but no decision has yet been taken whether this plant would be in the public sector or the private sector.

DLF LOANS

The Development Loan Fund of the United States has announced its intention to grant the following loans to India:

(a)	Industrial Finance Corporation for re-lending to private sector industries	$10 million
(b)	National Small Industries Corporation for purchasing equipment to be given to small industries on hire-purchase basis	$10 „
(c)	Kanpur and Barapani Power Projects	$4.1 „
(d)	Railway Development Programme	$50 „

BUFFER STOCK OF COTTON

The chances of India's building up a buffer stock of cotton by means of US aid under PL 480 are not considered to be bright. The recent foodgrains deal is understood to have created some difficulties with friendly countries for the US Government. A similar cotton deal, it is said, will be resisted by the cotton-growing countries, particularly Pakistan and the North African States. Besides, it may affect the tripartite arrangements the US Government has with some countries, especially Burma, in regard to trade in cotton textiles.

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WORLDGRAM

India

Aluminium Smelter Plant at Mettur: The Government of India have granted a licence to Mr. R. Venkataswamy Naidu, Peelamendu, Coimbatore (Madras) for the setting up of an aluminium smelter with 10,000 metric tons capacity at Mettur in Salem District (Madras). The company is proposed to be floated with an authorised and issued capital of Rs. 10 crores. The foreign exchange requirements for import of equipment is estimated at about Rs. 5 crores. The Madras Government have agreed to supply the necessary power for the electrolytic process for refining the metal. The venture is expected to have the financial and technical collaboration of Messrs. Monecatinis of Italy. The Government of Madras will also be participating in the capital.

*

Manufacture of Scooterettes: Pearly Scooters, Ludhiana, have concluded an agreement with Messrs. Yamaha Motor Co. Ltd., Japan, for the manufacture of Scooterettes in collaboration with them. The firm intends to manufacture 50 c.c. and 78 c.c. Scooterettes.

The proposal does not involve any down-right payment or royalty for obtaining the technical know-how. Only Rs. 150 worth of components per Scooterette are desired to be imported during the first year and Rs. 100 worth of components to be imporfed during the second year, and during the third year the imported components would be negligible. There is provision for training Indian technicians with their principals in Japan and Japanese technicians would assist in the manufacture of Scooterettes during its initial stages.

It is expected that the production would commence within a year after the installation of the machinery and the price of the Scotterettes would be much less than the scooters which are of a higher horse power class.

*

Manufacture of Agricultural Tractors: Mahindra and Mahindra Limited, Bombay, and Messrs. Goodearth Company, New Delhi, the two firms who were licensed under the Industries (Development and Regulation) Act, 1951 in 1959 for the manufacture of David Brown and Eicher tractors (agricultural) respectively, are likely to go into production very shortly.

In order to meet the expected demand for agricultural tractors during the Third Five-Year Plan, additional licences have been granted under the Industries (Development and Regulation) Act, 1951 in June 1960 as under:

Name of the firm	Make & size of tractor	Annual capacity
M/s. Amalgamations Pvt. Ltd. (Madras)	'Ferguson' 28.4 DBHP	3000 Nos.
	about 35 DBHP	500 Nos.
M/s. Mahindra & Mahindra Ltd., Bombay	'David Brown' 20-30 DBHP	1500 Nos.
	about 35 DBHP	750 Nos.
M/s. Tractors & Bulldozers (P) Ltd., Baroda.	'Zetor' 42 DBHP	1000 Nos.

*

Life Insurance Business: The Finance Minister, Mr. Morarji Desai stated in the Lok Sabha that the total amount of Life Insurance business in India completed since the beginning of the year up to June 30, 1960 was Rs. 99.52 crores. The business has recorded an increase of 6 per cent compared to the figures for the corresponding period during the last year.

Zone-wise the amount of life insurance business completed since the beginning of the year up to June 30, 1960 are:

Northern Zone—Rs. 15.64 crores, Central Zone—Rs. 12.91 crores, Eastern Zone—Rs. 20.26 crores, Southern Zone—Rs. 26.27 crores and Western Zone—Rs. 24.44 crores.

*

Industrial Potentiality of Cambay Region: The Government of India have decided to set up a Co-ordinating Committee to consider the overall problem of industrialisation, development of natural resources and regional planning of the Cambay region.

The Committee has been set up in view of the discovery of oil in the Cambay region which is likely to increase potentiality of the area to a considerable extent.

The Committee will advise the Government on the location of industries in the Cambay region and particularly in the areas with which the Oil & Natural Gas Commission is concerned in its exploration for and development of oil and gas. It will also advise the Government on problems relating to transportation of oil and gas for refinery or other uses.

*

Extension of Provident Fund Act: The Government of India is considering seventeen industries for the extension of the provision of the Employees Provident Funds Act through gazette notification. They are 1. Banks; 2. Film Industry; 3. Hotels and restaurants; 4. Cane farms owned by sugar mills; 5. Rice, flour and dal mills; 6. Pottery industry; 7. Oil well operations; 8. Insurance companies; 9. General trading concerns; 10. Transhipment establishments proposed by the Government of Assam; 11. Cordials, marmalades, jams, squashes and syrups manufacturing establishments; 12. Starch industry; 13. Tanneries and leather products; 14. Tobacco industry including beedies and cigars; 15. Cashewnut; 16. Cinchona plantations; and 17. Air Companies.

*

Credit Facilities for Import of Textile Machinery: Certain credit facilities have now been made available for the import of textile machinery from the United Kingdom on the following deferred payment terms covering f.o.b. costs:

(i) 5 per cent of f.o.b. value on order;

(ii) 5 per cent on shipment plus actuals insurance and freight charges; and

(iii) the balance in equal half-yearly or annual instalments, inclusive of interest, over a period of five years from the date of shipment."

The minimum value covering each order for the import of machinery, however, should be not less than £20,000 sterling.

*

Second Plan Spillover: The total investment on project under execution at the end of the Second Plan remaining to be undertaken mainly during the Third Plan is estimated at Rs. 1800 crores. This includes about Rs. 800 crores under industries and transport and about Rs. 700 crores under irrigation and power.

Pakistan

25 Per cent Rise in National Income: Pakistan's national income has gone up by about 25 per cent during the last ten years, according to a survey carried out by the Finance Ministry.

The national income of Pakistan was estimated in 1949-50 at Rs. 1,723 crores. It is estimated to have risen to Rs. 2,190 crores in 1959-60 The main increase was in the industries sector.

The per caita income, which was estimated to be Rs. 232 in 1949-50, is now put at Rs 252, taking into consideration the increase in population.

*

Cut in Oil Prices in Pakistan: The three major oil companies controlling sale and distribution of petroleum products in Pakistan—Standard Vacuum, Burmah-Shell and Caltex—have decided to reduce oil prices by about seven per cent on average.

The actual reduction ranges from nine per cent in the case of furnace oil to 5.5 per cent in the case of kerosene.

The price-cut will help Pakistan save about Rs. 1.3 crores in foreign exchange.

United Kingdom

Cars Show: Ten countries are showing their newest cars at this year's International Motor Show, which opens at Earls Court, London, on October 19. Cars have come from the United States, Canada, France, Germany, Italy, the Netherlands, Sweden, Czechoslovakia and Russia, though the biggest contribution is from British manufacturers. Altogether some 60 manufacturers are showing new cars, but there will be further 420 stands covering the display of carriage work, motorized caravans, accessories and components, and tyres and transport service equipment. Last year the number of oversea visitors—19,702—was a record. It is expected that this figure will be exceeded at the forthcoming show.

Poland

Polish-American Agreement: An agreement was signed in Washington between Poland and the United States recently concerning indemnisation for American citizens following the taking over of their property by Poland as the result of nationalization, the agrarian reform, etc.

The agreement envisages the payment by Poland of a total sum of 40 million dollars to be paid within 20 years in equal annual instalments of 2,000,000. The division of the indemnisation payments between those concerned will be dealt with by an American Indemnisation Commission. In accordance with the agreement, the property of Polish citizens which has been frozen in the USA since the Second World War, will be unfrozen. The signing of this agreement will contribute to progress in the general development of economic relations between our two countries.

European Fund

Credit For OEEC: The European Fund is a source of credit to assist the OEEC countries to overcome temporary balance of payments difficulties. At present, credit facilities in gold have been granted to three countries, Iceland, Spain and Turkey. The amount granted and the drawings thereon are shown below:

(In millions of units of account*)

Member countries	Credit granted by the Fund	Total drawn (net) as on 30th June, 1960	Undrawn amount
Iceland	12.0	7.0	5.0
Spain	100.0	24.0	76.0
Turkey	21.5	21.5	—
TOTAL ..	133.5	52.5	81.0

*One unit of account in terms of gold equivalent to one US dollar.

ECONOMIC DEVELOPMENTS IN WESTERN EUROPE

(Continued From Page 370)

labour-saving equipment. It is likely that this investment will yield increased rates of growth of output per man-hour, thus easing pressure on the labour market.

While the volume of exports to North America continued to rise by as much as 38 per cent over the previous year's level in 1959, exports to primary-producing countries remained at about the level of 1958. Thus, exports to overseas countries combined increased by 9 per cent. Data so far available for the first quarter of 1960 show a continued expansion of exports to primary-producing countries by more than 25 per cent over the corresponding period of the previous year. Deliveries to that area may be expected to rise more briskly in 1960 since its import capacity at the end of 1959 was higher than a year earlier and has probably risen further in 1960. Exports to the United States, on the other hand, dropped slightly below the level of the second half of 1959 and it is unlikely that they will rise in 1960 at 1959's exceptionally high rate.

POLICIES AND PROSPECTS

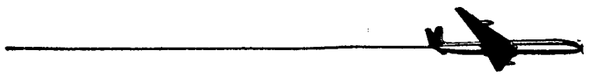
The rate at which the domestic margin for expansion has recently been narrowing varies considerably from country to country—as does the appraisal of the economic risks inherent in the present boom conditions. While concern at the appearance of physical limitations to the growth of output and the revival of demand pressures is being voiced in Western Germany, Austria and the United Kingdom, prospects are viewed with confidence in Italy, Belgium, France and Norway; in the Netherlands, Denmark, Sweden and Switzerland the official attitude is that developments need to be kept under close surveillance in the course of 1960. The promptness with which demand pressures have been anticipated during the present boom, the early identification of specific sectors of strain and the timely reversal of previous measures of stimulation are a welcome indication that useful lessons have been learnt from past experience. Many countries are attempting to apply mildly restrictive monetary and budgetary measures selectively so as to alleviate the pressure of demand in sectors or areas where it originates and to relieve—also with the help of other policy instruments —sectoral supply limitations.

After surveying the outlook for 1960 in selected western European countries on the basis of official forecasts of prospective changes in output and demand and other indicators, the review arrives at the conclusion that a rate of expansion of gross national product of almost 5 per cent for the industrial countries of western Europe combined (compared with the increase of about 4 per cent achieved in 1959) is probable in 1960. How much further demand can grow without setting in train inflationary pressures now depends on three major factors: the rate at which additional labour resources can be brought the productive process and labour mobility increased; the rate of growth of productivity; and the character and scope of policy measures. There is evidence that the authorities are becoming more aware of the conditions which have to be met if disturbances of the process of economic growth—quite often the outcome of measures expressly designed to maintain price stability and balance of payments equilibrium—are to be avoided. It may be hoped that this gradual advance towards more selective and co-ordinated monetary, and other policy measures will make it possible to avoid, in 1961, a repetition of the 1958 setback.

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NEWS IN BRIEF

INDIAN

A process on Salicyl Anilide has been developed at the Shri Ram Institute for Industrial Research, Delhi. The process which is covered by an Indian Patent is now available for commercial development on terms and conditions to be settled by the National Research Development Corporation of India.

*

Industrial relations in the public sector is one of the main subjects to be discussed at the 18th session of the Inidan Labour Conference which will be held at New Delhi on September 24, and 25.

*

Mr. Manubhai Shah, Minister of Industry revealed that it was estimated that the cost of imported content in a transistor radio set would be up to 25 to 30 per cent of its ex-factory price and that the average annual expenditure was likely to be about Rs. 31 lakhs, out of a total allocation of about Rs. 1 crores for the radio receiver manufacturing industry.

*

The total acreage of agricultural land irrigated by the canals of Damodar Valley Corporation during 1959-60 was 4,10,000 acres under the kharif crops. The units of electricity generated during the period was 1467.19 million kwt. The income from sale of power was Rs 6,16,04,000 while income from irrigation had not yet been assessed.

*

Mr. Jaisukhlal Hathi, Union Deputy Minister for Irrigation and Power revealed in the Lok Sabha recently that in formulating the irrigation and power programme in the Second and Third Plans, it was necessary to secure the maximum benefits in the shortest time from the large investments that were being made for these projects.

*

It is reported the Government had undertaken to buy a minimum of 400,000 tons of wheat annually on commercial terms in the world market in addition to 16 million tons of American wheat to be purchased in four years under a special deal.

*

Purchases of rice, paddy and wheat in most of the surplus States are continuing. During the crop year 1959-60 6.14 lakh tons of rice have been purchased on Government of India's account and 1.94 lakh tons of rice and 2.05 lakh tons of paddy by the State Governments. Out of this year's wheat crop, the State Governments have also so far purchased about 3.45 lakh tons of wheat.

*

About 15 varieties of improved wheat, 25 varieties of various vegetables including potato and sweet potato, besides varieties of tobacco have been evolved through scientific plant breeding at the Indian Agricultural Research Institute and these are now very popular with the cultivators in various States.

*

The Government of India have constituted a committee for studying public health engineering practices and procedures in foreign countries and for preparing a draft manual for guidance of public health engineers in India.

*

There were 19,956 unemployed matriculates on the live register of the Employment Exchange in Delhi on June 30, 1960. Also, there were 4,471 graduates and 2,258 intermediates on the live register on that date.

*

A symposium on light metal industry in India will be held during early February 1961, at the National Metallurgical Laboratory, Jamshedpur.

FOREIGN

The total value of trade between West Germany and the Soviet bloc increased by 30 per cent to DM2,000 million in the first half of this year as compared with the same period last year.

*

Ruherowen (South Africa) is installing the first £400,000 sterling section of its new £1¼ million factory at Port Elizabeth. Semi-automatic wheel manufacturing plant will make 300 car wheels per hour at a cost somewhat higher than in Europe. Press tools for each type of wheel cost 2,000 sterling.

*

The Israel Cabinet has ratified an agreement with the Federal Government of Nigeria, providing for an Israel loan of £300 million part of which will be in goods.

*

Agreement has been reached with the Soviet Union for the construction at Alexandria of a dockyard costing £E 6 million. The dockyard will be built in three stages, and is due for completion in eight years, when it will be able to repair or construct tankers of up to 40,000 tons.

*

The Ceylon Bank rate has been raised from 2½ per cent to 4 per cent with effect from August 13. This is one of the two measures announced to curb imports and higher purchase of certain type of goods, in which of the continuing fall in the external costs.

*

A company with a paid-in capital of 1 million Swiss frances has been founded under the name AFIT-Aktungesellscraft Fuer Internationale Investment Trust. The Company is to establish international investment trusts, and according to a statement by the newly-founded company the first such trust is to be formed this autumn.

*

Netherlands Railways profit in 1959 was Fls. 9.9 million compared with Fls. 0.2 million in 1958, an increase of Flb. 9.7 million. Income from passenger services decreased by Fls. 2.4 million but freight transport yielded Fls. 5.2 million more. Operating costs decreased by Fls. 5 million to Fls. 488 million.

*

The credit restrictions as exercised directly on trading banks by the Reserve Bank reached a record point recently with the freezing by the Bank of 38 per cent of the trading banks free deposits, the total sum necessary to meet the new ratio requirements will be £112 million

*

Drastically higher tariff levels and import controls are believed to be among the economic measures which the Southern Rhodesia Government has asked the Federal Government to consider introducing in the Federation.

*

The decline in agricultural production in East Germany is revealed by a comparison of the official statistics with those for West Germany, published in Frankfurt. The area now ruled by the Communists was largely self-sufficient in food supplies before the War, while the area of the present-day Federal Republic was an importer. Now the position in many respect is reversed.

COMPANY AFFAIRS

SESHASAYEE PAPER: A NEW VENTURE

Seshasayee Paper and Boards Limited is undertaking the manufacture of paper in Madras State where about 50,000 to 80,000 tons of bamboo can be safely earmarked for paper industry after taking into account a consumption of nearly 30,000 tons yearly for domestic and cottage industry requirements. Sugarcane bagasse is another valuable raw material for paper. When it is mixed with long fibred material like bomboo pulp, the quality of the resultant paper is very superior.

With this background, the Madras Government has been trying to interest the private sector, for the last five years in the establishment of a large paper mill in the State and Messrs. Seshasayee Brothers have responded to its suggestions. They have selected to collaborate with the Blackclawson group of U.S.A., represented by their Export Arm, the Parsons and Whittemore Organization of New Rork. Industrial licence for setting up a unit for the production of 20,000 tons of printing and writing paper has been granted. The foreign exchange required has been provided by allocation from loan from Export-Import Bank of Washington. The blanket import licence for the import of plant, machinery and equipment from the U.S.A. has been issued. Approval of the terms of foreign collaboration has been given. Sanction for the issue of capital by Messrs. Seshasayee Paper and Boards Limited has also been granted. A loan of Rs. 2 crores has been sanctioned from the PL-480 (Cooley)) Funds.

Under the contract with Messrs. Parsons and Whittemore for the supply of plant, machinery and equipment, payment will be made to the extent of 20 per cent with the order (already placed), and the remaining 22½ per cent after six months of the date of the order. Another 22½ per cent is to be paid after 18 months of the date of the order and the balance after the commencement of production. The entire plant and machinery will be imported into the country within 24 months from the date of the order, namely, before the end of July 1962. Accordingly the Mill is expected to commence commercial production by the end of 1962.

GOUREPORE AND NUDDEA

The Directors have pointed out that the industry was fortunate in enjoying favourable trading conditions for the greater part of the year, to March 31, 1960. Prices for jute remained at a level which, taken in conjunction with those attainable for finished goods, allowed Mills a reasonable profit. At the same time consumers of jute goods throughout the world received their goods at rates sufficiently attractive to withstand competition from other packaging materials. Overseas and internal demand ran at a high level enabling the Industry to adopt a cautious but flexible policy towards the unsealing of sealed looms. The Gourepore Company Ltd. and the Nuddea Mills Company Ltd. shared fully in these improved trading conditions.

During the year under review the Gourepore made a profit of Rs. 39.14 lakhs out of which Rs. 5.9 lakhs were provided for depreciation, Rs. 6.5 lakhs for taxation and Rs. 3.06 lakhs for Development Rebate Reserve. The Directors have proposed a Dividend on Ordinary shares at the rate of Rs. 20 per share which together with the interim Dividend paid makes a total of Rs. 30 per share or 30 per cent per annum for the year, absorbing Rs. 4.80 lakhs. A sum of Rs. 15.50 lakhs is transferred to General Reserve.

In the case of Nuddea the profits come to around Rs. 23.69 lakhs from which the depreciation to the extent of Rs. 6.02 lakhs and Development Rebate Reserve to the extent of Rs. 1.74 lakhs are separated. The Directors have now proposed to pay a final dividend of Rs. 3 per share which together with the interim dividend paid makes a total of Rs. 4 per share or 8 per cent per annum absorbing Rs. 4 lakhs. A sum of Rs. 9.50 lakhs is proposed to be transferred to General Reserve.

NEW STANDARD

From the working results of New Standard Engineering Company Ltd. for the year to March 31, 1960, it appears, that the Company has made considerable strides. The profits came to around Rs. 9.4 lakhs against Rs. 5.32 lakhs in the preceding year. The Directors have recommended a Dividend of 12 per cent subject to deduction of tax on fully paid shares. The Directors have also recommended on partly paid (Tax-free) Preference shares dividend at the rate of 9 per cent Gross (making a net of 6.3 per cent) for one month and on partly paid up Equity Shares (New) at the rate of 12 per cent Taxable for one month. It may be pointed out that the present Company was converted into a public limited company after the amalgamation of Messrs. Burjorji Pestonji & Sons Private Ltd. and Messrs. New Standard Engineering Company Private Ltd.

LARSEN AND TOUBRO NEW ISSUE

The Directors of Larsen and Toubro Limited have resolved to issue additional 3,00,000 equity shares of Rs. 10 each at par. The shares will be offered in the first instance to the equity shareholders of the Company in the ratio of three equity shares for every eight equity shares held. The Transfer Books of the Company will be closed for this purpose from 17th October. 1960 to 5th November, 1960.

Notices of "right" shares will be posted to the shareholders at their registered addresses in December, 1960.

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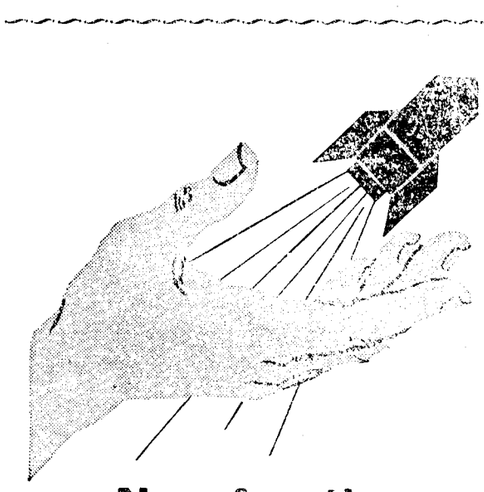
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Central Office, Madras

M. Ct. Muthiah, Chairman
C. P. Doraikannu, General Manager

IOB/769a



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COMMODITY NEWS AND NOTES

IMPORTS OF CAUSTIC SODA

As stated earlier, the increase in demand for caustic soda has been outstripping the increase in indigenous production, with the result that instead of becoming self-sufficient in this basic chemical, our dependence on imports has actually been on the increase. The following table gives the quantity and value of imports effected in the past few years:

	1954	1955	1956	1957	1958	1959
Quantity (Tons)	52,638	54,881	93,594	66,042	61,734	147,162
Value (Lakhs Rs.)	317.57	326.77	544.58	338.22	394.89	894.63

Caustic soda is classified under Serial N. 22(a) of Part V of the Import Trade Control Schedule. Since July-December 1956 imports of caustic soda are canalised through an agency approved by the Government, namely, the State Trading Corporation. Applications from actual users of rayon grade caustic soda, however, continue to be considered on an ad hoc basis. Imports are charged to protective duty at the rate of 40 per cent of ad valorem standard and 30 per cent ad valorem preferential.

COTTON EXPANSION PLANS IN ISRAEL

Israel's local production of cotton staple this year will be virtually sufficient to meet all home market requirements. It is expected that the crop will amount to 10,000 tons, compared with 7,000 tons harvested last year. The area under cotton, however, will have to be further increased in coming seasons to keep pace with the rapid expansion of the local textile industry.

RUSSIA'S EXPORTS OF OIL

A break-down of the figures for the Soviet oil exports last year is now available with the arrival in the UK of the official (Russian) trading statistics for 1959. These show that 25.4 million tons of oil were exported during the year, made up of 12.5 million tons of crude oil and 12.9 million tons of petroleum products. Countries outside the Communist group were well represented among the purchasers of Soviet crude. Italy was the biggest recipient, taking 2.4 million tons, followed among the non-Communist states by the UAR (11 million tons) and Finland (900,000 tons). Czechoslovakia imported 1.8 million tons of crude from Russia, East Germany 1.5 million, Hungary 1.2 million and Poland 700,000 tons. China took the largest volume of petroleum products 2.4 million tons—but with only one other Communist country figuring prominently. This was Poland, with some 1 million tons. In the West, Sweden was the biggest importer of petroleum products, taking 1.1 million tons, Finland imported 1 million tons, the UAR 900,000 tons, West Germany 800,000; France 700,000 tons. The UK was low on the list, taking only 101,800 tons.

TEA EXPORTS TO USA

During 1959-60, 23.26 million lbs. of Indian tea were exported to the USA as compared with 24.42 million lbs. in 1958-59. India is a member of the US Tea Council which campaigns for increasing the consumption of tea in that country. Besides joint promotional efforts, a Tea Promotion Officer has recently been posted in New York to look after our tea exports.

FRUITS IMPORTS FROM AFGHANISTAN

The Government of India has decided to permit the import of dried and fresh fruits from Afghanistan on the basis of advance licensing. This has been announced in an Import Trade Control Public Notice. These licences will be subject to subsequent adjustment according to the entitlement of the approved importers. The import permits will be issued on an ad hoc basic within a limited ceiling and on the condition that the importer undertakes to effect exports to counterbalance the import. Only approved importers, who have been registered with the Deputy Chief Controller of Imports and Exports, Central Licensing Area, New Delhi, and Joint Chief Controller of Imports and Exports, Bombay, during 1959-60, may apply for permits not later than September 20, 1960.

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R.f. No.

23rd June 1960

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Dear Sir,

There are fifteen Ashok Leyland Comets in our fleet of 51 buses. The first Comet was put on the road on 1-1-58. We are operating them on mofussil routes and none has experienced any major breakdown so far.

Considering the mounting passenger traffic on the one hand and the indifferent road conditions on the other we unhesitatingly say that the 203" wheelbase Leyland chassis is ideally suited to tackle both the problems. It is the only chassis available in India with the largest seating capacity (we are able to seat 66 persons in all) and it withstands the severe running strain over long distances.

In fact the dependability and economy of the Ashok Leyland Comets are so convincing that we are thinking of replacing the existing vehicles with them.

Thanking you,

Yours faithfully,
For ARUPPUKOTTAI SRI JAYA VILAS (P) LTD.,

Managing Director.

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This testimonial explains Leyland's enormous popularity in over 50 countries in the world. The exacting standards of precision combined with fine craftsmanship makes Leyland the most wanted vehicle today.

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ASHOK LEYLAND LIMITED
Ennore, Madras

Company Meeting

BOMBAY SUBURBAN ELECTRIC SUPPLY LIMITED

CHAIRMAN'S SPEECH

Gentlemen,

This General Meeting of your Company is the first to be held after the inauguration of the State of Maharashtra. We offer our felicitations to Mr. Chavan and his colleagues with the hope that their efforts on behalf of the new State will be amply rewarded. They have our full support and assurance that we shall do all we can to further the prosperity of the new State and its people.

This change in the political scene will mean greater potentiality for industrial development in the Bombay Suburban area — an area in which your Company is playing an ever increasing part. The rate of growth in power supply in the area has continued to be well above the normal, as will be seen from the percentages of increase during the last three years, which have been 16.5, 19.5 and 21.4, respectively. These are impressive figures and justify the confident hopes of those who had all along forecast rapid development in the Suburbs. Careful planning over the last ten years has enabled your Company to anticipate load requirements. A lot of money was spent on intensifying the mains net work and we are now reaping the benefits.

Future development is likely to be even more impressive. This will place a greater measure of responsibility on your Company, and there is no doubt that the bold planning of the past and the efficiency of our staff will ensure that we are not found wanting.

The tempo of power development in your Company's area of supply will require an investment of about Rs. 45 lakhs per year during the Third Five-Year Plan period. A part of this will be met by internal finance to the extent of Rs. 25 lakhs yearly, which will accrue by way of depreciation, consumers' contributions towards service line charges and the development reserve permitted under the Electricity (Supply) Act. This means that we shall need about Rs. 20 lakhs per annum during the next five years. At present development capital is being provided through Bank finance and this will allow the Company to carry on for about two years without needing to tap further sources of capital. Thereafter we shall have to consider what can best be done to raise new capital and it is to be hoped that by then the investment climate for Electricity undertakings is more favourable.

This brings me straight to the effect of the statutory control imposed on Electric Supply Undertakings by the financial provisions of the Electricity (Supply) Act, and its impact on the problem of raising capital for power development. It is well known that for some time no electric supply company has had the confidence to enter the market for equity capital. Furthermore, the position has worsened with the change in the tax pattern introduced by the Finance Act, 1959, whereby the facility of "grossing up" of dividends in the hands of shareholders was withdrawn. In addition, dividends paid to the shareholders have been made subject to deduction of tax at source at the prescribed rate of 30 per cent. Although the new tax pattern applies to industry as a whole, its effect on our Industry has been particularly severe. For one thing, by virtue of the stringent control applied under the Electricity (Supply) Act, we are not allowed to step up earnings to a level which would permit a higher rate of dividend. Secondly, we cannot even divert to investor, the benefit of tax savings as is possible in the case of other industries. Our Reasonable Return, in other words the amount effectively available for distribution to the shareholders, remains to all intents and purposes the same, whatever tax is payable. Thus we and the Industry as a whole are caught between the contradictory provisions of Income-tax Law and Electricity Supply Law.

It was hoped, by way of interim relief, to be able to divert to the investor in respect of the financial year ending 31st March, 1960, the tax difference between 51.5 per cent (the old rate of tax) and 45 per cent (the rate at present in force). However, this suggestion has met with legal difficulties. Efforts are still being made to obtain relief in another form, and the most favourable proposal at present is to permit the Undertakings, for the financial year 1959-60, a special appropriation representing the tax relief of 6½ per cent to be used for "augmenting the machinery of production". This interim relief, if it matures, is expected to be without strings and the incidental benefit to the investor although not significant in terms of cash relief, will still go some way to improve the equity value in the Industry.

However, any interim relief can at the best only be a sop and if the Electric Supply Industry—investment in which, at one stage, was regarded as gilt-edged —is to regain its place in the heart of the investor something more will need to be done. Ultimately the best way to restore equity values—which alone will attract development capital—in the Industry is for the Reasonable Return itself to be upgraded from the present level of the Reserve Bank rate plus 2 per cent to at least the Bank Rate plus 3 per cent. This proposal and other modifications to the Electricity Law which will bestow on the Industry some benefits, have been sponsored by the Federation of Electrical Undertakings of India and I can only hope that before the end of this year the Industry will see a Parliamentary enactment which will improve the investment climate.

With all three units in the Trombay Thermal Station now in commission, the power supply position in the Bombay area has improved. With the expected commissioning of the first generating unit of 60,000 kW in the Koyna Hydro-electric power station by October 1961, the availability of power will become easier still, even allowing for rapid load development. This should mean that there will be progressive releases of bulk power to meet the requirements of industries and homes in Licensee's areas. As a result it will be necessary for your Company, in common with others, to obtain the necessary materials for development, such as cables, transformers, switchgear, meters, and so on in order to pass on power to the consumers. I refer specifically to this point, as we have had considerable difficulties in recent months to obtain import licences for items which indigenous manufacturers are unable to supply. There is a danger that the enormous increase in generating capacity in the country and the money spent on it, will not be used to the best advantage if the materials essential for distribution are not available to the Industry. Power denied to a needy consumer is progress withheld—power denied to potential exporters will cost the country dearly. One bright feature about this problem, however, is the

very valuable assistance rendered by the Central Water and Power Commission to all power systems in obtaining much needed equipment. With power development having received a set-back during the Second Five-Year Plan period because of the foreign exchange crisis, I hope that a greater measure of co-ordination will prevail during the Third Plan period at all stages of power development, so that available power reaches the consumer.

Shareholders may naturally be worried at the resolution adopted recently by the Bombay Municipal Corporation suggesting the municipalisation of the Bombay Suburban Electric Supply Ltd. This is no new development. The first time such a proposal was mooted was in 1953, and ever since, this form of agitation by the Greater Bombay Municipal Corporation has tended to be a recurring feature. Agitation of this nature obviously carries political overtones, often clothed in unknown and untested economic advantages which, it is claimed, would accrue to the Suburban community. However, what is plainly not taken into account is the lower density of population in the suburbs, as compared with the City. This means that for a given amount of capital expenditure on power distribution, less units will be sold in the suburbs than in the City at the present. As development of the suburbs takes place, the disparity will narrow until offtake in both areas will be comparable. When this happens our rates will compare very favourably with those charged in the City. I would remind the agitators, however, that our rates have progressively been reduced since 1947 and this process will continue as load development gathers momentum in the coming years.

In view of the regulations imposed on the Electric Snupply Industry, nationalisation or municipalisation, as a doctrine, may not carry much weight in official circles at the present time. In fact, is is the praclaimed policy of the Central Government that Electric Supply Undertakings rendering valuable service should not be displaced merely for the sake of displacement. I hope I am right in saying, therefore, that the investor in the Corporate Sector of the Electric Supply Industry need not worry too much about premature acquisition.

Turning to the Accounts, the printed Balance Sheet has been in your hands for some time, and I feel sure that you will agree that the results are satisfactory. I would like to add for your information that in accordance with the Financial Principles embodied in the Electricity (Supply) Act, the Clear Profit actually earned for the year is equal to the permitted Reasonable Return.

Another point of interest pertaining to the accounts on which I would like to make some observations is that, shortly before the Accounts for the year were due to be finalised, the Supreme Court judgments on the series of test cases filed by the Income-tax Department on the legality of additional Income-tax became available. These judgments ruled that the levy was not tenable. In consequence, the provisions in respect of Additional Income-tax made in the Accounts amounting to Rs. 3,28,073 for 1953-54 and Rs. 3,55,460 for 1954-55 have been taken to the Appropriation Account. However, at the same time, adjustments in terms of the Electricity (Supply) Act had to be made by reopening the computations for the respective years where necessary further appropriations have had to be made in accordance with law, to the Statutory Reserves. This means that not all the provisions, now written back, are available to the Company. However, I am sure that you will welcome the increase in the dividend this year, which has partly been due to the above-mentioned windfall. As last year, I regret that we must deduct Income-tax but as I have tried to explain, Electricity Companies are in a difficult position. We cannot charge up the Income-tax on your dividends to working as we could before.

A reference has been made earlier to the interim relief which the Electric Supply Industry may be able to obtain in respect of the financial year under review representing the tax saving of 6½ per cent accruing to non-regulated industries as a matter of course. In your Company's Accounts for the year 1959-60, the appropriation seeems feasible and consequently a sum of Rs. 1,06,360 has been set aside, subject to the requisite sanction being obtained from the State Government. The amount in question is included in the sum of Rs. 2,50,000 appropriated to the Dividend Equalisation Reserved. It is likely that the special appropriation may only be approved subject to the amount being retained in the business. If such a stipulation is forthcoming, it may have to be transferred to a Capital Reserve later. If for any reason the limited relief indicated above does not materialise, the Company will be obliged to write back the sum of Rs. 1,06,860 in due course.

During the year under review, Sir Chunilal V. Merta resigned his seat on the Board of your Company and in May 1960, Mr. M. S. Captain did likewise. The services rendered by these two gentlemen to your Company have been very valuable and the Board have recorded their grateful thanks to them. I have no doubt that you, gentlemen, would wish to associate yourselves with the sentiments expressed by the Board.

The Report reference to certain demands made by the Staff Union having been referred to the arbitration of Mr. H. R. Gokhale. The procedure of voluntary arbitration adopted by your Company in matters relating to disputes with the Staff Union has received wide appreciation.

NOTE: This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

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SINGAPORE HONGKONG MAURITIUS
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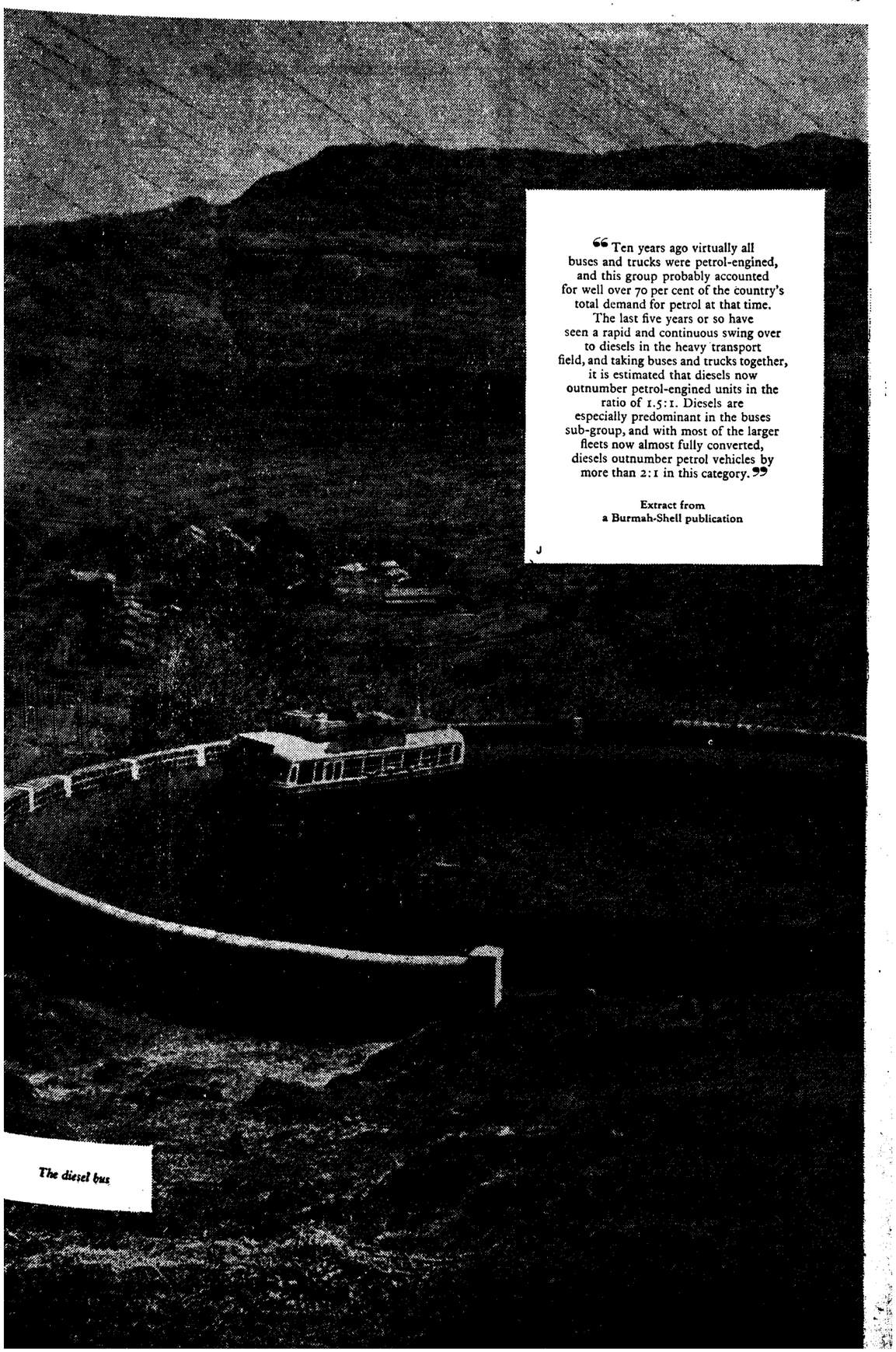
Every description of Banking Business Transacted.

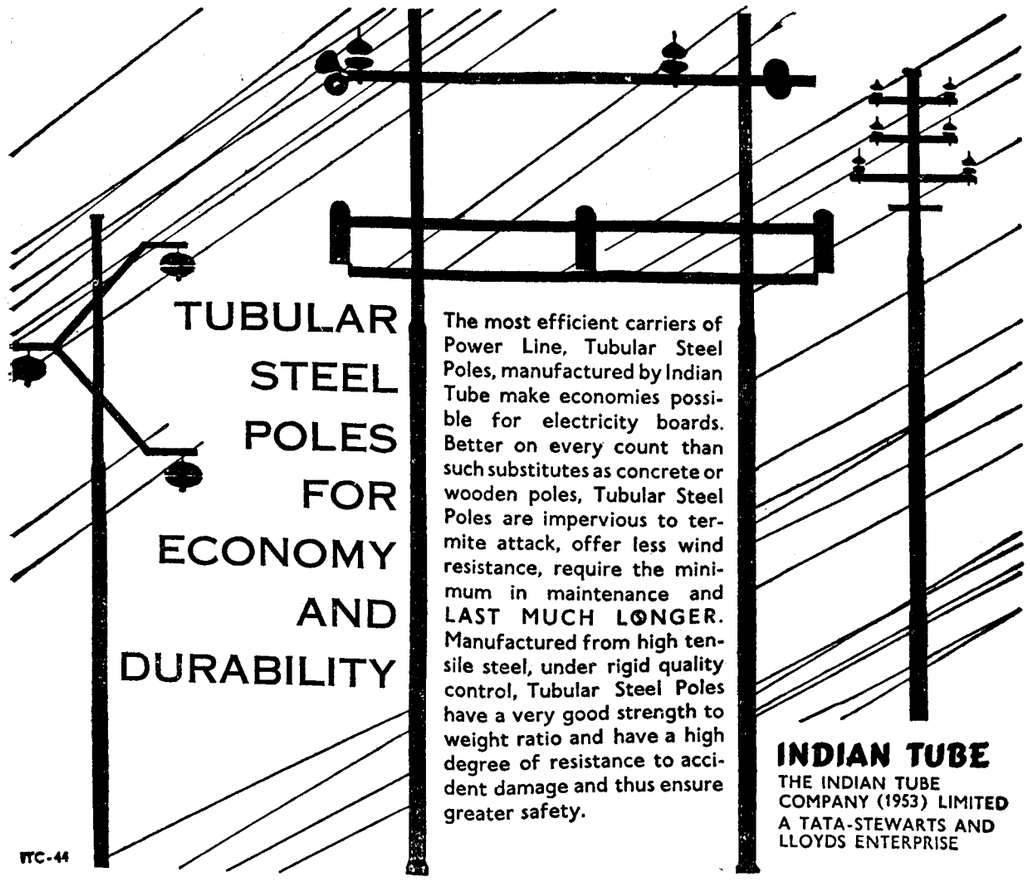
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Sub-Branch.—
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HOWRAH.

W. H. JACKSON,
Manager





ORISSA GOVT. LOAN 1969

Issue Price Rs. 99.50 per cent

Opens on the 29th August, 1960

The loan will be closed as soon as a total of approximately Rs. 400 lakhs has been subscribed and in any case not later than the close of business on the 3rd September, 1960.

The applications will be received at the Office of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras and Bangalore, at the branches of the State Bank of India in Orissa and at the Treasuries and Sub-Treasuries in the State of Orissa.

Full particulars can be obtained at any of the Offices of the Reserve Bank of India or branches of the State Bank of India or at any treasury or sub-treasury in the State of Orissa.

CENSUS OF MANUFACTURING INDUSTRIES : 1958

		Cement	Jute Textiles	Vegetable Oils*	Electric Lamps	Distilleries and Breweries
1.	Number of registered factories in existence**	30	106	29	11	49
2.	Factories from which returns were received	28	90	23	9	41
3.	Percentage of (2) to (1)	93	85	79	82	84
4.	Fixed Capital employed (Rs. lakhs)	44,27.0	37,35.6	4,98.8	93.1	1,98.0
5.	Working capital employed (Rs. lakhs)	20,72.2	34,57.9	7,69.0	96.0	1,65.5
6.	Total capital employed (Rs. lakhs)	64,99.2	71,93.5	12,67.8	1,89.2	3,63.5
7.	No. of workers employed (Thousands)	23.7	219.6	5.7	2.2	3.6
8.	No. of persons other than workers employed (Thousands)	4.6	14.5	1.5	0.5	1.0
9.	Total number of persons employed (7+8) (Thousands)	28.2	234.1	7.1	2.7	4.6
10.	Wages paid to workers (Rs. lakhs)	2,87.0	22,89.1	86.4	27.9	37.8
11.	Salaries paid to persons other than workers (Rs. lakhs)	1,27.6	3,60.3	57.9	18.0	25.1
12.	Money value of other benefits or privileges (Rs. lakhs)	62.8	62.4	9.1	2.4	2.3
13.	Total salaries and wages paid (Rs. lakhs) (10+11+12)	4,77.4	27,11.8	153 3	48.3	65.2
14.	Value at factory of materials, fuels, consumed etc. (Rs. lakhs)	24,19.5	83,28.1	50,52.0	1,53.3	2,31.6
15.	Value of work done for factories by other concerns (Rs. lakhs)	56.2	14.7	9.7	3.3	42.4
16.	Depreciation (Rs. lakhs)	3,68.1	2,22.2	38.5	5.2	14.1
17.	Total of materials, and fuels consumed and depreciation (Rs. lakhs) (14+15+16)	28,43.8	85,65.0	51.00.2	1,61.8	2,88.1
18.	Factory value of products and by-products (Rs. lakhs)	40,26.2	127,02.3	55,95.6	2,47.7	464.5
19.	Value of work done for customers (Rs. lakhs)	1.0	1.3	4.1	Nil	1.8
20.	Total of products and by-products manufactured for sale (Rs. lakhs) (18+19)	40,27.2	127,03.6	55,99.7	2,47.7	466.3
21.	Value added by manufacture (Rs lakhs)	11,83.4	41,38.6	4,99.5	85.9	178.2
22.	Value added per person employed (Rs.)	4,190	1,768	7,035	3,181	3,874
23.	Value added as percentage of productive capital	18.2	57.5	39.4	45.4	49.0

** Employing 20 or more workers on any day and using power.
* Edible hydrogenated oils.

Source: C.S.O.

4 per cent

MAHARASHTRA

STATE DEVELOPMENT LOAN, 1969

ISSUE PRICE AT PAR.

OPEN ON THE 29TH AUGUST 1960

The loan will be closed as soon as total of approximately Rs. 1,000 lakhs has been subscribed and in any case not later than the close of business on the 3rd September 1960.

The applications for the loan will be received at –

a) the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras, Nagpur and Bangalore,

b) the branches of the State Bank of India within the State of Maharashtra, except at Bombay and Nagpur and at places mentioned in (c) below,

c) the branches and Treasury pay offices of the State Bank of Hyderabad within the State of Maharashtra,

d) the Government treasuries and sub-treasuries in the State of Maharashtra at places where there is no branch or Treasury pay office of the aforesaid Bank.

Full particulars can be obtained at any of the offices mentioned above.

Shakespeare once observed "Beauty is an innate craving of man—so he seeks to dwell in lovely parts of the creation." No age has ever been immune to this captivating spirit of Beauty, the balm of life. Even mother Sita of our epic age fell a victim to the attractions of beauty when she noticed an illusory golden deer, and longed for having it, which resulted in the out-turn of a chain of momentous events in the social life of that epic age.

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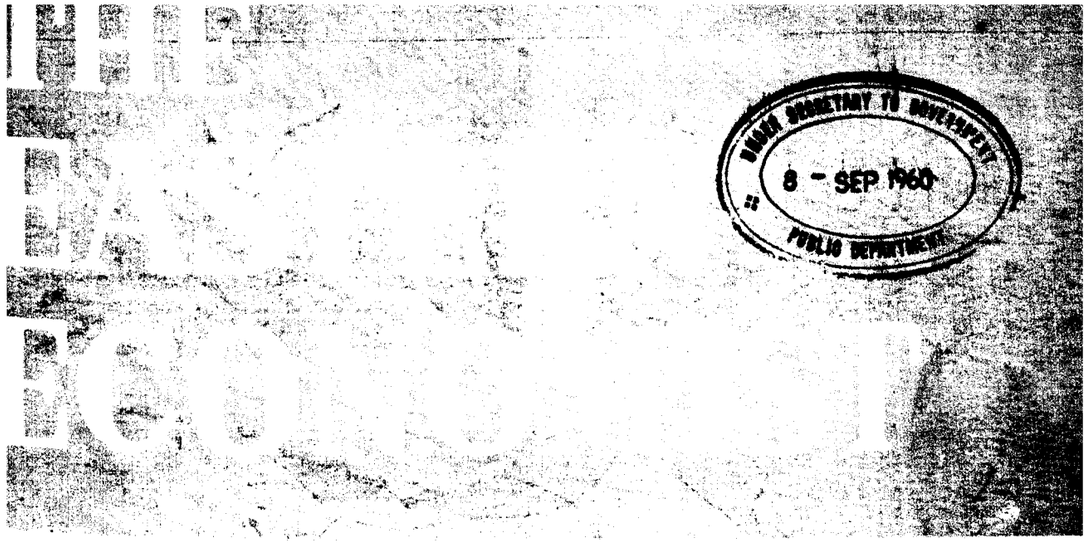
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With a Supplement
on
THE DEMAND FOR OIL

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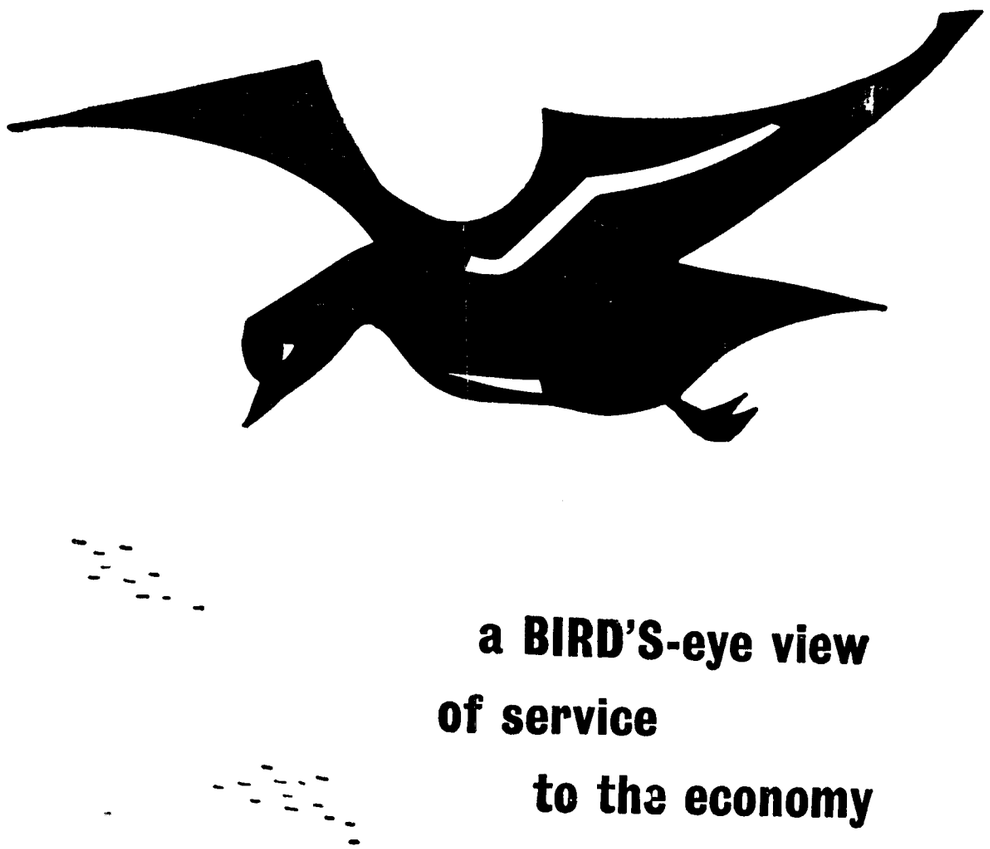
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of service
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The Eastern Economist

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Second Thoughts on Indian Import Policy

THE meetings of the Import and Export Advisory Councils this week-end have provided a unique, even if somewhat depressing, evaluation of India's current difficulties in international trade. It is obvious that imports, even on "current" or maintenance account, refuse to balance exports. Mr. B. K. Nehru, Commissioner-General for Economic Affairs abroad, in a frank statement argued that the gap was between Rs. 60 to Rs. 70 crores and just could not be allowed to continue. Meanwhile, the Reserve Bank of India's statement of August 12, showing the sterling balances at an all-time low of Rs. 144.5 crores, was the central point of many speeches, particularly of the speech of the Minister of Commerce and Industry, Mr Lal Bahadur Shastri. The Minister himself, particularly in his bracing concluding remarks, argued that the position was difficult but by no means critical. On the whole, both the meetings of the Import and Export Advisory Councils were workmanlike, and not escapist. One might argue that because they forged some new determination to deal constructively with both imports and exports, both the meetings were amongst the best of their kind.

Views expressed at the meetings varied all the way from the necessity of "maintaining" the economy at almost any price to a fairly drastic view that India's import policy, which had hitherto been guided by the objective of full utilisation of capacity, was incompatible with the maintenance of India's balance of payments. For many years the word 'stability' has had an almost magic connotation. It has conveyed to the business community a sense of a secure right to a certain level of imports, provided it installed the plant capacity under licence. Now that it has become clear that all new undertakings cannot be provided with sufficient imports, the first line of defence—presented ably by Mr. Murugappa Chettiar President of the Federation of Indian Chambers of Commerce and Industry—has been to argue that development should wait while maintenance and utilisation of existing capacity should take first priority. Thus, the debate has been fairly joined between the short-term and long-term demands on India's limited foreign exchange resources with no decision reached. In the Import Advisory Council certainly the majority favoured maintenance. In the counsels of the Government, which are still confused, there is almost equal emphasis on development. How India's foreign exchange bill for maintenance and development has to be underwritten at the same time, no one has answered. It would appear to be the intention of the Government of India to appoint a committee to recommend exactly how priorities can be arranged under given ceilings of foreign exchange. The truth is that political factors have, for a long time, overruled the hard necessity of balancing our current international account. If, as Mr. B. K. Nehru argued, our friends abroad are unwilling to provide resources for maintenance of the economy, there is urgent need for recalculation as to how existing resources are to be assigned. Undoubtedly, a middle course will hurt both existing units and development. It would be foolish to deny that the consequences for the whole economy are fairly grave. In the first place, the import policy for the next half year will be drastic and this will inevitably lead to increase in black market in certain areas of raw materials. The State Trading Corporation, much mentioned at this meeting, cannot, with the best will in the world operating on rupee account imports, maintain demand and supply if they are wide apart. One of the first consequences, however, will be that rupee imports from East European countries will receive a further fillip at the expense of trade requiring foreign exchange. This diversion of trade towards East Europe directed by our payments difficulties has already been under way for this year and the increased diversion is, in fact, the result of the inability of the Western countries in the "Aid-India Club" to provide in time all the sums stated to have been required at the August 1958 meeting, when credits for the Second Plan were first negotiated.

A second consequence is that India's industrial progress, which was rising steadily—it is believed to be moving at an average rate of 13 per cent more than last year—will have a set-back. Perhaps if steel and cotton textiles maintain their advance, the gap will not be very large immediately. But it is inevitable that many industries will be affected, and certainly some grandiose plans will need to be put into cold storage. The plans for a small car and for a watch factory were particularly mentioned as being border-line cases which could well be deferred; they could, but for political reasons, be unmourned casualties.

If India's friends abroad are unable to provide resources for maintenance, it is clear that the remedy for current imports can only be exports. This is an uncomfortable conclusion, seeing that exports present one field which, in the last decade, has been noticeably unattractive to the great majority of Indian businessmen. But now they will need to accomplish, under restrictions of imports, incentives like dovetailing exports with imports and perhaps compulsory exports, the performance of an uncomfortable duty long delayed. How much can be done is anybody's guess, but the lines of new export policy are beginning to form themselves in the Government's mind to these new alteratives. To these we turn.

Exports to the Rescue?

THERE are two ways of looking at the performance of exports during the Second Plan. If one were to compare 1956-57 with 1959-60 there may be some cause for pessimism, because in spite of the long catalogue of measures for export promotion detailed in the Draft Third-Five Year Plan exports have actually come down from Rs. 635.2 crores to Rs. 623.3 crores. On the other hand, it should be a matter for a little gratification that during the last four years, exports at an annual average of about Rs 607 crores were more than those envisaged in the Second Five-Year Plan. There is also a little encouragement from the fact that during the first six months of this year, exports have gone up to Rs. 301 crores as compared to Rs. 266 crores during the corresponding period of last year. Considering the fact that during the second half of last year, exports were of the order of Rs. 357 crores, it is conceivable that the total exports for the current year may exceed Rs. 650 crores which is the target envisaged by Mr. Lal Bahadur Shastri at the Export Promotion Advisory Council meeting.

What then precisely is the magnitude of the problem of exports? According to the Draft Outline of the Third Plan, the annual average of exports envisaged during the Third Plan is Rs. 690 crores which is not sufficient to meet the maintenance imports of the order of Rs. 714 crores. Over and above this, there is need to service existing debt obligations of the order of Rs. 500 crores. This means either the country should make determined efforts to raise the annual export target by another Rs. 100 crores—which is of course a substantial task—or try to convert the obligations falling due during the Third Plan period into longer-term loans. If the second alternative is not feasible—and it only gets us time—it would mean that the annual average of exports should be raised from the current level of Rs. 607 crores by another Rs. 100 crores almost immediately.

The Export Plan for 1960-61 which Mr. Shastri said has been worked out on commoditywise basis and which would also be arranged countrywise and whose details are yet to be announced, will naturally be awaited with interest. But the problem of export promotion has to be looked at from the short-term, as well as the long term point of view. In the short-term, the announcement made by Mr. Shastri that control over 70 items will be lifted would of course be welcome. The only question is on how many more items similar control should still exist. Similarly, in the dovetailing of imports with exports, the suggestion that priority should be given in the matter of foreign exchange for industries which could bring export earnings is obviously commonsense. Why has it been so long delayed?

In the first half of this year, except for tea, most of the traditional items have made substantial gains and the problem is one of not only maintaining them but pushing them further, because traditional exports are of the sort that often face a failing world market. In the case of tea, there is the additional factor of the imposition of fiscal burdens. Therefore besides the question of maintaining competitive prices and ensuring quality, there is also need for concentrating on specific marketing practices like packaging, regular delivery of products and publicity in the several markets. The fluctuation in tea exports also illustrate that there is need for further diversifying our contacts with foreign countries. It is also worth examining whether just as in the case of Japan, instead of dispersed individual efforts, private firms and trade associations with Government assistance, should not combine for promoting exports in foreign markets. Along with the traditional items, the country has also to find new commodities and new markets for promoting exports. From the point of view of earning foreign exchange, the contribution of non-traditional items may not be quite substantial since even the engineering goods currently earn only Rs 7 crores. But from the long-term point of view, their importance cannot be under-estimated. And it calls for a long-term strategy so that individual markets that are now developing in South-East Asia as well as Africa may be surveyed for the different commodities.

Much the most important factor in our larger export industries is price. And the most efficient export policy for every commodity is one which controls the domestic cost of production. This has been almost completely forgotten. The second factor is a fiscal incentive to export against an easy sale in a rapidly growing domestic market. If neither of the above conditions applies compulsory exports will be necessary, with the country bearing a sizeable loss. But the situation brooks no delay. It is good the Export Advisory Council meeting made this clear.

Banking Under Stress

WHAT might have been a major catastrophe in the post-Independence era of Indian banking has happily been averted; the run on the Punjab National Bank in Delhi—not one of the most arduous in its proud history of over fifty years—has been weathered. Though withdrawals of deposits from this bank, one of the "Big Three" in the country, may continue for some time, the tide has turned without doing any significant damage.

Various reasons are being put forth for the storm that the Punjab National Bank has had to face during the past one week. It has been suggested that the run was engineered by some mischievous persons. The Union Finance Minister, Mr Morarji Desai, in reply to a question in the Lok Sabha on Monday stated that "the Government's attention has been drawn to certain allegations in this connection (some Members had asked what action the Government proposed to take against those who had created the mischief and caused the run), but without a detailed investigation it will not be possible to confirm or contradict them". It is hoped the Government has already instituted a probe into this; the findings of this investigation will be eagerly awaited. But the real cause of the run appears to be the shaken confidence of the public following the Palai episode. How otherwise can one explain that it is not one but a number of banks which have witnessed panicky withdrawals in the last few days?

What has caused this general scare in the banking public? The forced liquidation of the Palai Central Bank undoubtedly supplied the initial spark, but it has clearly been increased by doubts raised by the statements of the Union Finance Minister and his deputy, Dr. B. Gopala Reddi, in Parliament during the last two weeks. Mr Morarji Desai's apologia for the Reserve Bank's delayed action in the case of Palai Bank has not helped. Nor has been of any assistance the invidious distinction that Dr. Gopala Reddi has drawn between "licensed scheduled banks" and "unlicensed scheduled banks". The only condition for a banking company for securing a licence is that it should satisfy the Reserve Bank about its working not being detrimental to the interest of its depositors. This is one of the conditions for a bank to entitle it to be included in the Second Schedule of the Reserve Bank of India Act. How then can a scheduled bank be kept unlicensed? The distinction thus having been drawn, doubts were raised about the working of a number of scheduled banks which the public apprehended might not have been granted a licence as yet. To make matters more uncertain, Mr. Morarji Desai came out with an explanation that the Government did not guarantee the health of any bank, whether scheduled or non-scheduled or licensed or unlicensed.

The result of all this has been that some confidence in the Indian banking structure has been shaken. It will take time to restore this confidence and that depends on what steps are taken to restore it and how quickly. The Governor of the Reserve Bank has suggested augmenting of share capital and reserves of the banking companies by broad-based public subscriptions and by ploughing back of profits respectively, but this raises the important issue of "servicing" the capital. Another suggestion—it perhaps is being given effect to in the Banking Companies (Amendment) Bill which the Government proposes to bring before Parliament shortly—is that the Reserve Bank should be given powers to force amalgamation of small and weak banks to form stronger units. This is a step in the right direction and should go some way in consolidating the shaken edifice of the banking industry in this country. The contemplated measures to strengthen the inspection and supervisory powers of the Reserve Bank would also be welcome. But the quality of the Bank's supervisors needs considerably to be raised.

More effective step to put the house of the banking industry in order would, however, be to introduce a Deposit Insurance Scheme as called for by this journal in its issue of August 12. Auditors for all the banking companies should also be approved by the Reserve Bank to whom they should be made ultimately responsible. And perhaps a more liquid position may be necessary. But then what happens to the oft-repeated demand that banks should be encouraged to advance long-term loans to industry? Again, how great is the pressure for "clean" advances? The Reserve Bank cannot have it both ways. More adventurous banking will entail more risk. Are Indian scheduled banks to play safe or are they to be more adventurous? The Reserve Bank should decide early.

Oil: Demand and Supply 1965-66

PROBLEMS of oil continue to strike the headlines. And quite apart from the controversies between the Government and the oil companies there is a major issue of public interest. This is in respect of an energy shortage in the Third Plan. Elsewhere in a *Blue Supplement* in this issue, it is pointed out that a major error has been made in respect of oil requirements by 1965-66.

It is possible to draw the threads of the articles in the *Blue Supplement* together and compute a figure for total demand. Not, indeed, that total demand is any adequae assessment of separate oil needs. There must be a balance in individual components as well as a balance in total; imbalance has already existed too long. Nevertheless for the purpose of looking at the whole picture as now set out, one can argue that total demand is likely to be of the order of 14 million tons.

Against this the supply from all current refineries might be of the order of 6 million tons. Assuming the two public sector refineries at Barauni and Gauhati together produce 2.75 million tons and that a new refinery in Cambay can be brought into operation to produce half a million tons, there would thus be a gap of 4.75 million tons. The structure of the gap in 1965-66 will again naturally depend on the individual components, but the total figure is likely to be unaffected because a shift towards one product is likely to be compensated by a fall in another; diesel and kerosene are substitutes and, if a multi-fuel engine emerges, as seems likely, obviously "the mix" will be greater than at present. All in all one might argue that between 4.5 and 5 million tons is an inescapable gap so far as refined products are concerned.

The Ministry of Fuel has given out the statement that, so far as the public sector is concerned, no additional refining capacity is contemplated beyond the Cambay refinery which, because of the inadequate reserves on which it is based, will necessarily be small. It would, therefore, appear that the gap in refined products to be filled is at least 4 million tons, if not 4.5 million tons.

It is, obviously, advisable that new refining capacity should be immediately installed. The cost of finished products naturally varies with the product, but a fair average price in India's conditions might be between Rs. 145 and Rs. 150 per ton. whereas today's landed cost of crude—this was confirmed by Mr. P. D. Tew, Chairman of Burmah-Shell Refineries, in his speech last week—is only Rs. 65 per ton. If we take the gap in 1965-66 as merely 4 million tons and the difference between refined and crude at Rs. 80 per ton, this would make a difference of Rs. 32 crores in that year. It has been stated that after making allowance for the foreign exchange needed to operate the additional refining capacity (mainly refining fuels, stores and materials) and to service the additional foreign capital, there will be an overall net benefit to the economy of Rs. 25 crores of foreign exchange per year after 1965-66.

It seems obvious that the conclusion of the argument on demand should be the installation of additional refining capacity of about 4 million tons. It would appear proposals for more than half of this have already been made. The question might well be asked as to why they have not proceeded further in the last year. Every year of delay implies an additional foreign exchange cost measured by the differential between crude oil prices and refined products currently estimated at Rs. 80 per ton in foreign exchange. In the present foreign exchange crisis, the delay in sanctioning a new refinery or an expansion of an existing one seems inexcusable.

A DELHI DIARY

THE INSTINCT FOR SURVIVAL

SATURDAY last week will live for ever in the memory of those who were in Delhi at 9-31 p.m. that day. At that hour, and at that minute, we had the most severe earthquake shock and rumbling that we have ever had. As if by sympathetic design, in the area in which I live, the lights went out. If there had been no earthquake at that time, the departure of the lights might have been dismissed as a daily occurrence, but for the first time, the electricity authorities have yielded place to Nature in daily conversation. Every day since then, people around me tell me they feel tremors. Whether it is my mass which resists mild vibrations or not, the fact remains that I have only felt one other shock at a little after midnight on Saturday. On the whole, therefore, I am exercising my instinct for survival by assuring myself that Delhi is a safe place—except, of course, for political storms. For anyone who argues that it is not, let me suggest that the total number of cracks recorded on Saturday has been, in the opinion of the Central Public Works Department, negligible. I have dutifully recorded additional cracks in my own house and find them, if not negligible, at least no worse than those we have endured for a long time. I, therefore, join in spreading that dangerous disease called complacency.

I doubt if Delhi's population has ever had such a powerful education in earthquake and things connected therewith. It now transpires that Delhi lies on the earthquake zone which goes all the way from Turkey right through Iran to Japan. In some mysterious way this band embraces the whole of what is called the Himalayan belt and which, I now see, extends right upto the Vindhyas which were apparently formed some millions of years ago. When the Himalayas were thrown up they were not arranged by Providence in a permanently stable position. They have been for a long time settling down, and we have now to recognise that a million years in the sight of Providence are but as yesterday. We are also recognising that the experts are not nearly so good at seismic predictions as we unwisely thought. The seismograph at Delhi was being shifted on the day of the earthquake so that refined scientific information on this particular tremor was not available here. As far as we can determine, this means that there is a vast area of the country uncovered by critical scientific data at this critical time. A disrespectful friend of mine says we are none the unwiser. There are, it seems, three degrees of ignorance. One is lack of awareness, another is unwisdom, and the third ignorance proper. Only the third is really reprehensible.

SOHNA: WHO IS SHE?

Meanwhile, a quite interesting theory has emerged in Delhi newspapers. It is to the effect that Sohna, a place thirty miles from here, formerly with hot springs, might well be the source of all the trouble. I must confess I had never heard of Sohna before and when the name was first mentioned to me I assumed, for some reason or another—perhaps my mind moved in a very limited (but pleasant) framework—of a lovely lady. In fact, Sohna is very much the opposite, being some hot springs, thirty miles North or is it North-East of Delhi? Some months ago it was noted that the springs were giving less hot water, which having receded in some way from Sohna, has been converted into steam and is now bubbling over happily beneath the Capital. We are told that some major investigations are shortly going to take place. Whether men are going to be lowered into the Sohna hot waters, or whether Mr K. D. Malaviya is going to do some oil drilling in the area, I am not entirely clear; but there are a large number of people who feel that Nature in an angry mood is best not tampered with, at least by the inexperienced. Who knows if the breaking of new channels for steam might produce an even greater earthquake. If, as I believe, the steam has already done its worst, cannot it be let, like a sleeping dog, to lie?

IMPORTS AND EXPORTS

Next to the earthquake—and some considerable distance below in public interest—were the meetings of the Import and Export Advisory Councils on Saturday and Sunday. It now transpires that India has been living beyond her foreign exchange means and that we have to recognise that so far as our balance of payments is concerned, this cannot be permitted. It would appear also that individuals can go on living beyond their means for a very considerable time, since by a process of double book-keeping one man's loss is another man's gain and the nation as a whole is happily neutral to deficit budgeting on private account. I shall say nothing about deficit financing on public account because my views on this generally are not printable. But I discovered on Saturday that what is harmless for a private individual dealing in rupees only becomes very serious for a nation, since we often have to pay in foreign currencies which we do not possess, or gold of which we possess, collectively, very little. It seems, therefore, that something drastic is to be done and the experts were at great pains on Saturday and Sunday to decide whether this should be by restriction of imports—was the Import Advisory Council founded for this purpose?—or by expansion of exports as becomes the Export Advisory Council. No firm decision has yet been taken as to which medicine is to be prescribed; but I hear from a reliable authority that both are going to be put on together—perhaps, as is hallowed by tradition, under the aegis of a new committee!

Of particular interest was the sense of urgency conveyed in the meeting of the Import Advisory Council by Mr. B. K. Nehru, our Commissioner-General abroad, who made a very frank, and naturally depressing, assessment of the position on obtaining funds for 'maintenance' of the economy. On the side of exports, Mr. R. G. Saraiya struck a constructive note by saying that this was as much a matter of psychology as of prices, and that the Prime Minister, in his letters to the Chief Ministers, should make them conscious of the fact that exports were priority number one at the present time. He also suggested that a special meeting of the National Development Council should take place to discuss export promotion, that is, after the Chief Ministers had been suitably educated in the interval by the Prime Minister's aforesaid letters. The second of these suggestions was warmly applauded by Mr. Asoka Mehta, Chairman of the Praja Socialist Party. He seemed, however, to be less confident of the Prime Minister's letters to the Chief Ministers. Can it be that these letters suffer from the economic law of diminishing marginal utility? The Minister for Commerce and Industry, Mr. Lal Bahadur Shastri, who managed both meetings with remarkable calm and confidence, poured oil skilfully over all the troubled waters and created the impression that the difficulties were by no means insurmountable. All in all, we still live in the best of all possible worlds!

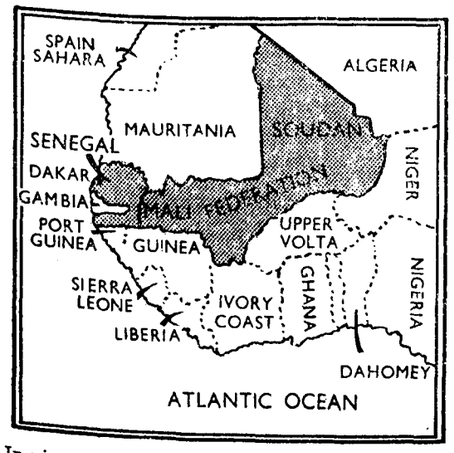
ARGUS.

THE WEEK'S NOTES

Mali

FEDERATION SPLIT

FOLLOWING THE crisis in the Congo, the recent split in the Mali Federation consisting of the former French possessions of Senegal and the Soudan, has caused apprehensions among many whether the process of "Balkanisation of Africa" is after all inevitable. The Mali Federation was formed in January 1959 and it achieved independence within the French "community" only two months ago. The Federation is three times as big as that of France and has a population of about 6½ million. The background to the crisis is not quite clear, but it would appear that it has centred mainly on the election of a President for the independent Mali Federation originally scheduled to be held on the 27th of last month. It has been understood that the President would be a Senegalese and M. Senghor would be the candidate while the Prime Minister would be a Soudanese. But at the last minute, the Prime Minister, M. Keita, himself entered the lists for the presidentship and with his control over the numerically larger population of Soudan, his chances were considered as excellent. On August 19, M. Keita divested the Prime Minister of Senegal, M. Mamdou Dia, of his post as Federal Minister for Defence and Internal Security and assumed these powers himself after proclaiming a state of emergency. The Senegalese leaders, however, did not allow grass to grow under their feet and immediately rushed in support of their Prime Minister and placed under house arrest the Federal Prime Minister who was subsequently released and allowed to go back to his Soudanese capital. It is also alleged that the French army in Africa had a hand in it since they were anxious to see M. Senghor elected president.



In view of this crisis, the intervention of General de Gaulle has been necessitated and according to reports last week, he had asked the two Prime Ministers to meet him in Paris to discuss the situation. However, prospects for a rapprochement seem to be little and the breakup may perhaps be irretrievable. This will have wide repercussions extending to the other areas in Africa because the Mali split is not only due to the rivalry of personalities but also other fundamental differences. There is a great disparity in size and social and economic development as between Senegal and the Soudan. While Senegal is by far wealthier and also more pro-French, M. Keita and his Soudanese followers are leftist in their tendencies. Again, while the Senegalese are in favour of a true federal structure, the Soudanese want a highly centralised government for the Federation. After the split, its is also conceivable that the Soudan may choose to align itself with Sekou Toure of Guinea who is often spoken as being communistic in outlook. This means that the Soudan will move out of the Western sphere of influence and make itself a pawn in the cold war game. For France, there is an additional reason to be anxious because an independent Soudan may conceivably take a more positive anti-French line on Algeria and indirectly strengthen the FLN. In view of these developments, the proposed Press Conference of General de Gaulle in Paris on September 5 is anxiously awaited to know whether he is going to spring any surprise packet.

Co-existence

YUGOSLAVIA AND CHINA

THE RECENT ideological dispute between Mr. Mao Tse-tung and Mr. Khrushchev has come to such a pass that according to certain sources there is no possibility of a compromise. Nevertheless, it has been reported that a Communist "summit" meeting is scheduled to be held in November in Moscow to which China and other members of the Communist bloc have been invited to find out whether this ideological dispute can be settled. Writing in the "New Statesman" recently, a columnist has pointed out how after his recent visit to China, when he suggested that Chinese relations with Russia were rather like those of Britain with the United States and that in both cases the alliance was so important militarily and economically that its more distasteful consequences had just to be endured, there was caused invariably an irrigation. The columnist has argued that perhaps it may be that his point had gone home. He, however, hazards the view that Sino-Russian relations are more likely to be increasingly a marriage of convenience rather than a love-match and if divorce is inconceivable a judicial separation is not.

In this context, the recent treatise on "Socialism and War" by Mr. Edvard Kardelj, a leading theoretician of Yugoslavia and its Vice-President, which was recently given wide publicity has assumed much topicality as it analyses succinctly how the Chinese theories on the futility of co-existence and the inevitability of war have gone wrong. Mr. Kardelj points out that what the authors of Chinese policy demand is "subservience" and not democratic solutions of differences. That is why they try to subordinate the entire policy of international socialism to their own views. The greatest danger of the theory is, according, to him, in the very orientation towards the inevitability of war. While he does not under-estimate the strength of imperialist "factors" he feels that the strength of the progressive and peace-loving forces is also becoming increasingly important and cannot be under-estimated. Where Chinese theoreticians seem to have particularly gone wrong is in their assumption that they will be justified in even resorting to "offensive" war. This, Kardelj says, is palpably wrong because the working class in any country will not favour such a step and war can mobilise the peoples of the whole world on the side of socialism only if it were a defensive war and after the socialist countries had done all in their power to save peace.

The most important aspect of his thesis relates to the Chinese policy of fomenting tension everywhere and especially in Asian countries, which he says, has scared people about Communism and has only strengthened the forces of "bloc alignment". It is impossible for many nations to understand, he declares, how the Chinese can foment tension in its relations with peaceable neighbours over small frontier matters. Such a policy has been the root cause of much distress and even fear. What is more ununderstandable, in his view,

is the policy of the Chinese over the economic development of the backward countries. "The worse the better" seems to be their motto, and the Chinese seem to be guided by a "narrow-minded sectarianism" that it is better for socialism if the under-developed countries remain backward so as to be more revolutionary. If this were the position to be adopted, as recommended by the Chinese Communists, he has no doubt that the Socialist forces would be digging a big gap between themselves and the economically under developed countries, thus isolating themselves from the basic working masses of those nations.

Agriculture

STATE MINISTERS' CONFERENCE

WHEN INDIA is about to embark upon an ambitious "package programme" for agricultural development, it was only expected that the oft-repeated cry would be raised for greater co-ordination between the various Government departments connected with this vital primary activity. The plea of the State Agriculture Ministers, who assembled in New Delhi last week-end for their annual confabulation, for close functional co-ordination between the departments of agriculture, community development, irrigation, co-operation and panchayats, right from the Central and State levels to the district and the village, is thus scarcely surprising. It is, however, intriguing that little should have been done so far—and this is evident from the last week's deliberations itself—in regard to strengthening this link, especially when stress has been placed on this aspect by all the Committees that have been set up since Independence to suggest measures to increase agricultural production. There have been even complaints from the Union Food and Agriculture Minister, Mr. S. K. Patil, that he has not been getting enough co-operation from his counterparts in the States. The State Agricultural Ministers will do well to set the ball rolling themselves by ensuring their whole-hearted co-operation to him in the mighty task of raising farm output in the Third Plan at an annual rate nearly one and a half times that under the current Plan.

It is heartening to note that the Union Food and Agriculture Minister is going ahead with plans to make sufficient quantities of fertilizers available to the agriculturists; he stated in Parliament a couple of days ago that he would export sugar to earn foreign exchange to finance fertilizer imports. But this does not obviate the necessity of making full use of the available organic manures that are allowed to go waste for want of proper storage and processing facilities. The decision to set up a corporation to develop, multiply and distribute improved seeds is equally encouraging. With the growing consciousness on the part of the agriculturists to make use of improved seeds in their bid to increase production, this task has to be undertaken on commercial basis for which a statutory corporation will be eminently suitable. Similar action in regard to the manufacture of improved tools, as suggested by the Prime Minister, can also be of immense help.

The great stress now being placed on minor and medium irrigation works is equally welcome; with the growing popularity of chemical fertilizers, demand for irrigation water will tremendously increase and the quickest way to meet this upsurge in demand is to go in for small works which are easy to build and do not cost much. It is, however, disconcerting to note that the State Ministers could not chalk out a programme for reclamation of waste lands which cover an area of nearly 13 million acres and which, if brought under the plough, can yield over 13 million tons of foodgrains. Not long ago Mr. S. K. Patil expressed concern over the lack of enthusiasm shown by the State Governments in taking up schemes of reclamation of these cultivable wastes. The position, however, does not appear to have improved much. It is to be hoped that due attention will be paid to this problem in the immediate future. There is also need to tone up the agricultural administration in most of the States and attempts should be made in this direction by implementing various recommendations of the Nalagarh Committee.

HIGH FREQUENCY MULTI-CHANNEL COMMUNICATIONS SYSTEM

An order has been given to Marconi's Wireless Telegraph Co. Ltd., of Britain, by Bharat Electronics, of Bangalore, for the supply of a very-high-frequency multi-channel communications system for India's South-Eastern Railway.This is the first order received since the recent signing of an agreement between the companies for the right to manufacture Marconi multi-channel equipment in India. The equipment to be supplied consists of 16 HM-100 terminals and eight HM-150 repeaters, with aerials and ancillary gear. It will be used to provide communications over the route connecting Adra, Tatanagar, Chakradharpur, and Garden Reach. The contract is for the supply and installation of the complete system including towers, Diesel generators, telegraph equipment, and teleprinters. Carrier equipment will be supplied by Indian Telephone Industries Ltd., which will manufacture it under its licensing arrangements with the Automatic Telephone and Electric Company Limited, of England. Radio equipment for the undertaking will be partially manufactured in the Bharat Electronics factory at Bangalore.

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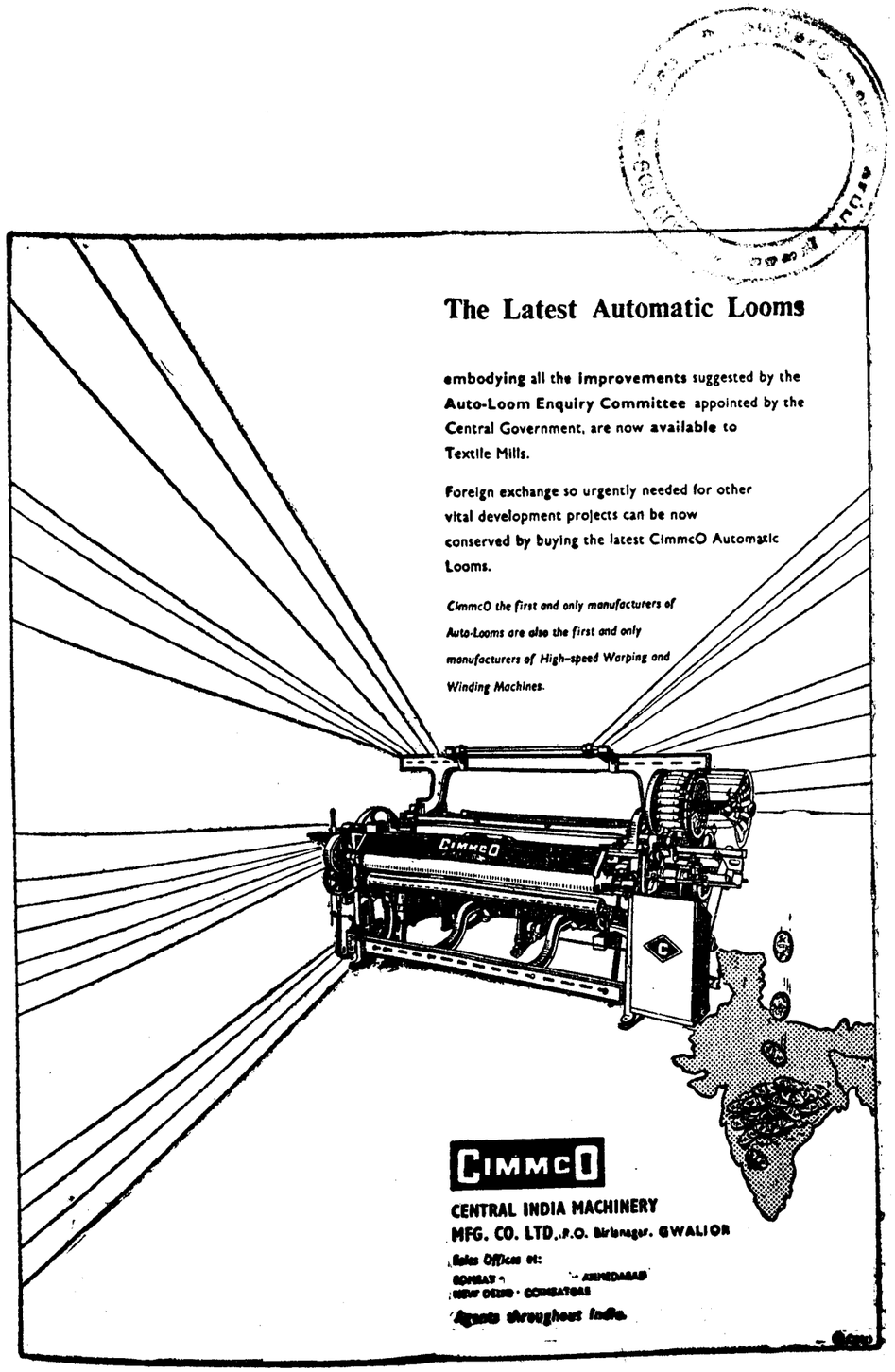
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A Window on the World

FORWARD WITH THE CAPITALIST REVOLUTION!

by

ODYSSEUS

IN THE EFFORT to attain the economic "take-off", whereby a subsistence economy reaches a point at which, with a minimum of foreign aid, it generates self-propulsion towards greater wealth, should India employ the services of anthropologists?

I am moved to ask this by an article in the June Journal of the Royal Economic Society (21 Bentinck St., London W.1) entitled "The Social Anthropology of Economic Underdevelopment", by Mr. J. L. Sadie. In the previous article I stressed that in contrast to the individual initiative which was historically the outstanding cause of economic advance in Europe, the Bantus of South Africa live in strongly knit communities in which the rights and obligations of the individual are subordinated to the interests of the group, which guarantees the individual's security from birth to death. An individual has no incentive to use better agricultural methods, because his extra produce merely goes into the common pool, so that the Bantus are apathetic to change and lack the individual self-assertiveness without which there can be no progress.

Factors making for change have however, been injected into Bantu life. The Bantus periodically add to their earnings by excursions into neighbouring developed areas, and missionaries, traders, civil servants, teachers, and uplift officers invade their territories. It is ironic that Mr. Sadie records that the Bantus are more influenced by the ideas that their own people bring back from their visits abroad than they are by the outsiders who descend upon them. Periodically subjected to the individualistic, rationalistic urban culture, they return home to find traditional ties irksome. Their protest is first directed against parental authority, either because they have come to dislike authority in itself, or because they consider those who have stayed at home too rigid, too orthodox. Some leave the tribal areas permanently. Others, who stay at home, adopt the migratory labour system as their way of life until they reach the age of retirement. Nevertheless, these two factors which make for change have not struck at the root causes of underdevelopment. The all-pervading group social structure is too powerful.

EGALITARIANISM VERSUS THE INDIVIDUAL

Attempts to graft the idea that the individual can better himself onto a community structure, the object of which is to preserve a traditional egalitarian society, fail to produce the abundant growth which the indigenous entrepreneur, indoctrinated with the new ideas, is expected to spread.

Many changes spring to the eye, but they are superficial. Clothing habits, patterns of consumption, and styles of housing have changed. More advanced implements are used in the home and on the land. The new needs evolved in this way have ended the self-sufficiency of the Bantu economy. The volume of trading has risen. Much is still barter, but money as a medium and a store of value is spreading, and the money sector of the economy is gradually expanding. A class of tradesmen has emerged as a policy of protection for the "infant entrepreneur" took effect, and the entry of general dealers from the developed areas was limited or prohibited. But this new class is not strikingly successful because it lacks experience and know-how. However, the new traders are useful, because some assume the role of entrepreneurs outside the traditional agricultural industry, help to increase the size of the market, and slowly transform the subsistence economy into a money economy. The acquired needs are incentives to earn some cash. Encouraged by stock fairs organized for them, they sell cattle on a small scale, and some have even begun to slaughter cattle for sale. Even so, most of the cash is still earned by work for wages in the developed areas outside.

The impact of the new habits has not, by and large, spread to the pattern or mode of production. While the men now give some help in cultivating the soil, women and children still make up most of the labour force. Cattle are still hoarded as precious possessions. Culling is not yet generally accepted. Soil conservation must be enforced by the Development Authority. While a few people are ready to pay good prices for some vegetables and other foods, higher prices do not by themselves stimulate production of these goods. Most Bantus prefer to stick to their traditional crops. Where the agricultural yields are above the average, this is invariably due to the supervision of the Development Officer and to the aid that he gives in the actual ploughing sowing, and fertilizing.

Agricultural officers frequently have to persuade peasants who have been allocated land in new irrigation schemes to start planting each time that a new season begins.And it is quite usual for the Bantu, employed as a demonstrator to instruct his people in the principles of modern farming, himself to ignore these principles and to stick to traditional methods when working on his own plot of land. None of this new fangled nonsense for him!

Experiments in creating individual private land tenure were unsuccessful. Often the land allocated became overcrowded with relations, some of them extremely distant ones, who, seeing that they were on to a good thing, attached themselves to the household of the owner. Evidently the superimposition of private tenure on a pattern of communal tenure cannot make for speedy progress. Nor does farming benefit by formal education; the majority who go through school avoid farming when they come out. Their big idea is that education has qualified them for white collar jobs and that manual labour is below their new status.

LEAVE INITIATIVE TO THE GOVERNMENT

Most significant of all is that as the activities of the Development Officers increased, so did the dependence of the people on that distant cloud-capped body—"the government," as represented by its officers. Rather than take on responsibility for soil conservation, upkeep of fences, boreholes, etc., the Bantus felt that all this was "up to the government." "That the government be respectfully requested" was the most popular phrase that they learned at school and was invariably put at the beginning of all resolutions introduced in their panchayats. In fact, reports Mr Sadie, the untiring efforts of the Development Officers have alone been responsible for such degree of development as has been attained.

There has been no fundamental change in the social structure or habits of the Bantus. The young are still educated in the customs and folklore of the tribe. Cattle raising remains a way of life rather than a commercial enterprise.

The moral that Mr Sadie draws is that the economic advance of an underdeveloped people cannot be reconciled with a traditional social structure in which the welfare of the individual is not his responsibility but that of the tribe as a whole. Where individual initiative is not allowed its reward, the acquisitive instinct remains dormant. Without the acquisitive instinct there can be no profits out of which to build up capital.

The break-up of the Bantu group system, says Mr Sadie, is a pre-requisite to economic advance. To which I add: Please note that the Bantu system fulfills all the basic conditions of the Socialist ideal.

What is needed, says Mr Sadie, is a social revolution covering every aspect of their culture and religious institutions, their psychological attitudes, their philosophy, and way of life. Unhappiness and discontent in the sense of wanting more than is obtainable at any moment must be generated (a euphemism for asserting that you cannot discard the acquisitive instinct and expect wealth to grow). The suffering and dislocation caused may be intense but, says Mr Sadie, it seems to be the price that must be paid for economic development.

It is here that the role of the anthropologist becomes important. He should be able to analyse and explain which local customs prevent growth, to point out the strategic points to be influenced, and to recommend which methods will yield the best results. Thus many years of tinkering at social uplift, which produce superficial changes, but do not modify attitudes of mind, may be avoided. Economic changes can be used to generate the social revolution. This requires an agency from outside to supply the entrepreneurs, capital, and skilled labour. To provide the capital without the entrepreneurial initiative and managerial abilities leads nowhere. The industrial and business enterprises which draw the underdeveloped people into their labour force, and give them opportunities to better themselves, bring them into contact with new ways and standards of living, and form a nucleus for urban development. The towns are the best weapons to break the group system. They provide the proximity of a regular market to foster the growing of cash crops.

Mr Sadie's article demonstrates concretely Professor F. A. Hayek's observation in his newly published "Constitution of Liberty" (Routledge. London. 1960) that there is no more effective way of slowing down the creation of wealth than by allowing to the most successful entrepreneurs incomes only a little above the average. The Bantus have, by preventing anyone from enjoying an income above what they regard as "fair, social justice for all," prevented all advance in wealth.

It is, of course, a tenable point of view that the Bantus have been happy for centuries under their siatic social structure, and that it is a crime to disturb them. But that is not to argue in favour of applying their Socialist principles to our own economy. Do you want to give up the struggle for individual freedom and initiative, and revert to closely-knit groups governed by unalterable custom and status? That is the final development of Socialism. It is worth noting that those countries of the West which are moving backwards towards social structures which set a premium on group influence and action, and which increasingly restrict the sphere of individual initiatives, are those whose rate of economic growth is lagging ever further behind those which allow free play to the acquisitive instinct and the profit motive. They are moving back to the Bantus.

If we push Socialism to its logical conclusion, we shall find ourselves like the Bantus in conflict with some dynamic civilisation, based on individual enterprise, which will either destroy us, or preserve us in a Reserved Area as a laboratory for anthropologists.

BRITAIN ONCE MORE A CREDITOR NATION

THAT BRITAIN has regained her pre-war position as a creditor country is suggested by Mr A. R. Conan in a remarkable contribution to the August issue of the Westminster Bank Review (41 Lothbury, London. E.C. 2.).

In view of the anxiety with which overseas governments, financial authorities, and traders, watch the UK balance of payments and the changing relationship between the figures of sterling liabilities and reserves, it may be helpful to see how Mr Conan, author of "Capital Imports Into Sterling Countries" (Macmillan. 1960), and until recently assistant secretary of the Commonwealth Economic Committee, arrives at his conclusion, and to ask what the implications are.

Mr Conan examines three categories of UK overseas assets and liabilities: (1) the net total long-term private investment; (2) the net UK government debt; and (3) the balance of short-term liabilities and reserves of international currency.

U.K. OVERSEAS PRIVATE INVESTMENT

The UK's pre-war private overseas investments totalled £4,500 m. Wartime and immediate postwar sales reduced this to £3,000 m. But between 1946-58 the UK invested no less than £4,000 m. overseas. Mr Conan estimates that the current value of this original investment of £4,000 m. may now have risen (in money terms) to £7,000 m. Mr Conan argues that this estimate is conservative because (he reminds us) postwar investment has been effected largely through reinvestment of profits. In several countries one-third or more of the capital inflow has accrued in this way. Moreover, the £7,000 m. figure does not allow for any natural rise in the value of the unsold prewar balance of £3,000 m. With half of the prewar total invested in equities and today's equity index thrice as high as twenty years ago, a big rise in value must have occurred. Nor does the £7,000 m. figure allow for the 1949 devaluation of the £, which increased the sterling value of dollar holdings. £7,000 m. is thus a minimum estimate.

Foreign investment in the UK, which Mr Conan conservatively reckons at £1,500 m., must be deducted from this £7,000 m., leaving £5,500 m. net.

U.K. GOVERNMENT OVERSEAS DEBT

The UK's external debt (nearly all US and Canadian loans) was £2,173 m. in 1957. Loans due from other governments were £394 m. After subsequent repayments and borrowings, today's debt is less than £1,500 m.

Subtracting UK government debt of £1,500 m. from the estimated credit of private investment of £5,500 m., the UK's credit balance emerges as £4,000 m.

STERLING BALANCES VERSUS RESERVES

Mr Conan points out that the official figures underestimate the reserves because they cover only the liquid reserve under the government's immediate control; they do not include balances held abroad by UK banks, and commercial firms. In 1958, these non-government balances included about £300 m. worth of dollars. Nor does the reserve include the UK's subscription to the International Monetary Fund, which was originally paid in gold and dollars (£150 m.) from the reserves and can be drawn on at any time. Add these (£300 m. plus £150 m.) to the official figures and the total is approximately £1,500 m.

Turning to the Sterling balances, Mr Conan says that the official total is not a net liability because the balances are recorded gross and include some to which there are counterpart liabilities to the UK. The working balances in foreign currencies held by UK banks and traders (other than the dollar balances cited above) should be set against the London deposits of foreign banks, and the net position in external commercial credit should also be taken into account.

All the evidence suggests that the official totals are substantially over-stated. The working balances of UK firms are nearly £300 m. for the USA alone; S. African returns show that foreign trade liabilities and other short term obligations due to the UK were over £100 m. in 1956; the Irish bank returns show liabilities payable in the UK of over £100 m. The significance of these samples is that they are from three countries alone, but when you remember the world-wide range of UK commerce and banking, the total of such assets must be enormous.

Nor is this the only correction that the official figures need. The sterling balances of the Colonies, about one-third of the total, overstate the UK's indebtedness. This category comprises a number of different items, and although the term 'colonial sterling balances' is used to cover all assets held on colonial account in London, these assets are in fact largely owned by the UK and not by colonial residents. This applies especially to the items which make up the greater part of the total, i.e. banking funds and currency reserves. In both cases, the balances are only nominal liabilities because the sterling used as currency-backing comes from the London offices of the (generally UK owned) banks with branches in the colonies, while the banking funds are in the London accounts of these branches.

By how much, then, do the official figures of £3,350 m. (after deduction of acceptances) exaggerate UK liabilities? Mr Conan suggests that the right figure might be £2,500 m. To anyone ready to challenge this guess, he replies that while he cannot justify it in detail, neither can be UK authorities justify their total. He makes the neat point that while he can prove that their total is far too large, they cannot prove that his is too small.

Setting Mr Conan's £2,500 m. valuation of the sterling balances against his figure of £1,500 m. for the reserves, we are left with a debit of £1,000 m.

The foregoing calculations are set out in the table below:

(£m.)

	1959	1949	1939
Net long-term investments ..	5,500	3,000	4,000
Net Government indebtedness	—1,500	—1,900	(a)
Net short-term liabilities ...	—1,000	—1,600	(b)
Total	3,000	— 500	4,000

(a) Debts arising out of First World War omitted.
(b) Sterling balances less gold reserves.

While Mr Conan emphaises that, with the statistics available, his figures cannot be regarded as final, his claim that there is no reason to doubt the broad picture is not disputed by UK commentators.

Mr Conan urges the authorities to produce more detailed information on the UK's overseas assets and liabilities. Foremost gain from this would be that world confidence in the £ sterling and the UK economy would be buttressed by an authoritative statement of the extent to which the UK has regained her status as a creditor nation. Such a statement would wipe out the impressions created abroad by exaggerated estimates of the UK's post-war indebtedness, and would explode the theory that UK capital exports since the war have been merely re-exports of imported capital.

Some commentators suggest that Mr Conan's estimates give a green light to an immediate expansion of the UK's overseas investment, but the "Times" cools such any such immediate rise in the temperature by asking pertinently: How has the UK achieved this position of strength? The "Times" points out that the payments surpluses over the years 1949/59 do not measure up to the improvement of £3,500 m. cited by Mr Conan. This is partly a statistical point but it may well mean that the UK's overseas position has deteriorated in other ways: one possibility is that in a period in which developing countries have been competing for longer and longer credit terms, the UK's receipts from other countries for exports have gradually been spread over long periods.

The July issue of the Review of the National Institute of Economic and Social Research (2 Dean Trench St., London. SW. 1) also makes a point relevant to Mr Conan's calculation. Discussing the failure of UK exports to rise in 1960, the Institute says that the UK's balance of payments difficulties arise because her rate of economic growth is too slow. Productivity has risen faster in Germany, Italy, and Japan, giving them greater international competitiveness. While deflationary measures are necessary in the UK if the pressure of total demand is too high, it would be wrong to press deflation further if the balance of payments does not improve, because, inter alia, deflation will check domestic investment, and the UK is not investing enough at home. Higher productivity normally comes from higher investment. There are various other ways of overcoming balances of payments difficulties, says the Institute. First, the balance of payments includes burdens of (a) overseas investment and (b) overseas military expenditure, which are greater than those of all UK's competitors save the USA alone. A re-appraisal of foreign investment and of ways of sharing the burdens of defence and of aid is needed. Foreign investment has not brought in the expected harvest of invisible income.

I draw New Dehi's attention to the last twelve words. While India has, since its policy announcements of August, 1958, and of April, 1960, liberalised its attitude towards foreign investors (who have responded by an immediate spurt in investment), there still seems a tendency to encourage the ploughing back of profits and to deprecate the normal export of profis and dividends.

There are likely to be opposite reactions in the UK to Mr Conan's figures: (1) Good! Now we can afford to invest more abroad! And (2) Hey there! What about waiting to get a rise in dividends from what we have already invested so that we don't have to protect our balance of payments by deflation?

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The European Scene

WHEN IS MONEY HOT?

From Our Special West European Correspondent

PARIS, August 29.

THE free international transfer of capital that was made possible by the return to partial convertibility has assumed unprecedented proportions in recent months, and especially in recent weeks. It has provoked some unprecedented reactions, which in fact amount to technical retreats from full convertibility for non-resident funds: when West Germany and now Switzerland set up barriers to stem the inflow of foreign capital, other currencies thereby become less convertible just as surely as when other governments sought to prevent the conversion of their currencies into marks or Swiss francs. The efficacy of these barriers remains to be tested, but their initial effect has already been to divert the flow of funds to London, and now the British authorities are rumoured to be considering imitating the Swiss and West German examples, i.e. finding some way to discourage short-term investment in sterling without lowering Bank Rate. It seems incredible that the British should do any such thing during the period when sterling is normally seasonally weak, because even the flightiest hot money is welcome if it averts an autumn sterling crisis. But if the influx of capital persisted into the period when sterling is adequately supported by the seasonal trade surplus, some British experiment in the same direction would be reasonable, provided the Swiss and West German ventures had shown themselves successful. A world in which foreigners were actively discouraged from buying sterling, marks and Swiss francs—and in the last case were actually penalised at the rate of 1 per cent a year for leaving funds in Zurich—could hardly be described as a case of convertible currencies.

Must we conclude that the return to convertibility has failed to this extent, that it has set up violent tides of hot money whose movement has spread panic among the stolid bankers of Frankfurt, Zurich and London? Not at all; panic, even when it occurs among bankers (and some of the reactions in Switzerland seem to be quite exaggerated) is no reasonable argument. On the other hand, we are entitled to conclude that the convertibility system cannot be managed properly when each central bank acts in response to its own internal situation without co-ordinating monetary policies throughout the region where convertibility obtains. In other words, increased international co-operation is needed when (a) the demand for a country's currency may have nothing to do with that country's internal economy but with conditions in other countries, and (b) the effects of domestic monetary policy are felt not only at home but in other countries too. As has frequently been pointed out here, if central banks approach this problem from the narrow national point of view, they can find that they are all competing for hot money—and they are now finding that it can be as embarrassing to win that competition as to lose it.

Having insisted on the dangers of bank-rate competition for hot money before the present crisis arose, we are entitled now to play down some of the current exaggeration of those dangers, specifically by showing that not all of the capital migrations now in progress are due to differences in money rates and that their consequences need not be as disastrous nor as long-lived as is being suggested. The first point to notice is that the big loser to date has been the USA, who can well afford it. If the funds now pouring into Swiss and German banks had come from any other source, the convertibility experiment would by now have been wound up as a failure. While unhappy about the fall in US reserves, the American authorities still regard this as a minor matter alongside the stimulation of the stagnating domestic economy. That is why, after months of capital exits, the Federal Reserve has just brought money rates down to the lowest level in the Western world. Indeed, there is even reason to suppose that there is an element of electioneering in this move: the Republicans need to have an answer by November to the easy Democrat charge that they have practised deliberate deflation. If the Republican Administration thinks it can afford to lose a few more hundred million dollars for the sake of an election stunt, there is no call for others to get excited about it.

In fact, low US money rates are not the sole or perhaps even the main cause for the trans-Atlantic migration. Some New York observers say that there is only about $21,000 million of hot money that could leave the USA for that reason alone. Much of the capital transferred or withdrawn is not speculative but normal investment funds, and its movement reflects accurately the difference between European expansion and American stagnation. Thus it will go on as long as that difference persists, and it will reverse itself as soon as European industry becomes overstrained (which will show up first in lengthening delivery delays). If the US economy runs into a depression this winter, this will cause, as depressions always do, a strengthening of the payments balance in US favour. Part of the redistribution of reserves will be permanent, however, because West European recovery is solidly established, and the days are gone when the American economy and hence the dollar dominated the international economy. The US reserves are now down to what they were in early 1940. It is not this that is unnatural, but the period from 1940 to 1960 when the USA was prosperous and Europe crippled. The level of reserves that the Americans came to take for granted during that period was exceptional; one misses this fact if one ascribes the current reduction to speculation or the flight of hot money.

Some small part of the funds now flowing to the European financial centres has come from places other than the USA, but it is not hot money in the sense that is migrating to take advantage of higher interest rates (though those funds sent to Frankfurt in the hope that the mark will be up-valued also deserve that name). This is clear from that fact that it chose Switzerland as its first destination, although Swiss interest rates are relatively low; it only turned to London, where rates are very high, when the Swiss refused to take any more. This money is seeking security; it is refugee money comparable to that that poured into Switzerland at the time of the Korean war. It comes from Belgium, because of the collapse of the Congo, from South Africa because of lack of confidence in that country's future after the racial troubles, and from many other parts of Africa now in turmoil. This reflux of private "colonial capital" to safe European havens is an inevitable accompaniment of decolonisation. It is doubtful whether such monetary measures as South Africa's lifting of bank rate in mid-August can prevent it, and it does not deserve to be confused with the greater

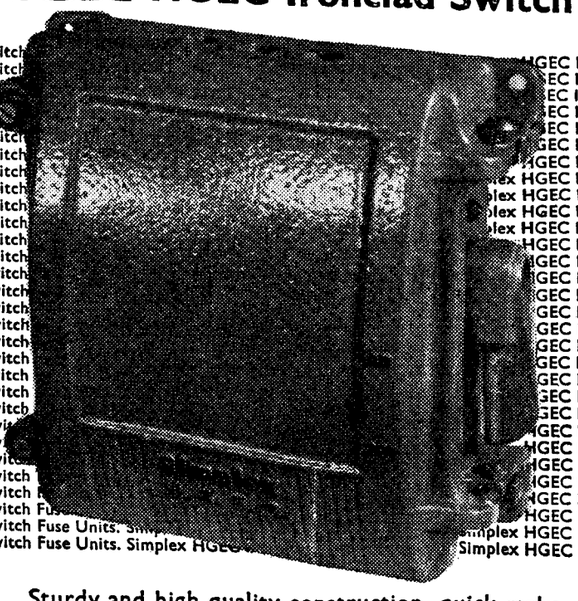
mobility of funds introduced by convertibility any more than the adjustment of investments between the USA and West Europe.

The inhospitable reception this refugee money has received in West Germany and Switzerland needs some explanation, because the inflationary danger it brings to those two countries is much less than it brings to Britain. The risk of inflation in stable Switzerland, which has long learnt to separate its role as banker from its domestic economy, is minimal; outcry in the Swiss Press about rocketing real estate values, ascribed to inflowing capital, is as old as the hills and pops up in every financial crisis. The danger of a speculative stock market boom needs to be considered alongside the fact that Berne has been refusing for a year to let Common Market countries borrow in Swiss money markets, as a measure of retaliation against trade "discrimination" by the Six. The Swiss cannot have it both ways: refuse to lend and complain about too much capital. Not all Swiss bankers agree with either half of this contradictory policy, and the recent scare-reaction was due to the fact that even the Swiss lost their nerve when they saw more money than ever before in their history pouring into their banks.

West Germany's embarrassment is of another order, though it resembles the Swiss case in this, that Bonn and Berne are always ready to cry inflation long before any other European capital. The hot money drawn to German banks by high interest rates (the Bundesbank ruling that foreign deposits should not earn interest cannot be enforced, and foreigners are still getting a return on their cash) and by rumours of revaluation of the mark is only dangerous because it is super-added to the persistently high trade surplus of West Germany. This problem is several years old, and an economy that combines over-exporting heavy industries with fanatically protectionist farming interests cannot find an easy solution to it. To this is now added the labour shortage which, as has been remarked here lately, is the key factor in West Germany today and which does create an inflationary danger—though not so far the reality. Still, the inflow of hot money would not be so exasperating to Bonn were it not that the Federal Government is relying exclusively on monetary measures to meet a situation that, elsewhere, would by now have attracted a battery of other techniques despised in West Germany as socialist or interventionist. Exclusive reliance on the monetary weapon creates monetary difficulties; bank rate is raised, so speculative capital comes to roost, the banks are then made to neutralise this fresh money lest it lead to credit expansion, and so they repatriate their own funds from abroad with the result that their liquidities increase.

When these reservations are made, the fact stands that the ebb and flow of mercurial convertible capital is today a source of embarrassment to certain countries (though it must be noted that it leaves others, like France and Italy, quite untouched). This cannot be eradicated, because one of the very reasons for convertibility of currencies is that it allows capital movements to reflect and penalise discrepancies in the international economy. It can be reduced, but only by co-operation between central banks. This is a suitable subject for study by the coming session of the IMF.

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Our West German Letter

MAN-POWER SHORTAGES POSE NEW PROBLEMS

From Our West German Correspondent

BONN, August 30.

THE boom of West Germany's industry and trade is creating a problem which seems not easy to solve: how to cope with the increasing lack of labour? The last July figures just published by the Government Labour Exchange, show that there are 134,000 unemployed persons (the lowest figure ever shown) and 504,200 vacant jobs! The unemployed are mostly composed of elderly and sick men and women as well as probably of people unwilling to work. The obvious danger is that the lack of labour could possibly slow down the continuously growing production. Two-fifth of the open jobs are meant for women, which proves that they have reached a remarkable position in the labour market. Due to the ever-increasing demand for industrial products, factories have expanded their capacity, and to make full use of it they are now compelled to offer higher salaries or wages and various kinds of privileges in order to get additional labour. In an advertisement of one of the largest steel works in the Rheinland, announcing vacancies for female stenotypists, one can, for instance, read: "Your work will be well paid. We have excellent social institutions and the five days working week. We would be delighted to welcome you for a non-committal conversation...." In this connection the German language has coined a new word which one can see every day in advertisements where a good "Betriebsklima" (a comfortable climate of working conditions) is being offered.

A peculiar situation has arisen in the coal mining industry. At the beginning of 1958 there was a certain set-back, when miners were dismissed or advised to look for jobs in other industrial fields. About a lakh of them found soon other occupations. Now the mines are clamouring for additional labour. When the German Ford Motorcar Works in Colougne contacted municipalities in the Ruhr district with the suggestion to build there a new factory, some mining firms protested vehemently because they feared that miners would prefer to work for Ford. This problem is not yet solved. In the iron and steel industry there are about 90,000 vacant positions, 74,000 for men. Nearly 11,000 Italians and some hundred Spaniards are already working in the metal and electrical industries. Negotiations for further "imports" of 5,000 Italians and 3,000 Spaniards are going on. It is also intended to employ Greek workers. Some firms are experimenting with lending machines to cottage workers where the women of the household can make profitable use of their spare time. In the clothing industry there is a lack of about 20,000 tailors and in the building trade of 85,000 men. Foreign workers trained in these industries could not fill the gap. Some firms have even started to employ students during their vacations. Post and railway are equally suffering from the lack of workers. They now contemplate to re-employ pensioners and wives of their employees in part-time jobs. To save labour the postal department is providing small letter boxes to be fixed at the front entrance for all the tenants of a building. Thus the postman has not to climb the stairs or to go up by lift and can, therefore, attend to a bigger beat.

With the increase of foreign labour, the problem of how to house them is becoming more and more acute. The Government Labour Exchange is at present scrutinizing the possibility of granting credits to factories for building quarters for foreign workers. The experience has shown that they are getting homesick after a while and are longing to be re-united with their families. Uptil now the Labour Exchange has financed the building of flats for German workers, of hostels for apprentices and of prototype workshops. According to a newspaper report, the Labour Exchange has saved (from not paying doles) about 4 milliard DM and should be in a position to finance the building of flats for the foreigners. Wouldn't it be a good idea to employ Tibetan refugees in Germany? The climatic conditions in Germany should perhaps be more suitable for them than in northern India and considering the catastrophic lack of labour, the expenses for the transport to Europe should not be a hindrance. As to language difficulties, they would not be greater than with Italians, Spaniards or Greeks.

It is no secret that the boom prevailing in the free European countries has quite naturally brought in its train a certain materialism. In many cases all members of the family are working and earning good money and with the experience in West Germany of bombed cities during and starving after the war, at least amongst the older generation the device might prevail: "Let us be merry, tomorrow we die!" Warnings in this respect were sounded at the Eucharistic Congress in Munich which attracted over a million participiants from all over the world. Josef Cardinal Wendel of Munich said in his opening sermon that for many the false god is the (high) living standard and their life is governed by practical materialism. Pope John XXIII had already in the deed of appointment for the Papal Delegate to the Congress urged to pray that the materialism which undermined the moral life of mankind, might be overcome and give way to higher and spiritual visions.

* * *

The mystery about the Bonn meeting of Dr. Adenauer and Mr. Macmillan remains equally unsolved as the one about the Bundeskanzler's recent conference with de Gaulle at Rambouillet. But one can certainly assume that the ticklish problem EWG-EFTA (i e. the Common Market of the Six and the European Free Trade Association of the Seven) was one of the main subjects that was discussed by the two Prime Ministers and their Foreign Ministers Dr. von Brentano and Lord Home. Also Prof. Erhard took part in the conversations. In Government circles one can, at least unofficially, hear that both the Prime Ministers were in agreement to put the European problems within the framework of world politics. In plain words, it means the dividing of the European free countries into the two economic blocs, which would amount to weakening the common front against Communism and has to be avoided under any circumstances. As a welcome fact it is to be registered that the coolness between West Germany and the United Kingdom has obviously ceased. The reason for this estrangement, seen from the German side, was that it was feared England could persuade the United States to come to a compromise with the Soviet Union at the expense of West Germany (in regard to the so-called German Democratic Republic and West Berlin). With great satisfaction it was noted here that Mr. Macmillan's letter with which he accepted Dr. Adenauer's invitation, began with "My dear friend" and ended with "yours Harold". The Bundeskanzler greeted his guest at the airport with an equally hearty "My dear"

friend". If one would be inclined to sarcasm, one could observe that the cause for the closer friendship is the absurd and shocking behaviour of Mr. Khrushchev during and after the Paris Summit Meeting. It is now up to Germany, England and France to convince their "small" partners in EWG and EFTA that the "Big Three" would not endeavour to unite to their disadvantage but in the interest of a free Europe and finally aiming at a single European Economic Association.

* * *

Did West Germany's first atom ship run aground before it was launched? About 2½ years ago, two atom experts, Prof. Kurt Illies and Prof. Erich Bagge, started the "Gesellschaft fur Kernenergieverwertung in Schiffbau und Schiffahrt" (The Company of Atomic Energy Utilization for Ship Building and Navigation Ltd.) in Geesthacht a small town in the northern Federal State of Schleswig-Holstein on the river Elbe, where there is a shipyard. Prof. Illies is teaching marine engine-building at the Technical University of Hanover where he, already since 1955, is studying with a team of experts the problem of a suitable atom reactor for driving a ship. His associate, Prof. Bagge, is teaching atomic science at the University of Kiel. The first thing the two professors did was the construction of a research reactor in order to find out in praxis the best type of a ship reactor. Their final aim was the building of the first German atom ship. The Atom Ministry in Bonn and the Ministries of Economics of the four northern federal States, Schleswig-Holstein, Niedersachsen, Hamburg and Bremen as well as some industrial firms became also interested in the development of a ship reactor and joined financially the company which was acknowledged as a non-profit organisation. When it became known last year that the ship reactor was a sound project, the interest of big industrial concerns was roused. Four shipyards joined forces with firms already in the "atomreactor market" and the Atom Ministry paid these combines for development purposes 1.5 milliard DM each. The following are the combines: (i) Deutsche Werft, Hamburg and Allgemeine Elektrizitatsgesellschaft (AEG), Frankfurt, (ii) Howaldtswerke, Hamburg, and Siemens-Schuckertwerke, Erlangen, (iii) Blohm & Voss, Hamburg, and Babcock & Wilkox-Dampfkessel-Werke, Oberhausen, (iv) AG. Weser Bremen, Fried. Krupp, Essen, and Brown, Boveri & Co., Mannheim. By the end of last January, the Atom Ministry invited to a conference in Bad Godesberg (near Bonn) firms interested in the construction of atom reactors to discuss further developments. The two professors were not invited although some of the members of the board of their company attended the meeting and it was there decided that the building of a ship reactor should not be followed up by the company any longer. The professors protested as soon as they came to know about this decision which was subsequently cancelled. Nevertheless, the board decided that the professors should give up the management of the company (which, after all, they had founded) and in future consentrate on their research work. The next step in this atomic drama was that Euratom (the Atom Combine of EWG) with which Prof. Illies had taken up the first contacts, offered a contribution of 14 milliard DM for the various ship reactor projects in Hamburg. On June 30, the chairman of the board of the Geesthacht Company, Gerhard Geyer, General Manager of the Esso Oil Company (Standard Vacuum) gave the two professors notice as from the end of this year. But they refused to accept the notice and were thereupon asked to resign immediately from the management and to work under the commercial manager. Prof. Illies reacted spontaneously by giving notice himself with immediate effect. The whole affair is generally regretted as one can see from press comments. One newspaper arrived at the conclusion that West Germany herself takes care not to launch her first atom ship too quickly.

* * *

The agricultural production in the German Democratic Republic is on the decline as one can gather from the official annual statistical report. The obvious reason for it is that the peasants forced into collectives have lost their ambition to produce. They now even plead for an 8-hour working day as the industrial workers are enjoying. The Government is trying to overcome the lack of experienced administrators for the collectives by sending 18,000 farmers to agricultural colleges. It remains doubtful whether this measure will rectify the defect as the standards of these colleges have fallen very low. Although the territory of the German Democratic Republic had been self-supporting in food products, while the Federal Republic of Germany was compelled to import them, the situation seems to have changed to a great extent. Some examples will prove this fact. In West Germany the average production of grain during the period of 1953-58 has risen in comparison to 1935-39 by 17 per cent per hectare, while, according to the above mentioned official report, it has fallen in East Germany by 4 per cent. Potato-production improved in West Germany also by 17 per cent and sank in East Germany by 18 per cent. The corresponding figures for sugarcane are 8 per cent up and 9 per cent down. In 1959 West Germany produced 29 double-hundredweight grain per hectare, East Germany 24.4; for potatoes the proportion is 215.6 to 161.3; for sugarcane 284.5 to 198.9. Compared with pre-war time, the yield per cow rose in West Germany by almost 30 per cent to 3120 kilogram milk while in East Germany the yield remained with 2400 kilogram practically unchanged.

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UNDER SECRETARY 8 - SEP 1960 PUBLIC DEPARTMENT

Economic Report from the U.S.

EASING OF MONEY AND CREDIT

By GUY SIMS FITCH

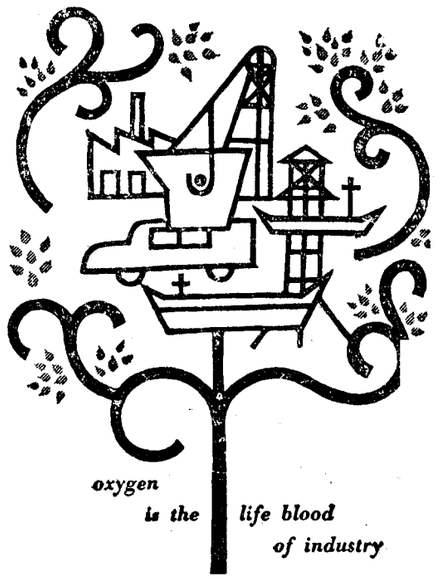
WASHINGTON, Aug. 23.

IT has been clear for some time now that inflationary pressures have relaxed considerably in the United States during 1960, and with this relaxation has come a general easing of money and credit. Graphic evidence of this trend was supplied just within the last few days, when major commercial banks in New York city cut their prime rate—their charge on loans to their best-rated customers—from 5 to 4.5 per cent. This was the first such cut in nearly a year. Reflecting this general trend, the U.S. Federal Reserve Board (FRB) within the last several months has in two instalments reduced its rediscount rate—its charge on loans to commercial banks—from 4 to 3 per cent. It also has made more monetary reserves available to these banks. And it has cut from 90 to 70 per cent the margin—the cash down payment—requirement on the purchase of securities.

It must be obvious that this combination of moves by the FRB—in effect, the nation's central bank—represents a policy shift toward making more credit available at lower interest rates, thereby stimulating lending and investing and supporting general economic activity. This is not to say that a general business downturn is currently evident in the United States. On the contrary, economic conditions appear firm, and the statistics are holding at record or near-record levels. But the FRB apparently is taking no chances. With activity not up to the expectations of many experts and with some slack visible in the economy, the Board is taking those steps which could help prevent a noticeable business setback. In this sense, it is acting as would any enlightened monetary manager, and is demontrating once again its flexibility in the face of changing conditions. In the highly complex modern society, however, economic developments cannot easily be isolated one from another. The general easing of credit conditions and policies in the United States is having some highly interesting by-products at home and abroad. For one thing, it has enabled the U.S. Treasury to carry off the kind of financing, largely through the sale of government securities in the capital markets, which was hardly possible when money was tight and interest rates were high. The net result has been to cut about $1,600 million from the public debt and to reduce the cost of financing the debt by additional hundreds of millions of dollars. When, on top of this, the Treasury is able to announce not only a balanced Federal Budget, but a surplus that exceeds earlier expectations it all adds up to conditions and policies that should reinforce world confidence in the underlying soundness of the U.S. situation.

The world being what it is, however, these domestic developments seem to be creating, almost paradoxically, a somewhat awkward situation in respect to the international financial position of the United States. With interest rates declining at home, and well below those prevailing in many financial centres aboard, there is a tendency for funds to flow from the United States to countries where they can earn more. And since it is customary for other countries to turn a part of their dollar gains into gold, there also has been an acceleration in the outflow of gold from the United States. It should be noted, however, that the gold outflow in 1960 is still relatively small and is running well behind the pace of 1958 and 1959. Moreover, U.S. exports have been booming this year, and despite a continued record pace of U.S. imports, the United States has been running a favourable trade balance of some $430 million a month, compared with only $195 million a month last year. This is a good enough indication that American goods are reasonably competitive in world markets, and that the over-all deficit in the U.S. international balance of payments, fed by the continued and sizable outpouring of U.S. aid and investment capital, will be substantially reduced this year.

As a matter of fact, foreign funds kept in the United States are at an all-time high today, and several governments in Western Europe have taken steps to discourage any large inflow of funds from the United States. One can surmise that they may be doing this partly out of a fear of the possible inflationary effects of such an inflow, and partly out of appreciation of the vast long-term potential of the U.S. economy. What it all seems to come down to, then is the general recognition that in permitting a relaxation of credit conditions and interest rates in a reasonably strong and non-inflationary U.S. economy, the Federal Reserve Board has been putting first things first. To all intents and purposes, it has placed the economic welfare of the American people ahead of the calculated risk of a small increase in the gold and dollar outflow. And this, too, can be cited as an additional source of international confidence in the U.S. economy and U.S. economic policies. As put by the knowledgeable financial analyst and writer J. A. Livingston, "employment comes ahead of gold in most languages."



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WORLDGRAM

India

Trade Arrangement with Italy Extended: The trade arrangement between India and Italy has been extended up to June 30, 1961. The trade arrangement, which was entered into in October 1959 between the Government of Italy and the Indian Government Trade Delegation to West European countries, expired on June 30, 1960. Under the terms of the arrangement, the two Governments have agreed to promote economic and commercial co-operation between the two countries and encourage the development of contacts between businessmen and trading organisations in both the countries. Among the commodities listed in the schedule of goods available for export from India to Italy are: tea, coffee tobacco, spices, dried fruits, oils, hides and skins, cotton fabrics, jute, coir, leather footware etc. The list of items for export from Italy to India include agricultural and other types of machinery, scientific, engineering and optical instruments, artificial silk yarn, dye-stuffs, etc.

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Increased Availability of Indigenous Iron and Steel: Following the expansion of steel plants in the private sector and part commissioning of plants in the public sector, the availability of indigenous iron and steel has increased. This will continue and, in another year's time, the indigenous availability, will be in the region of three to four million tons as against a million tons a few years before. In order to take care of the anticipated increase in indigenous production of iron and steel, it has been decided by the Government of India to appoint additional stock holders of all types in the country. As a first step, therefore, it has been decided to allow the controlled stockists for imported steel to handle indigenous steel also. Further, State Governments have been requested to send proposals for appointment of additional controlled stockists for underserved or unserved areas.

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Exports of Cotton Textiles in 1959: Exports of cotton piece goods from India improved substantially in 1959 by nearly 230 million sq. yds. to a level close to that attained in the peak year 1957. Other non-communist countries whose exports of cotton piece-goods, improved significantly during the year 1959 were France, 42 million sq. yds., Pakistan 38 million sq. yds., Holland 36 million sq. yards, West Germany 25 million sq. yards, Belgium 25 million sq. yards. Both Japan and Hong Kong also improved upon their exports of cotton piece-goods during the year though to a much lesser extent. On the other hand, exports of cotton piece goods from U.K., U.S.A. and Italy together declined by nearly 95 million sq. yards, the decline being steepest in respect of exports of cotton piece-goods from U.K.

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U.S. Aid and Private Investment in Africa: The total U.S. Private aid in the Congo is estimated to be between $15 and $20 million. This is very small compared to European investments in the Congo. For that matter, the total U.S. private investment in the whole of Africa—about $789 million—constitutes less than 1 per cent of all other private investment in Africa. And finally, the total U.S. Government aid to Africa—through all economic aid channels—was a little over $497 million from 1949—1959.

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Record Aid to South Asia: During the fiscal year which ended June 30, countries of South Asia received a large proportion of the U.S. Development Loan Fund's, loan total of $535,150,000. In its annual summary of loan activities, D.L.F. reported that 17 loans totalling $279 million went to South Asia, mainly to India and Pakistan. It noted that this activity was in accordance with the U.S. desire to focus attention on areas, where conditions are considered conducive to rapid developments and Governments are taking effective self-help measures. The summary noted that in South Asia the D.L.F. co-operated with the World Bank in support programmes and the proposed Indus Basin Development Progamme and the Five-Year Plans of India and Pakistan. D.L.F. also reported intensified support of private enterprise.

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Manufacture of Cameras: An agreement has been signed between the Government of India and Messrs. Nippon Kogaku of Tokyo for technical collaboration in the manufacture of cameras in the Government-owned National Instruments Factory at Calcutta. The agreement provides for a technical tie-up with the Japanese firm for the utilization of their patents in the manufacture of cameras and other optical instruments at the option of the Government. For the time being, it is proposed to commence manufacture of Nikkorex, the latest model which Messrs. Nippon Kogaku are making in medium-priced cameras. This is a 35 m.m. single lens (f 2.5) reflex camera with view finder and built-in exposure meter. The National Instruments Factory is expected to reach an optimum production of 1,000 cameras per month within a period of two to three years. The agreement with the Japanese firm will be current initially for a period of 10 years. Technicians from the Company will visit India shortly and start training Indian engineers.

U.S.S.R.

First Soviet Hydro-Power Station in Peramfrost: It is reported Leningrad engineers are working on the design of the Vilyui Hydro-electric power station, the first Soviet station in the Permafrost area. The station will go up in the deserted territory 1,000 kilometres from the Vilyui, a river flowing through the Taiga. The river will be spanned by 7000-metre-long dam and the force of the falling water will drive the electrical machines. The engineers found an original solution for building the foundations of the dam. To enable the large structure to stand on frozen earth under water, a waterproof screen will be placed in the body of the dam, which will not let water into the earth. The hydro-electric station will firmly stand for centuries. The Vilyui Hydro-electric power station will be commissioned in 1963.

United Kingdom

Britain to Build World's Largest Atomic Plant: Britain's Central Electricity Generating Board has given a contract for the world's biggest atomic-power station to the Nuclear Power group of companies, it is announced in London. It will cost beween £50 million and £65 million and provide an additional 550MW of generating capacity. The new station, which is to be at Dungeness, on the South-East Coast of England, is intended to meet increasing demands for electricity in the mid-sixties.

Expanding Steel Industry: It is estimated that capital expenditure on the expansion of the British steel industry's capacity will rise to the record figure of £125 millions in 1960 and may reach £150 million or more next year as the accelerated strip-mill programme gets into its stride. Last year's capital expenditure by the industry was close on £100 million.

France

Increase in Sales of French Cars in South Africa: Sales of French cars increased considerably on the South African market last year. Great Britain is first among automobile suppliers with 30,300 (compared with 37,400 in 1958 and 35,030 in 1957). However, French sales which increased from 4,908 vehicles in 1957 to 6,428 in 1958 and to approximately 8,000 in 1959 have considerably reduced, the big difference which has separated it from British sales.

Australia

Aluminium Plant: A Swiss company, Aluminium Industries Aktien Gesellschaft, of Zurich, is to design extensions, costing £2,800,000 to Australia's aluminium-producing plant at Bell Bay (Tasmania). The plant is operated by the Australian Aluminium Production Commission, representative of the interests of the Federal and Tasmanian Governments. The extensions will include new furnaces and will result in increased output from the plant, the only one in Australia making aluminium ingots.

U.A.R.

Seven Million Dollar Loan to Development Industries: Dr. Aziz Sidky, Central Industry Minister, has signed an agreement under which the US Development Loan Fund will lend £7 million to the Industrial Bank in the Southern Region. Mr. Frederick Reinhardt, the American Ambassador to the UAR signed the agreement for the Fund. The money so made available will be used to provide medium long-term credits for private industries in implementation of the Southern Region Industrial Development Programme.

Brazil

Area Under Soybeans: Nearly 100,000 hectares are at present planted to soybeans, according to data prepared by the Brazilian Institute of Geography and Statistics. A hectare is a metric measure of surface, equal to 10,000 sq. meters. Although this figure represents an increase of 70 per cent in the five year period, from 1955 to 1959, this oleaginous plant is far from realising its full economic possibilities, says the same source, pointing to the ten million hectares devoted to its cultivation in China and 8 million hectares in the United States. In 1958, Brazil exported 34,000 tons of beans to Japan.

Germany

Feed Mixing Industry: West Germany's feed mixing industry has suggested a plan to help dispose of the country's rye surplus. The basic principle of the programme, similar to the 1931 import certificate system would apply to all cereals. In the case of rye, exporters would be furnished with certificates allowing them to import an equal amount of another product free of duty or equalization fee or at a drastically reduced tariff depending on the season of import. This plan would permit rye exports at world market prices and the import duty-free milo corn.

Yugoslavia

Import of Lard: Yugoslavia has stopped importing lard because its domestic pork and lard output expanded very rapidly in 1959 and is expected to increase even more this year, when hog slaughter will probably be above 1959. Yugoslavia imported 21 million pounds of lard in January-September 1959, and the United States was the most important supplier. However, US exports of lard to Yugoslavia last year were ohly 7.8 million pounds compared with 15.5 million in 1958, and there have been no US shipments since June 1959.

Hong Kong

Import Duty on Tobacco: Hong Kong has substantially raised import duties on tobacco and tobacco products. The increases—30 to 50 per cent above former rates—affect all categories of leaf and products. Under the new tariff schedule, unstemmed leaf of US origin containing 10 per cent or more of moisture will be assessed a duty equal to US dollar 1.01 a pound compared with the 67 cents formerly charged. For stemmed tobacco with the same moisture content the new rate will be $1.03 compared with 68 cents earlier, and cigarettes will now be assessed $1.42 compared with $1.09.

Holland

Expansion of Metallurgical Industry: The number of enterprises in the metallurgical industry in Holland increased from 1,868 in 1949 to 2,771 in 1959. The number of workers in these enterprises rose from 243,000 to 361,000 and turnover from f2,753 millions to f9,068 millions. In the last ten years there was an enormous increase from f640 to f3,174 millions in exports of metallurgical products. An inquiry among 600 enterprises showed that in the said period about 100 inventions were made, some of them resulting in the manufacture of new products and some in the use of new methods of production. It may be assumed that in the past ten years each enterprise in the Dutch metallurgical industry has on an average introduced a new product or part product. Gross investments in fixed assets rose from f235 millions in 1949 to f150 millions in 1959, which expressed in percentages of total Dutch industry, represents an increase from 28 to 33 per cent.

World Bank

Loans in 1959-60: World Bank loans in 1959-60 totalled $659 million compared with $703 million in the previous year. Since 1946 the Bank made 265 loans totalling $5,180 million, mainly to finance reconstruction, electric power projects, transportation, communications agricultural and forestry operations and industry and general development work in 53 countries and territories.

United Nations

Budget Estimates for 1961: United Nations Secretary-General Dag Hammarskjold has estimated that it would cost $67,453,750 to meet the expenses of the organisation during 1961, $4.3 million more than the comparable figure for 1960. Net expenditures, after deducting income from various sources (staff assessment, sale of UN stamps and UN publications, gift shop etc.) are placed at $55,401,970 compared with a net expenditure level of $51,463,200 for 1960. In presenting his report on "Budget Estimates for the financial year 1961" to the forthcoming session of the General Assembly, Mr. Hammarskjold warns that the resources of the organisation "appear to be reaching the limit of their absorptive capacity."

NEWS IN BRIEF

INDIAN

An agreement for setting up a factory in the public sector for manufacture of teleprinters has been reached between the Government of India and the Italian firm, Olivetti.

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A sum of Rs. 50 crores has been provided in the Third Plan for certain basic amenities in rural areas, such as drinking water, link roads and school buildings.

*

During the three months ended June 30, seventy-nine companies were registered in the Northern Region which comprises Delhi, Punjab, Himachal Pradesh, Uttar Pradesh and Rajasthan.

*

Central assistance to the tune of about Rs. 22 crores will be available to the States during the current year for various housing schemes under the Second Plan. The assistance will be provided in the form of loans and grants.

*

The Union Deputy Minister for Labour, Mr. Abid Ali, informed the Lok Sabha recently that there were no schemes for widening the scope of Employees' Provident Funds Act. The Act was widen enough to enable the Central Government to bring within its scope, through notification in the official Gazette, any establishment or class of establishments employing 50 or more persons.

*

The Finance Minister, Mr. Morarji Desai confirmed in the Rajya Sabha recently that Government's attention had been drawn to the recent extraordinary rise in the value of securities in the stock market. Among the reasons for the rise in value of securities are all-round industrial expansion and growing investment demand.

*

The National Standing Committee for co-ordination of Population and Vital Statistics held its first meeting recently. The Committee has been constituted on the recommendation made by the UN Population Commission in 1959 that the member countries set up National Councils for population studies.

*

There is no proposal to constitute a common pool of engineering and technical personnel for the Union Territories which have reported shortage of such a staff from time to time. Steps had, however, been taken to include certain gazetted posts in the Medical and Public Health Departments of the Union Territories in the Central Health Service Cadre.

*

The Union Government is likely to give financial loan to the Punjab Government in order to increase the yield of milch cattle and its supply to the Delhi Milk Supply Scheme from the areas around Delhi.

*

Relief to the poorer sections of society, elimination of compounding system and an appreciable reduction in the street lighting charges, are some of the highlights of the revised schedule of tariffs applicable to the supply of power from Uhl River and Nangal hydro-electric projects.

*

More branches of the State Bank are to be opened in the former princely States with a view to bringing the comparatively underdeveloped areas in the country into the organized money market.

*

A Wage Board for the jute industry was announced by Mr. Abid Ali, Deputy Minister for Labour, in the Lok Sabha. The Chairman of the Board will be Mr. L. P. Dave.

FOREIGN

A copper manufacturing industry is soon to be established in New Zealand under a joint arrangement by Imperial Chemical Industries of Australia and New Zealand (ICIANZ) and Yorkshire Imperial Metals of Leeds.

*

Commercial bank lending rates in the USA maintained over the past two months despite official pressure for reductions are now being reduced.

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After a standstill in the first week of August, West German Government foreign currency reserves again jumped to a new peak in the week ended August 15.

*

Crude oil production by Arabian American Oil in Saudi Arabia during July totalled 37,132,763 barrels, a daily average of 1,198,057. Comparable figures for July, 1959, were 32,943,375 and 1,062,690.

*

Lower grain yields are expected to be general among the East European countries this year. Hungary and Czechoslovakia have already announced that this year grain harvest will be lower than those of 1959 and Poland, Rumania and Bulgaria may soon make similar admissions.

*

The yardstick by which the achievements of Finnish industry are measured is the quinquennial Finnish Industries Fair in Helsinki. The seventh fair, running from September 16—October 2, will be the biggest ever held.

*

Japanese businessmen and newspapers are expecting the Bank of Japan to lower its official rediscount rate shortly from 7.30 per cent to 6.935 per cent. The last change in bank rate was on December 1, 1959, when it was raised to its present level in what was described as a precautionary measure against "possible economic overheating".

*

The Board of Trade is sponsoring a display of British Consumer goods at the Canadian National Exhibition in Toronto. More than 200 examples of products have been selected by the Council of Industrial Design for th stand.

*

Jerusalem Pencils has placed an order for pencils worth $50,000 with a German exporter, the Manufacturers' Association reported recently.

*

Agreement on a £30 million loan from Britain, the US and the World Bank to finance Ghana's big Volta River project was officially announced recently by the Ghana Government.

*

Introduction of a decimal currency in Australia has been recommended unanimously by an independent Committee appointed by the Government.

THE BUSINESS WORLD

The Outlook for Plantations

IN any assessment of the state of the economy during the Third Five-Year Plan the prospect for plantations cannot be ignored. Rather, a perspective view ought to be taken in their case in view of their importance as vital commercial crops. Mr. W. Wilson Mayne, President of the United Planters' Association of Southern India, made a comprehensive survey of the outlook for plantations in the near future at the annual meeting of the Association last month-end. His assessment of the prospect for the three major segments of the industry, namely, tea, coffee and rubber, is of undoubted practical interest.

Tea has always ranked as one of our foremost traditional earners of foreign exchange. It is also gaining increasing popularity as a beaverage in every household. It is one of its great sources of strength that the broadening domestic market is giving it increasing stability. But in the context of our next four or five Five-Year Plans, it is as an export item that the value of tea to the economy will be reckoned. Mr. Mayne has pointed out that the prospect for tea in the export market is becoming increasingly difficult. A number of new countries "from China to Peru" are emerging as exporters of tea and competing with Indian teas very fiercely. The fierceness of the competition arises from the fact that the bulk of the Indian tea crop consists of ordinary teas and it is easy for these new entrants to assail it in the export market. Another factor which makes the competition fierce is the fact that Indian teas labour under the handicaps of a heavy burden of production costs and taxation from which the entrants are relatively free.

The UPASI President draws attention to the United Nations Commodity Survey for 1959 and points out that the average price in the international market of tea, coffee and cocoa declined by 40 per cent since 1954, pushing it back to the level obtaining in 1950. Meantime, in India the burden of taxation and costs went on increasing between 1950 and 1959. Nevertheless, conditions for the tea industry have been a shade better than those for coffee and cocoa because consumption of tea has continued to keep pace with expanding production. India's real problem in relation to tea is not so much of accelerating the output at a fast rate as of improving its quality. In the near future it is primarily quality which will enable Indian tea to withstand competition in the export market. Mr. Mayne draws attention in this context to the sense of dissatisfaction expressed by Mr. Satish Chandra, Deputy Minister for Commerce and Industry, about the low production target set for tea in the Third Plan. He maintains that the tea industry is quite capable of achieving high production targets. But bitter experience has brought home to it the sharp consequences of production outpacing consumption. His poignant remark that Ministers are spared from this experience can hardly be considered as uncharitable.

If the immediate problem of tea is to improve quality, it ought to receive assistance from the Government to enable the estates to replace old machinery and to expand factory accommodation. The UPASI President expresses gratitude to the Tea Board for extending to the industry the facility of hire-purchase of machinery, but he emphasizes that the right policy should be to enable the industry to retain a higher percentage of profit for plough-back. Tea propaganda has left much to be desired and Mr. Mayne has underlined the need for intensifying it. A widening disparity between production and export demand makes it all the more urgent that the former International Tea Agreement should be revived with the cooperation of as many of the previous signatories as possible and by trying to pursuade the rest to join as early as possible. Development of tea estates tends to place greater emphasis on replanting, but the importance of raising unit production, of assimilating improved agricultural techniques and of increasing the utilisation of fertilizers must not be relegated to a secondary place.

The outlook for the coffee in the global perspective is sure to cause great concern. The United Nations Commodity Survey for 1959 highlights the fact that the world average output of coffee during 1955-59 was 26 per cent above the output during 1950-54. But consumption increased by a mere 10 per cent. The 1959-60 season finds itself overloaded with a carry-forward of 56 million bags, equivalent to the production of one full year. These trends are reflected vividly in the decline in world prices of coffee during the last two years by a substantial margin varying between 30 and 40 per cent.

Mr. Mayne has pointed out that although India's production of coffee is a small fraction of the global output and it caters mostly the internal market, it cannet completely insulate itself against the rapid and forceful changes which are overtaking the world coffee crop. The dilemma of the world coffee industry consists in "tumbling world prices" and "vastly swelling stocks." While this dilemma is posed before the industry and a way out does not seem within sight, expansion of Indian coffee should be guided mainly by the potentiality of the home market to absorb the higher output. It would be unrealistic to expect the coffee industry to carve out for itself a stable export market in the near future.

India's rubber plantations are in the infant stage of growth and it would appear that this plain fact is

sometimes ignored in the expectations that are entertained about its pace of development. Between 1950-58, over 12,000 acres were replanted with an investment outlay which far exceeds the rehabilitation allowance allotted to the industry in the price structure. Since 1952 the area under rubber trees has been raised by 50 per cent. This 50 per cent represents new plantations—a fact which ought to be fully appreciated in anticipating the growth of output. Most of this area is not in bearing up to now. The long period of gestation, if it may be so called, puts a severe limitation on the capacity of rubber estates to expand production in response to the demand of the manufacturing industries for raw rubber. Furthermore, conditions in South India—which is the only area in this country where rubber is grown—are not ideally suited as they are in Malaya and other staple producing countries and hence the Indian output is low.

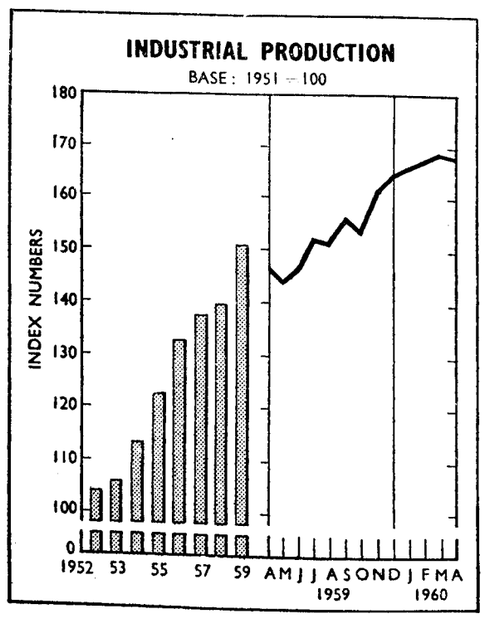
These natural handicaps ought to be taken fully into consideration in making calls on rubber estates to meet the fast growing demand of the home manufacturing industry. Mr Mayne expects that the Kerala and Madras Governments, which have taken a decision to undertake cultivation of rubber in the public sector, will acquire knowledge of the difficulties and hazards inherent in rubber plantations and for this reason he welcomes their decision. Finally, he draws attention to the inquiry into fixation of fair prices for rubber which has been referred to the Tariff Commission and makes a well-reasoned plea that uncertainties inherent in any long term agricultural plantation like rubber should be given proper weight in the prices which are to be fixed afresh.

Business Notes

Industrial Production

A NEW PEAK

THE INDEX of industrial production has touched a new peak. The average of the indices for the first four months of 1960 comes to 167.5 (Base: 1951=100) against 147.0 for the corresponding period of the previous year. From these figures it appears that the industrial output during the whole year may record a rise of more than 10 per cent over the previous year. An important feature of this expansion, as revealed from the various components constituting the general



index, is that new industries are the real pace-makers. Traditional industries like cotton and jute manufactures, which command a weightage of 48 per cent in the index, have shown only negligible expansion. The two premier industries are not to blame for this state of affairs. In the case of cotton textiles imports of raw cotton were not procured in time and in sufficient quantities; even so, the previous year's level of output has been maintained. In the case of jute industry, too, a decline in the availability of cuttings has so affected the industry that the expansion was just nominal.

The index has moved up mainly due to strides recorded by chemicals like sulphuric acid, caustic soda, superphosphates, etc. in whose case the rise was to the extent of 30 per cent, 50 per cent and 55 per cent respectively. Other industries which have attained higher output are cement, iron and steel and general engineering where the expansion was of the order of between 40 and 60 per cent during these four months as compared to the same period of the previous year. In the general engineering group, machine tools, sewing machines, fans and certain electrical goods have registered considerable rise. From the record of these four months one is likely to presume that this rate of expansion may be maintained during the rest of the year. This optimism, however, is tempered by the knowledge of the emergence of the new crisis of foreign exchange. The licensing policy for October-March, which threatens to be stringent, may change the course of industrial production in the last quarter and affect the performance over the year as a whole.

Textiles

MODERNISATION FOR EXPORT

THE IMPACT of some of the recent developments in the world of textiles on the exports of cotton textiles from India has been so severe that it is apprehended now that it would be very difficult for this country even to consolidate its present position. Consequent upon a number of favourable factors such as a margial increase in the volume of international trade, the partial withdrawal of China from international market, the 15 per cent cut in Japanese textile industry, the opening up of Sudan as our second biggest market, the grant of increased incentives in May 1959 etc., cotton textile exports from India improved considerably both during the year 1959 and in the first quarter of the current calender year. But the prospects for the remaining months of 1960 appears to be poor; thanks to the steep fall in the production of cotton, increase in the cost of manufacture and the development of local textile industry in a number of our markets like Sudan, Ethiopia, British East Africa, New Zealand and Ceylon. "These developments" as Mr. Neville N. Wadia, chairman, The Cotton Textile Export Promotion Council, said, last week, in Bombay, whilst addressing the sixth Annual General Meeting of that body, "pose a challenge to the maintenance, let alone expansion of our textile exports in the coming years and any complacency in our assessment of prospects will have disasterous results."

In the face of these adverse developments if Indian textiles have to be sold in international markets, the competitive strength of the Indian textile industry has

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to be enhanced greatly. This is possible only if the industry is allowed to modernize itself. As Mr. Wadia said: "most important of all is to allow the industry to put its house in order; bring its machinery, plants, equipment and methods up to modern standards. We can no longer expect to be competitive even in those countries where wages are very high as long as outmoded ways of production exist. This is a fact which cannot be too strongly emphasised and Government, labour and mill-owners, must recognise it and tackle this problem with determination. There is no time left for discussions. The facts are staring us in the face and if we shut our eyes to them, we must accept the inevitable consequence." If we are not to harm our export as the TEXPROCIL chief said, automatic looms have to be installed at the rate of, at least, 5,000 to 10,000 looms a year.

Insurance

PROBLEM OF COSTS

MR. A. D. SHROFF, the Chairman of the New India Assurance Co. Ltd., while speaking at the annual general meeting held recently at Bombay, gave a call to the general insurers to face the problem of management expenses, which were fixed at a low level under the Insurance Act, by a process of general consolidation. Considering that larger units can economize on establishment expenditure, he suggested that measures should be adopted by which certain weaker units could be amalgamated with bigger ones. Under the present circumstances of declining margins, such integration could be helpful in creating a new order of soundness in general insurance.

The industry should also try to reduce the costs, Mr Shroff suggested, by bringing about a check on motor repair costs as well as by keeping a proper watch over the rising number of accidents. An increase in insurance rates would not solve the problem, because it would act as a disincentive to new business. He suggested that, instead, a proper claims settling organization should be established. This proposition seems to be fairly sound and is likely to induce efficiency. It is hoped that it will be pursued seriously by the general Insurers' Association as well as by the Government. If these measures are adopted, general insurance companies can effectively reduce costs which will ultimately improve their margins.

Oil

BURMAH-SHELL REFINERIES

MR. P. D. TEW, Chairman of the Burmah-Shell Refineries Ltd., dwelt at length on some of the problems of the oil industry at the Seventh Annual General Meeting of the Company. He stated that, while there can be no question that the first priority should be given to exploration and production of indigenous crude oil, the second priority must be given to increasing refining capacity in the country. For the oil industry it would be prudent to set its targets to cater for a demand of at least 14 million tons of refined products in 1966. The demand in 1955 was 4.67 million tons and will be approximately 7.50 million tons in 1960. If the same rate of expansion is applied, the demand would rise to 13.4 million tons in 1966. At present the existing refining capacity is estimated at 6 million tons and even if 2.75 million tons capacity sanctioned for the two public sector refineries becomes fully effective by 1966, there would still be a gap of 5.25 million tons to meet the balance of 8 million tons likely to be required by 1966.

It is estimated that the additional refinery capacity is likely to cost Rs. 60 crores and to the extent the Government would agree to this being financed by the private sector, there would be a corresponding relief in foreign exchange to the public sector. If the domestic requirements could be met by increasing the refining capacity, there would obviously be substantial saving of foreign exchange. The substantial economy in foreign exchange that could be effected by increasing the domestic refinery capacity is illustrated by the fact that, while the import of one ton of crude oil costs Rs. 65, imports of one ton of refined petroleum products would cost Rs. 150. The Burmah-Shell Refineries Ltd., have submitted a scheme for expanding its capacity to approximately 4 million tons within 18 months and complete a lubricating oil manufacturing complex of between 60|100,000 tons annual capacity within a further year. The commendable feature of this scheme is that the necessary foreign exchange will be arranged by the Company for both the projects. The Chairman has given an open hint that it should be feasible to modify the terms of the refinery agreement, provided the company were permited to go ahead with the proposed expansion. The offer deserves serious attention from the Government.

Paper

SESHASAYEE'S PAPER AND BOARDS

MESSRS SESHASAYEE BROTHERS (PRIVATE) LTD., are floating new company to be styled as Seshasayee Paper and Boards Ltd. It is to be welcomed at a critical time when the pressure of demand on home-produced paper is increasing progressively. The authorised capital of the company is Rs 10 crores and the issued capital is Rs 3,50,00,000. The present issue consists entirely of ordinary shares. Out of the issued capital the signatories to the memorandum namely Messrs. Seshasayee Brothers (Private) Ltd., Tiruchirapalli, Messrs. Seshasayee Brothers (Travancore) Private Ltd., Alwaye (Kerala), Messrs. Parsons and Whittemore South Asia Company Inc., State of Delaware, United States of America, the Directors of the Company and their friends have subscribed among themselves capital worth Rs. 100,10,000, in ordinary shares of Rs. 10 each. Their friends have further agreed to subscribe to 49,000 equity shares of Rs 10 each of the aggregate value of Rs 4,90,000. The Madras Industrial and Investment Corporation Limited have subscribed to 10,00,000 equity shares of Rs. 10 each of the aggregate value of Rs. 1,00,00,000. The balance of the issued capital of Rs. 1,45,00,000 consisting of 14,50,000 ordinary shares of Rs. 10 each is offered for public subscription at par. The entire amount of the equity shares offered to the public has been underwritten by the Life Insurance Corporation of India, brokers and bankers. The subscription list will open on September 7, 1960, and close on September 12, 1960. Applications are to be for a minimum number of hundred equity shares and on application Rs. 5 per share is to be paid.

Seshasayee Paper and Boards Ltd., have entered into an agreement with a famous company Messrs. Parsons and Whittemore South Asia Company Inc., which will undertake the complete commissioning and erection of the plant with a capacity of 20,000 tons of paper per annum to be completed in two years. The noteworthy feature of this project is that the Government of India have agreed to provide the entire foreign exchange required from the Export-Import Bank Loan Aid Programme. Market response to this issue seems assured. Details of the prospectus will be available elsewhere in this issue.

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Current Topics

'QUICK' ESTIMATES OF NATIONAL INCOME FOR 1959-60

The National Income of India in real terms recorded a rise of 0.5 per cent in 1959-60 over 1958-59 according to the 'quick' estimates prepared by the Central Statistical Organization on the basis of the trends disclosed by the current available data.

THERE was a fall of 3.9 per cent in agriculture (proper) the contribution of which accounted for 38.7 per cent of the total national income in 1959-60 as compared to 40.5 per cent in 1958-59. This fall in agriculture was, however, more than offset by increases in other sectors, which taken together, registered a rise of 3.4 per cent in 1959-60 over 1958-59 bringing about an increase in the contribution of these sectors from 59.5 per cent in 1958-59 to 61.3 per cent in 1959-60.

The present estimates are tentative as they are based on certain advance information and may be revised in the annual paper on National Income for 1959-60. Contributions of some individual sectors to the overall percentage change in national income in 1959-60 over 1958-59 at 1948-49 prices are shown in the following table:—

Sectors.	Percentage contribution to total national income 1958-59	Percentage change in 1959-60 over 1958-59	Contribution to the overall percentage change in 1959-60 over 1958-59
Agriculture (proper)	40.5	— 3.9	— 1.58
Mining and factory establishments	8.2	+ 8.1	+ 0.66
Communication	0.4	+ 4.0	+ 0.02
Railways	2.4	+ 5.7	+ 0.14
Organised banking and Insurance	0.9	+10.8	+ 0.10
Other commerce and transport	15.2	+ 1.7	+ 0.26
Other Sectors	32.4	+ 2.8	+ 0.91
All sectors	100.0	+ 0.5	+ 0.51

The table below indicates the trend of national income and per capita income at 1948-49 prices during the quinquennium ending 1959-60:

Year (Financial)	National income (Rs. crores)	Per capita income (Rupees)
1955-56	10,480	273.6
1956-57	11,000	283.5
1957-58	10,890	277.1
1958-59 (Preliminary)	11,690	293.6
1959-60 (Provisional)	11,750	291.3

The figures show that the net rise in national income in real terms during the first four years of the Second Plan, i.e. 1956-57 to 1959-60, was of the order of 12.1 per cent.

EMPLOYMENT POTENTIAL OF ROAD TRANSPORT

In an attempt at scientific computation of employment provided by road transport, the National Council of Applied Economic Research has reached the conclusion that contrary to the view held in some quarters, Road Transport accounts for a very considerable volume of employment, directly and indirectly.

SUCH employment, it says, is widely dispersed regionally and occupationally, and is, on the whole, mainly in the lower income categories. As compared with the railways, employment on road transport is not compact, organised, continuous or even adequately remunerated, but the roads provide the means of livelihood for far more people.

The employment provided by Road Transport is estimated at 2.4 million, provision and maintenance of track accounting for the largest proportion, namely, 970,000 or 41 per cent.

In 1957-58 the total number of persons directly employed on the Indian Railways was 11.64 lakhs. The following table shows the employment provided by Roads and Railways:

(in lakhs)

	Road	Rail
1. Track construction	6.61	0.08
2. Track maintenance	3.06	2.71
3. Vehicular operations	7.12	3.78
4. Maintenance of vehicle and supply of fuel	4.92	4.22
5. Terminal services—porters and loaders	1.59	0.55
6. Trasport administration and traffic control	0.24	0.30
Total	23.54	11.64

The employment potential of the industry may also be assessed, it says, in terms of the number employed per vehicle. The employment per commercial vehicle is found to be 12.63 persons inclusive of direct as well as indirect forms of employment. The comparative employment given by passenger buses and trucks, taking direct and indirect employment, amounts respectively to 715,000 and 626,000. From an examination of the financial aspect of the employment potential, the Study indicates that the wage rewards of this industry go mainly to the low income groups. There are also indirect wage effects arising from the money paid as wages moving in several channels of indirect employment, relatively sizeable in the aggregate. The regional spread of wage incomes in the case of Road Transport is for reasons inherent to it more dispersed regionally than with other forms of transport.

FROM THE CAPITAL'S CORRIDORS

FOREIGN EXCHANGE CRISIS—ITS CAUSES

FOREIGN exchange crisis continues to dominate the Indian economic scene. The problem, it is understood, is engaging the attention of the Government of India, which is anxiously looking forward to the Paris Conference of the "Aid-India" Club on September 12

Various explanations are being put forth for this unprecedented crisis on the foreign exchange front. Though the foreign trade figures for the first half of the current year presented an encouraging picture (imports during this period declined by Rs. 22 crores to Rs. 459 crores compared to the corresponding period last year, and exports went up by Rs. 35 crores to Rs. 301 crores reducing the trade deficit by Rs 57 crores to Rs. 158 crores), the country has been obliged to draw upon its foreign assets to the tune of Rs. 22 crores since July 15. No precise explanation is yet available for this heavy drain on our foreign exchange resources, but it is presumed that coinciding of large imports—both of machinery and raw materials like cotton and jute—during this period have been primarily responsible for this. The drain has possibly been accentuated by heavy defence expenditure and repayment obligations of some foreign loans.

It is also suggested in knowledgeable circles that aid from abroad has not been commensurate with the development of the Indian economy in the recent past. It is pointed out that not only there has been some delay in the authorisation of credits by the friendly countries due to cumbersome formalities required to be fulfilled for the grant of loans, the credits authorised so far have fallen short of the requirements of the "hard core" of the Plan by nearly $200 million. Some current earnings from exports thus have had to be diverted to finance imports of machinery for which foreign aid was expected.

In the circumstances, it is difficult to understand why some low-priority projects have been all of a sudden given a high priority. The cases in point are a second Atomic Plant, the "Janta Car" project, dieselisation of railways and manufacture of watches. Such projects can very well be postponed for some time.

AID FROM U.K.

Some indications about the aid that might be forthcoming from the United Kingdom in the next few years are now available. Britain, a few days ago, made available £10 million as its contribution to finance the rest of the Second Five-Year Plan. It is regarded highly unlikely that it will add to this sum at the forthcoming Paris meeting. So far as the Third Plan is concerned, British assistance is anticipated to be around £125 million, one-fourth of which may be available for financing trade deficit. This includes the credit of £20 million already promised for the expansion of the Durgapur Steel Plant.

FURTHER CREDIT FROM U.S.S.R.

The Soviet Union has expressed its readiness to grant India an additional credit of 500 million roubles (about Rs. 60 crores) for the Third Five-Year Plan. The offer has been accepted by the Government of India. The total Soviet aid available for the Third Plan thus amounts to 2,000 million roubles (Rs. 240 crores). The manner in which and the purposes for which the new credit will be utilized will be decided by the Government of India in consultation with the Planning Commission and the representatives of the Soviet Union. The new credit bears the usual 2-1|2 per cent interest per annum.

ABOUT OIL

Mr. K. D. Malaviya, Union Minister for Oil and Fuel, declared in the Lok Sabha early this week that oil would begin to be produced in the public sector at Cambay by the middle of next year. This oil, he said, would be processed at Trombay till a refinery is set up in the Gujerat region, the plans for which are expected to be taken on hand in the near future.

Mr. Malaviya expressed dissatisfaction with the cut in crude prices announced by the three private sector oil companies recently. In the current buyers' market, he said, he was determined to get oil as cheaply as possible. He explained that following the recent fall of about 5 per cent in the posted price of crude oil in the Persian Gulf countries, the three oil companies—Burmah-Shell, Standard-Vacuum and Caltex—had informed the Government that they would be able to offer a 7-1|2 per cent cut on the new prices, which corresponded to a 12-1|2 per cent reduction on the old rates. This would result in saving of between Rs. 5 crores and Rs. 6 crores in the foreign exchange expenditure. Mr. Malaviya hoped that the oil companies would reconsider the matter. Reports suggest that he would like the oil companies to further reduce their crude prices by 2-1|2 per cent. Mr. Malaviya called upon the oil companies to change their approach to "tied" refineries in Bombay, particularly in view of the fact that they were offering similar reductions in crude prices for the "untied" refineries in Italy and Sweden.

Mr. Malaviya also expressed his dissatisfaction with the meagre Third Plan allocation of Rs. 130 crores for oil. He said the Government was determined to have as many refineries as possible in the public sector with the ultimate objective of controlling the oil economy of the country.

SEARCH IN WEST BENGAL ABANDONED

Meanwhile, the management of Standard-Vacuum has conveyed to the Government of India its decision to suspend further oil exploration activity in West Bengal. A spokesman of the company revealing this information said, "Despite the employment of the best equipment and techniques known to the industry, not one out of the ten wells drilled under the Indo-Stanvac Project had found oil and the evidence revealed by actual drilling was so disappointing that it was the confirmed opinion of experts that the huge expenses required for further exploration in this area would be unwarranted."

The spokesman further revealed that last year Standard-Vacuum had retained Mr. Lewis MacNaughton, a leading Consulting Geologist, for appraisal and technical evaluation of the work. Mr. MacNaughton's report, which was handed over to the Government in January last, stated that "unless oil or gas is found in the next two test wells, it is unlikely that further drilling would be warranted." Since the submission of the report, one well which was being drilled at that time, and two additional wells have all resulted in dry holes.

Standard-Vacuum had been exploring for oil in West Bengal since 1949. In the first five years the exploration programme was carried out by the company alone. The total expenditure borne by the company in the exploration effort up to this stage was about 64 lakhs of rupees. Since the inception of the Indo-Stanvac Project the total investment upto the end of June has been approximately Rs. 7.54 crores, of which 75 per cent was borne by Standard-Vacuum and 25 per cent by the Government of India..

HANDLOOM TRADE DELEGATION

The Madras Government, it is learnt here, is sponsoring a trade delegation to visit South-East Asian countries to explore the possibilities of exporting Madras-made handloom fabrics to this region, consequent upon heavy accumulation of stocks of these, following concellation of orders by U.S. firms for reasons like delayed shipment. Most of the accumulated stocks are said to be of "Bleeding Madras" variety which at one time appeared to have caught the imagination of the American garment manufacturers.

The delegation, which will be headed by Mr. Nachimuthu, President of the Madras State Handloom Weavers' Co-operative Society, will leave Madras in a few days and will tour all the South-East Asian countries, including Hongkong, for about six weeks.

Exports of handloom fabrics to this region have dwindled considerably during the last few years and this is causing considerable concern to the industry as a whole.

MANUFACTURE OF TELEPRINTERS

The Government of India has finalised the arrangements for setting up of a factory in the public sector for the manufacture of teleprinters. On August 26, it signed an agreement for technical collaboration for this purpose with the well-known Italian firm Ing. C. Olivetti and Company.

Setting up of this factory, which has always been regarded as an important pre-requisite for the expansion and improvement of telegraphic communication in the country, was included originally in the Second Five-Year Plan. But the implementation of the scheme had to be postponed owing to foreign exchange difficulties In view of the necessity of expanding telegraphic communications during the Third Plan period, it has now been decided to take up the matter on a high priority basis, so that the factory goes into full production in about three years from the date of its establishment. In addition to the production of teleprinters, manufacture of the voice frequency telegraph carriers is also contemplated. Work on this project, it is understood, has also been taken up.

According to the arrangements arrived at with Olivetti and Company, the latter will supply the technical know-how and engineers to help in setting up the factory. Indian engineers will also be trained in Italy. Besides, the foreign collaborators will supply the production tools and machine tools of their manufacture as well as tender advice on the purchase from other sources of machine tools, raw materials, etc., required for the factory.

A very tight production schedule has been drawn up so that the factory goes into full production in the shortest possible time. Commencing with the preliminaries in temporary premises, it is planned to produce about 170 teleprinters in 1961. This stage will consist essentially of assembly operations, even though some parts may be manufactured indigenously. Factory buildings are to be constructed by the end of 1961 and in the following year production is expected to go up to 460 machines. In 1963, over 1,000 machines are envisaged to be produced. In 1963-64, the factory will attain its full production of 1,000 teleprinter machines (both page and tape types), 100 printing perforators, 100 auto-tape transmitters and 200 reperforating attachments. In addition to this, the factory in that year will also manufacture send-only and receive-only machines and various other attachments and fittings.

While the assembly of the equipment will begin immediately, the production schedule provides for early realisation of full indigenous manufacture. Beginning with 13 per cent indigenous manufacture in the six-monthly period from November, 1961, to May, 1962, the factory will reach a 94 per cent indigenous manufacture target in 1962-64. By May, 1965, it will produce teleprinter machines composed of 100 per cent indigenous components, including the specially governed motors.

Three foreign manufacturers of teleprinter equipment had submitted project reports and proposals for the setting up of this factory. The project reports were examined by special technical committees, consisting of engineers drawn from various departments of the Government of India. The negotiations with these companies in regard to their terms and conditions were carried out by another committee, headed by Mr. V. Shankar, the Director-General of Posts and Telegraphs. The final proposals were scrutinized by another high-level committee.

Two senior officials, Mr. B. S. Rau, former Postmaster-General at Hyderabad, and Mr. P. Mukundan, formerly Deputy Chief Engineer (Maintenance), Posts and Telegraphs, have been placed on special duty to form this company on behalf of the Government of India and to complete the preliminaries quickly. They will select the site for the factory in consultation with the foreign collaborators and take other measures connected with the production programme.

INCOME-TAX ARREARS

Arrears of income-tax at the end of the financial year ending March last amounted to as much as Rs. 133.61 crores compared to Rs. 152.36 crores at the end of the previous year. The following table gives a break-up of these arrears circle-wise for the past two years.

(Rs. lakhs)

Circle	Effective arrears on 31-3-1959	Effective arrears on 31-3-1960
Andhra Pradesh ..	3,17	2,92
Assam ..	1,29	77
Bihar and Orissa ..	4,77	4,39
Bombay (Central) ..	13,90	11,59
Bombay City ..	26,93	30,77
Gujerat	4,24	2,45
Poona	1,91	1,46
Calcutta (Central) ..	13,33	11,40
Delhi	17,59	12,87
Kerala	2,74	2,69
Madhya Pradesh ..	3,15	2,41
Madras	5,10	5,28
Mysore	2,11	1,52
Punjab	2,43	1,86
Uttar Pradesh ..	7,06	4,56
West Bengal ..	42,64	36,67
Total ..	152,36	133,61

TROMBAY FERTILIZERS PLANT

The U.S. Government, it is understood, has promised to finance the setting up of the Trombay Fertilizers Plant. D.L.F. will supply the foreign exchange component and PL 480 reserves will be released for meeting the rupee costs. The project will utilise oil refinery gases for the manufacture of fertilizers.

BRIEFS

Two schemes for the manufacture of newsprint from imported pulp have been approved by the Government of India. Negotiations with the foreign suppliers of machinery have been started by the firms concerned.

*

A licence for setting up a plant to produce 20 ton of cheese per month has been issued by the Government.

*

The Union Government proposes to instal a switchgear development and testing laboratory at Bhopal at a cost of about Rs. 200 lakhs.

*

Sixty-two electric cranes are proposed to be installed at the port of Calcutta at an estimated cost of Rs. 1,58,23,391. They are being purchased from West Germany and Japan. The amount of foreign exchange involved is Rs. 93.4 lakhs.

COMPANY AFFAIRS

SHREE GOPAL MAINTAINS PROFITS

Shree Gopal Paper Mills Ltd. maintained its high level of efficiency during the year to December 1959. It continued to turn out the paper of good standard. While the prices of imported machine furnishings remained more or less steady, wool pulp, chemicals and store items registered an increase. The Directors have referred to the enquiry conducted by the Tariff Commission to fix fair ex-works and selling prices of paper and pointed out that the report of the Tariff Commission which was accepted by the Government, recommended a substantial cut in the paper prices. The recommendations of the Tariff Commission have caused considerable hardship to the Industry and the Directors regret that the Government should have enforced the revised prices notwithstanding the creditable past record of the Industry in keeping the prices under check. They have pointed out that during the last 11 years since the costs were investigated by the late Tariff Board in 1948 the Paper Industry trebled its production and there has been an increase in the costs of over 35 per cent. The industry, however, increased its prices by only 16.7 per cent for the civilian market and by about 10 per cent for Government supplies. The lower paper prices which came into effect from early this year are bound to affect the profits of the Company. The impact of the revised prices on the profits would be actually reflected in the working of the Company during the current year, but the Directors hope that the loss in profit would be made up to a great extent by the increased production expected from the new mill.

The vanaspati unit of the Company worked for 176 days producing 2,255 tons of which 2,242 tons were sold. The pool formed by the vanaspati manufacturers of north zone with a view to stabilise vanaspati prices, did not function properly and ultimately had to be dissolved. The vanaspati prices, however, remained favourable all along looking to the then prevailing oil prices.

During the year under review the Company made a gross profit of Rs. 116.45 lakhs against Rs. 105.43 lakhs in the previous year. After providing for depreciation (Rs. 12.54 lakhs) taxation (Rs. 25.20 lakhs) and development rebate (Rs. 24.74 lakhs) the Directors have proposed to distribute dividend on ordinary shares at the rate of 17.6|7 per cent subject to deduction of tax under Section 18(3D) of the Income Tax Act which will absorb Rs. 22.41 lakhs.

GANGES ROPE

The Robe Industry, although small, is quite vital for the economy of the country, particularly in view of its contribution towards the successful operation of shipping lines and other industrial undertakings. A representation to the Government has, therefore, been made through the Indian Rope Manufacturers' Association to treat Rope as a separate industry and not link it with either the textile or jute industries in respect of foreign exchange allocations for the import both of raw materials and machinery. It appears that this demand is fairly genuine and it is hoped that the Government will provide separate foreign exchange allocation for this industry.

Although competition continued to be severe the Directors of the Ganges Rope Company have pointed out that the Company was able to maintain its share of available business. Owing to non-availability of imported raw materials in sufficient quantities a number of orders which would have otherwise added to the revenue of the Company could not be booked. Similarly production was maintained at a satisfactory level although the Company experienced some difficulties in obtaining raw materials from indigenous and foreign sources.

During the year to March 31, 1960, the Company registered a profit of Rs. 8.26 lakhs after providing for the provisions for taxation and development rebate reserve, the Directors recommended the transfer of Rs. 2 lakhs to general reserve and the payment of a dividend at the rate of Rs. 17.50 per share.

CENTRAL CACHAR AND BARADIGHI TEA COMPANIES

It appears from the financial results of these companies that for the year to December 31, 1959, there was considerable amount of improvement by way of reduction in the cost of production but the Directors have pointed out that this advantage was offset to a large extent by a further increase under the Minimum Wages Act 1948 by which adult workers' wages were raised by 20 nP. per day and minor workers' by 10 nP. per day with effect from December 1, 1959. Mostly the effect of this increase will be felt in the results of the next year.

The Central Cachar Tea Company Ltd. recorded a profit for the year to the extent of Rs. 4.06 lakhs. After taking into account the debit balance of Rs. 2.17 lakhs brought forward from the previous year and the provisions for taxation etc. there is an amount of Rs. 1.17 lakhs at the disposal of the Directors. A dividend at the rate of 5 per cent is proposed to be distributed. During the year 1959 total output of tea was 11.3 lakh lbs. against 8.94 lakh lbs. during 1958. It is estimated that during the year 1960 the output may be around 11.53 lakh lbs.

In the case of Baradigi Tea Company the output of tea for the year 1959 is estimated at around 15.41 lakh lbs. against 14.94 lakh lbs. in 1958. Due to drought conditions in the early part of the year the crop estimated for 1960 may be around 14.80 lakh lbs. The Company recorded a profit to the extent of Rs. 7.79 lakhs. After making provisions for taxation etc. the Directors have recommended the payment of a dividend at the rate of 25 per cent subject to deduction of income-tax and super-tax.

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Reserve Fund	**Rs.**	**12,00,000**
Working Funds as on 30-6-1960 ..	**Rs.**	**7,47,95,066**

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S. N. K. SUNDARAM, Managing Director.

COMMODITY NEWS AND NOTES

RUBBER SUPPLIES IN 1960

The International Rubber Study Group has made estimates for requirements and supply of natural and synthetic rubber during 1960. It was estimated that the world might consume i.e., turn into manufactured goods, some 2,110,000 long tons of natural rubber and some 1,750,000 long tons of synthetic rubber apart from synthetic rubber produce in non-member countries. It was estimated that the world production of natural rubber would be around 2,135,000 long tons and the production of the synthetic rubber in member countries would be around 1,810,000 long tons while total synthetic rubber production capacity in member countries was assessed at 2,335,000 long tons.

RISE IN ARGENTINA TEA OUTPUT

Argentina's export trade returns are beginning to feature a new commodity—tea. As yet the figures are insignificant, but, that Argentine tea can aspire to a place in the London Market is evident from the acceptance it has alreay gained with the regular, and increasing, shipments that have been made in the past 18 months or so. Dutch tea importers and traders have also been showing interest in Argentina's possibility as a substitute source of tea supply for Indonesia, and they have recently invested capital in plantation and factories. Two years ago, such small shipments of Argetina tea as were made were in the nature of an experiment only. Last year, however, some 740 tons valued at $504,290 were shipped while this year exports totalling 1,190 tons worth $959,952 were registered in the first quarter alone. The area under tea cultivation today is some 76,500 acres, nearly all of it in the North-Eastern province of Misiones and mostly planted within the past five years. It has been estimated that when the area is in full production—in a few years' time—the yield in dry leaf should be some 200 lbs. per acre, or an annual output of over 15 million lbs.

WORLDWIDE CRUDE OIL SURPLUS

The most conspicuous feature of the Iraq Petroleum Group of Companies review of 1959 is the emphasis on the present world-wide surplus of crude oil, which it puts at about 250 million tons of oil a year. On this estimate, which will be widely accepted, one-fifth of the world's capacity is now idle. And the report also expresses the growth in productive capacity in the Soviet Union. These comments are naturally relevant to the weakness of the oil market which has caused the recent cuts in Middle East posted prices, which have now been announced by all the major companies, operating in the Middle East. The cost of exploration and development is also given some attention in the report which points out that the group is currently engaged in £100 million capital programme to expand productive capacity in Iraq. Iraq's exports last year totalled 38.3 million tons of which over 80 per cent was shipped to Western Europe while production was a record 40.9 million lbs. The Iraqi Government's revenue from production reached £86.6 million.

RAISINGS AND DESPATCHES OF COAL

The raisings and despatches of coal during June, 1960, from all fields in India were 4,212,691 and 3,733,247 tons respectively. The corresponding figures for the previous month were 4,351,572 and 3,605,319 tons respectively. The daily average loading for the month of July, 1960 from the West Bengal and Bihar fields was 3783 wagons as against 4316 wagons in the month of June, 1960. The highest loading on any day during July was 5501 wagons and the lowest 138 wagons, the correspoding figures for June being 4838 and 3480 wagons respectively. A daily average of 143 wagons was allotted for shipment traffic during July 1960 as against 174 in June, 1960. A daily average allotment of 118.03 wagons was made during July, 1960. About 80,498 tons of coal were despatched to Pakistan during July, 1960.

PRODUCTION OF COPPER ORE IN INDIA

The production of copper ore during January-June, 1960 was 219,464 metric tons, according to the Indian Bureau of Mines. This represents an increase of about 10 per cent as compared to the output of 199,945 metric tons in the corresponding period of the preceding year. The entire production was reported from the Singhbhum district of Bihar State. The production of copper metal during January-June, 1960, was 4,379 metric tons as compared to 3,817 metric tons in the corresponding period of 1959.

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Company Meetings

THE NEW INDIA ASSURANCE COMPANY LTD., BOMBAY

MR. A. D. SHROFF'S ADDRESS TO SHAREHOLDERS

The following is a summary of the Speech delivered by Mr. A. D. Shroff, the Chairman, at the Forty-First Annual General Meeting of the Shareholders of the New India Assurance Company Limited, at Bombay, on August 24, 1960.

Mr. Shroff stated that the year 1959 presented a mixed picture for general insurers all over the world. In India, a basic problem was that the limits of management expenses fixed under Rule 17E of the Insurance Act, 1938, had become unrealistic and he hoped that the Department of Insurance would revise these limits to suit existing conditions.

Mr. Shroff recommended a number of measures to integrate and strengthen the insurance companies in India such as consolidation and integration through amalgamation and group working, rigorous implementation of the provisions of the Code of Conduct and a non-diversion agreement as an interim measure to change over from the present unsound conditions to a new order of soundness, etc. In his view, both Government and industry should take concerted action to rebuild the market on these lines. In his opinion, such a plan called for guidance as also some degree of purposeful and constructive direction by Government.

Mr. Shroff further stated that one of the biggest problems facing the industry was the steady increase in motor repair costs and the rapid rise in the number of automobile accidents. A mere stepping up of the rates was no solution. He recommended, in this connection, the setting up of an efficient claims settling organization. He also emphasized the urgent need to stamp out carelessness and inefficiency in regard to handling of goods and cargo at the railways and ports.

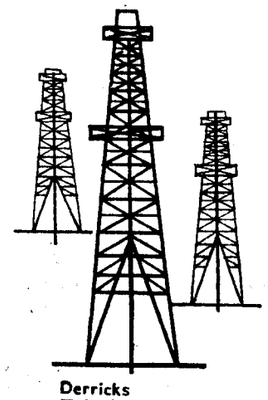
Mr Shroff pointed out that the Government had, by their decision to concentrate in the four companies in the public sector, 75% of the Government business handled through the Indian Insurance Companies' Pool and Indian Aviation Insurers' Scheme, practically withdrawn their support to the Indian Insurance Market. Also, as a result of this, Government were not utilizing fully the underwriting capacity of the whole market and there was likely to be an increased drain of foreign exchange by way of reinsurance effected by the four companies. He pointed out that all the companies are voluntarily giving a 10% share of their business to "India Re". As such, he did not feel that any compulsion by the Government in the field of reinsurance was called for.

On the conversion of "Indian Guarantee," a Subsidiary of L.I.C., into a reinsurance Company, Mr. Shroff raised the doubt whether there was sufficient scope for two reinsurance companies to exist in the Market. He thought that the objective of reducing the foreign exchange drain on reinsurance could be better achieved by encouraging private companies to obtain suitable reciprocity from abroad for the reinsurances they placed. He was of the view that the new reinsurance company could be a better source of strength to the market by specialising in granting reinsurance covers for insurance of growing crops, dairy animals, and hire-purchase business, and not by duplicating efforts already being made in the normal type of reinsurance.

Referring to the working of the Company, Mr. Shroff stated that the large-scale reorientation of the Company's organisation was only completed last year and the Company was able to concentrate its attention on the expansion of business. He also pointed out that the Company's investment policy was making its own contribution towards the development and expansion of industries in the country.

Dealing briefly with the trends in the Indian economy, Mr Shroff pointed out that the country faced two serious problems, viz., (i) the continuous rise in the level of prices; and (ii) the progressive depletion of our foreign exchange balances. He felt that measures taken by Government in the monetary field were not likely to curb any rise in prices, so long as ambitious development plans, unrelated to our resources, continued to be imposed on the country. He expressed the fear that the stresses and strains to which the economy is subjected may well reach a stage where it may involve a large-scale breakdown of the economy.

(This does not purport to be a record of the proceedings of the meeting.)



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BURMAH-SHELL REFINERIES LTD.

Statement by the Chairman, Mr. P. D. Tew, at the Seventh Annual General Meeting held on 29th August, 1960

The Directors' Report and Statement of Accounts for the year are before you. The income from refining has increased from Rs. 9.68 crores to Rs. 10.91 crores while the income resulting from duty protections declined from Rs. 3.41 crores to Rs. 1.86 crores; at the same time, despite the increase in throughput of 208,540 metric tons, expenditure has been reduced by Rs. 25 lakhs.

Following on the new provisions included in the Indian Income Tax Acts of 1959 and 1960, your Company has had to set aside only Rs. 1.90 crores for taxation on 1959 profits compared with Rs. 2.51 crores in total charged in the 1958 accounts and this fact coupled with the reduction in expenditure already mentioned, explains the apparent anomaly of a reduction in gross income of Rs. 39 lakhs but an increase in net income of Rs. 41 lakhs.

An interim dividend of 15 nP per rupee was declared and paid in December 1959 on the paid up ordinary share capital absorbing Rs. 207.3 lakhs and the Board now recommend a final dividend of 3 nP. per rupee which will absorb a further Rs. 41.4 lakhs; income tax at 20 per cent, subject to any relief which the Shareholders will be due under Section 15(C), will be payable on these dividends and in increasing the dividend this year from the 15 nP paid in 1958, the Board have acted to leave approximately the same amount with Shareholders as they obtained before the tax changes introduced in 1959.

The year 1959 is the last year in which your Company will be able to benefit from Section 15(C) of the Indian Income Tax Act and it is appropriate to mention here the voluntary surrender of duty protections from July 1, 1959, which means there will be no further income from this source on products currently manufactured at the Refinery. From 1960 onwards therefore the prosperity of your Company must depend largely on the income from refining and the efficiency of operation; in this respect I am happy to be able to say that I am fully confident that we shall be able to maintain efficiency at a standard which has already been proved second to none.

I do not think further remarks are required on the detail of our 1959 accounts which are set out fully in the documents already circulated to you.

During this year there has been considerable speculation and comment in the press on future refining prospects in this country and I should like to set before you the thoughts of your Board on some of these difficult and intricate problems.

First and foremost, what is the size of the problem? How much petroleum will be consumed in 1966? To begin with I suggest that by this date the range of petroleum products in India will have increased and a mathematical progression based on the existing offtake of existing products will by no means tell the whole story of future demand. Some of these products are refinery gas for petro-chemicals and fertilizer plants, naphthas for gasification for chemical and industrial use and perhaps alternative fuels for aircraft, automotive transport and railway engines. I would mention that your Company has already arranged to reserve for specific projects all available supplies of refinery gas, has arranged to supply up to 30,000 tons of naphtha in 1961 for a specific contract and can make available a further 100,000 tons of naphtha.

In this context I think it is important to define the word "demand". The definition used by your Board is the total requirement in India of refined petroleum, i.e. excluding natural gas but including oil required at Indian airfields and ports for international aircraft and ships. With this definition the demand in 1955 was 4.67 million tons and in 1960 will be approximately 7.50 million tons; applying the same rate of expansion the demand should be 13.4 million tons in 1966. In the view of your Board this is a minimum figure as apart from any new products to be introduced it is felt that if, as we all hope, the vast and courageous Third Five-Year Plan is fully effective then the rate of expansion must in practice increase. I consider therefore that it would be prudent for the Oil Industry to set its targets to cater for a demand of at least 14 million tons of refined products in 1966.

There can be no question that the first priority should be the exploration and production of indigenous crude oil; it is significant that the Planning Commission have allotted considerable sums for this purpose and that the Government have stated that, if satisfactory agreements can be reached, they would welcome the entry of private companies into this field.

The second priority must surely be to increase refining capacity in India. Existing capacity is estimated at around 6 million tons. To meet the balance of 8 million tons likely to be required by 1966 only the two public sector refineries estimated together at 2.75 million tons capacity have been, sanctioned. This leaves a gap of some 5.25 million tons. Additional refinery capacity is likely to cost over Rs. 60 crores and, to the extent that Government agree to this being financed by the private sector, there is a corresponding relief to the public sector, already pressed for foreign exchange. Before summarizing progress on the expansion proposal put forward by your Board last year to meet a part of this gap, I should like to outline your Board's views on the possible effects of not expanding refining capacity and leaving the gap unclosed.

If local refining capacity is insufficient to meet the full product demand, there will have to be imports of finished products irrespective of the availability of indigenously produced crude oil. To cover these product imports either additional foreign exchange will have to be found or commodity exports may have to be diverted to barter deals at the expense of foreign exchange earnings. It is difficult to forecast average

prices for imported petroleum products in 1966 but I believe Rs. 150 per ton may well be conservative and at this figure the cost of the products still to be imported will be over Rs. 75 crores a year in 1966. Today's landed cost of crude oil is about Rs. 65 per ton so you can see the big reduction that can be made in the import bill by increasing refinery capacity and bringing in crude oil rather than products; even after making allowance for the foreign exchange needed to operate the additional indigenous refining capacity (mainly refinery fuel and unavoidable imports of stores and materials) and to service the additional foreign capital investment there should be an overall net benefit to the economy of some Rs. 25 crores per year by 1966 if refining capacity is increased in time.

Against this background it will be recalled that in return for conceding the duty protections amounting annually to over Rs. 3.5 crores the Government undertook to examine on its merits a proposal for an increase of approximately 1 million tons in refinery capacity and for the addition of a lubricating oil plant.

Since that date, the Government have been advised that your Company could expand capacity to approximately 4 million tons within 18 months and complete a lubricating oil manufacturing complex of between 60/100,000 tons annual capacity within a further year.

There would be no request to Government for foreign exchange for this expansion.

The net saving in foreign exchange would amount to approximately Rs. 6 crores per annum — effective from 1963 if early sanction to proceed is given.

These then are the outline merits of the expansion case which Government have already undertaken to examine in exchange for our surrender of duty protection.

At the moment we are re-examining the physical aspect of our proposals and I feel there may be room for further modification to the Refinery Agreement provided your Company were permitted to go ahead with this proposed expansion.

No discussion of refinery expansion in India is complete without reference to what is known as the imbalance problem. Forward estimates still show an imbalance between a demand for individual products and the yields of existing and projected refineries resulting in a surplus, for example, of motor gasoline. Ways and means of minimising these surpluses are engaging the Government's/Industry's close attention and even if these measures do not meet with complete success, it is still felt that arrangements can be made to dispose of a fair portion of the remaining surpluses outside India. In the circumstances it can be said that our expansion proposal will do nothing to aggravate the imbalance position in India — and promises to do much to alleviate it.

Earlier I referred to the high standard of efficiency which has been achieved, and I should like to make particular mention of one technological advance. Last year your Chairman reported that the yield of gasoline had been reduced between 1956 and 1958 from 23 per cent to 16.5 per cent while middle distillate production had been increased from 31.8 per cent to 34.6 per cent. Currently the Refinery is producing about 15.0 per cent gasoline and 45.0 per cent middle distillates, an outstanding achievement and a real milestone towards the objective of making refinery production conform to the product pattern requirement of India.

I should also like to mention that every effort continues to be made through improvements in manufacturing technique and the removal of bottlenecks to maximise crude oil throughput of the Refinery as it exists today. Admittedly any increase achieved may throw up small extra quantities of motor gasoline for export, but so long as a home can be found for these exports, they earn welcome foreign exchange and increased crude throughput will, of course, reduce the import bill for most other products.

The task ahead is massive; the demand for oil is built into the process of economic development and as India progresses to the stage of self-sustaining growth petroleum consumption in agriculture, transport and industry will advance. There is no alternative to this expansion of oil demand; it will continue through the Third Plan period and beyond it, gathering momentum with time. The expansion is a challenge and a challenge that can only be met if there is unity of purpose and unity of effort inspiring every section of the Industry. While the public and private sectors will therefore have to work in unison and at maximum tempo, there is clear and evident need for each sector to develop with a sense of partnership in a common endeavour.

I should like once again to thank the Managing Director and all those who work for him for another year of high performance, unfailing ingenuity and the readiness always to find the answers to the new situations with which they are so constantly faced. On their good work the continuing prosperity of your Company depends.

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UNITED COMMERCIAL

BANK LIMITED

Head Office: CALCUTTA

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Paid-up Capital	. .	**Rs. 2,00,00,000**
Reserve Fund	. .	**Rs. 1,75,00,000**
Working Funds (13.12.59) over	. .	**Rs. 145,00,00,000**

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G. D. Birla — Chairman

S. T. Sadasivan — General Manager

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Registered Office of the Company at Tiruchirapalli. It must be distinctly understood that in giving this consent, the Central Government do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

A licence has been obtained from the Central Government for the establishment of this new industrial undertaking of which a copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in granting this licence, the Government of India do not take any responsibility for the financial soundness of this undertak ing or for the correctness of any of the statements made or opinions expressed in regard to it.

The Madras Stock Exchange Ltd., has agreed to grant an official quotation for the shares of the Company and permission to deal in them on the Com pany complying with the usual and necessary formalities after the closure of the subscription list.

THE SUBSCRIPTION LIST WILL OPEN AT 10 A.M. ON WEDNESDAY, THE 7TH SEPTEMBER, 1960 AND WILL CLOSE AT 2-30 P.M. ON MONDAY THE 12TH SEPTEMBER, 1960 OR EARLIER AS SOON AS SUBSCRIPTIONS APPROXIMATING TO THE AMOUNT ISSUED HEREUNDER TO THE PUBLIC HAVE BEEN RECEIVED, BUT NOT EARLIER THAN 2-30 P.M. ON SATURDAY, THE 10TH SEPTEMBER, 1960.

SESHASAYEE PAPER AND BOARDS LTD.

(Incorporated under the Companies Act 1956)

THE COMPANY WAS INCORPORATED ON 22ND JUNE, 1960. IT HAS OBTAINED A CERTIFICATE TO COMMENCE BUSINESS ON 23RD JUNE, 1960.

AUTHORISED CAPITAL:	**Rs.**	**Rs.**
3,00,000 — 6¼% tax free cumulative redeemable Preference Shares of Rs. 100/- each	3,00,00,000	
70,00,000 Equity Shares of Rs. 10/- each	7,00,00,000	
		10,00,00,000
ISSUED CAPITAL		3,50,00,000

Divided into 35,00,000 Equity shares of Rs. 10/- each out of which:

(1) 10,01,000 Equity shares of Rs. 10/- each have already been subscribed by the Promoters, the foreign collaborators, Directors and their friends and associates. Their friends have further agreed to subscribe for 49,000 Equity shares of Rs. 10/- each to the aggregate value of Rs. 4,90,000.

(2) 10,00,000 Equity shares of Rs. 10/- each have been subscribed by the Madras Industrial and Investment Corporation Ltd.

(3) The balance of Rs. 14,50,000 Equity shares of Rs. 10 each are offered for public subscription.

The amount payable in respect of the shares is as follows:

On application Rs. 5 per share; on Allotment—Nil. The balance of Rs. 5/- per share is payable and will be called up in two equal instalments at an interval of not less than 3 months between the calls, the first of such calls being not earlier than 4 months from the date of allotment.

The entire balance of issue, namely 14,50,000 Equity shares now offered to the public has been underwritten as hereinafter stated.

No shares are issued for consideration othes than cash.

The Life Insurance Corporation of India have agreed to underwrite equity shares of the face value of Rs. 25,00,000 and the Company has agreed to allot the said shares to them. Accordingly they will be entitled to preferential allotment of the same.

Equity shares to the extent of face value of Rs. 4,90,000 agreed to be subscribed by the promoters and their friends as aforesaid will also be reserved for preferential allotment.

The Company has agreed that the Brokers to this issue will be given preferential allotments to the extent of Rs. 2,50,000 face value shares each in respect of specific applications submitted by them and marked for firm allotment.

BOARD OF DIRECTORS

1. DR. C. P. RAMASWAMI AIYAR, Chairman, 'Delisle', Ootacamund.
2. SETH DHARAMSEY MOLRAJ KHATAU, 6, Wilderness Road, Malabar Hill, Bombay.
3. SRI T. S. KRISHNA, T. V. S. Buildings, West Veli Street, Madurai.
4. SRI S. P. VIRMANI, No. 33, Najafgarh, Industrial Area, New Delhi — 15.
5. SRI S. NARAYANASWAMY, 'Seshadri', 6, Chittaranjan Road, Teynampet, Madras — 18.
6. SRI S. R. KAIWAR, I.C.S., 'Meru', 12, Crescent 2nd Road, Gandhinagar, Adyar, Madras — 20.
7. SRI K. C. SOOD, 3, Esplanade East, Calcutta.
8. SRI K. M. DESIKAR, Valivalam Post, Tanjore District.
9. SRI S. VISWANATHAN, "Vasantha Vihar", Mannarpuram, Tiruchirapalli.
   SRI H. K. RAMASWAMI, (alternate Director to S. Viswanathan), "Gokulam", Alexandra Road, Cantonment, Tiruchirapalli.

MANAGING AGENTS.

MESSRS. SESHASAYEE, PARSONS AND WHITTEMORE PRIVATE LIMITED,
No. 1, Alexandra Road, Cantonment, Tiruchirapalli-1.

BANKERS

THE UNITED COMMERCIAL BANK LIMITED.
310/311, Linghi Chetty Street, Madras-1,

THE BANK OF BARODA LIMITED,
3, Errabalu Chetty Street, Madras-1.

THE INDIAN OVERSEAS BANK LIMITED,
Post Box No. 292, Esplanade, Madras-1.

DEVKARAN NANJEE BANKING CO. LTD.,
17, Horniman Circle, Bombay-1.

BROKERS

MESSRS. CHITRA & CO.,
Post Box No. 1557.
322/323, Linghi Chetty St.,
Madras-1.

MESSRS. MACONOCHIE & CO.,
Post Box No. 291,
Mercantile Bank Building,
First Line Beach,
Madras-1.

MESSRS. PATERSON & CO.,
Post Box No. 48,
22, Errabalu Chetty St.,
Madras-1.

MESSRS. P. R. SUBRAMANYAM.
70-A, New Stock Exchange Buildings,
Apollo Street,
Bombay-1.

MESSRS. DEVKARAN NANJEE & CO.,
17, Horniman Circle,
Bombay-1.

MESSRS. LEWIS & JONES.
Bank of Baroda Building,
Apollo Street,
Fort, Bombay-1.

MESSRS. PLACE SIDDONS & GOUGH PRIVATE LTD.,
Post Box No. 592,
No. 6, Lyons Range,
Calcutta-1.

MESSRS. G. M. PYNE.
Allahabad Bank Buildings,
14, India Exchange Place,
Calcutta-1.

AUDITORS

MESSRS. SURI & CO.,
1/29, Mount Road,
Madras-2.

MESSRS. S. VISWANATHAN,
Indian Chamber Building,
Esplanade, Madras-1.

MESSRS. G. BASU & CO.,
No. 6, Hastings St.,
Calcutta.

LEGAL ADVISERS

SRI R. NARASIMHACHARI and SRI N. VARADARAJAN, Advocates, "Sarnath," No. 4, Dr. Rangachari Road, Mylapore, Madras-4.

REGISTERED OFFICE

NO. 1, ALEXANDRA ROAD, CANTONMENT, TIRUCHIRAPALLI-1.

OBJECTS

The Company was incorporated on 22nd June, 1960, for the several purposes set forth in the Memorandum of Association. The main object of the Company is to set up an integrated Pulp and Paper Plant with a capacity of 20,000 tons per annum.

PROSPECTS

India is now going through a phase of acute shortage of paper of every description. Despite the recent increase in domestic production capacity a considerable gap remains between the supply and demand. While the annual demand at the end of the Second Five-Year Plan period was estimated by the Planning Commission at 3,50,000 tons, the existing mills in spite of their recent expansions have not been able to reach the above target. We are now on the threshold of the Third Five-Year Plan period and the Planning Commission has estimated that the country's needs will be of the order of 7,00,000 to 9,00,000 tons by the end of the Third Five-Year Plan. It is, therefore, imperative that new units to produce paper must be established in order to meet this urgent need and this is reflected in policy statements made by the Government from time to time, both in Parliament and in public platforms.

With the rapid rise in literacy and steady increase in industrial activity and in the field of organised commerce, more and more writing and printing paper will be needed and it will take a considerable number of years before production catches up with demand. In this context, the prospects for Paper Industry are very bright indeed.

This Company has been promoted by Messrs. Seshasayee Brothers (Private) Ltd.

SITE

The Pulp and Paper Mill will be located on the bank of river Cauvery at Cauvery Railway Station, about three miles from Erode Junction on the Southern Railway. The Pulp and Paper Mill will be located centrally to the various reserve forests wherefrom bamboo will be supplied. The Pugalur Sugar Factory, wherefrom sugar cane bagasse will be made available, is situated at a distance of only 35 miles. The main Chemicals such as Chlorine, Caustic Soda and Lime are available at Mettur within a distance of less than 50 miles. Being located on the bank of river Cauvery, unfailing and copious supply of water is ensured. The Cauvery Station is served by main broad-gauge railroad from Mettupalayam to Madras. The area is also well-served by National Highways. Thus road and rail transport facilities for movement and transport of goods and materials are available in ample measure. Arrangements have been made to acquire sufficient land to meet not only immediate requirements, but also the needs of future expansion.

RAW MATERIALS

The two major fibrous raw materials, which will be used are bamboo and sugar cane bagasse. Bamboo is the traditional paper making material in India. Sugarcane bagasse is being used successfully in many countries. The paper making characteristics of these two fibres are such that their combination will produce excellent printing and writing papers of various types and varieties.

There are a number of reserve forests within a radious of 40 to 60 miles from the mill site which will yield an abundant supply of bamboo required for the factory. The Company intends to secure from the Deccan Sugar and Abkhari Co. Ltd., supply of adequate quantities of sugarcane bagasse at reasonable costs.

POWER AND WATER SUPPLY

As against a total power requirement of 4,500 kw, the Company proposes to generate about 2,000 kw. by utilising the steam that is employed for diverse process in the Mill. The balance of power requirement can be obtained from the Madras State Electricity Board's Grid, in respect of which the necessary assurances have been received.

Tre river Cauvery will provide unlimited quantity of good water for meeting the requirements of the Industry.

MARKETS

There is no paper mill in the State of Madras. The demand in this State together with the demand in the two adjoining States of Kerala and Andhra will far exceed the production in this Mill. Thus no marketing problem is expected to arise.

PLANT AND MACHINERY

An agreement has been entered into by this Company with Messrs. Parsons and Whittemore South Asia Company Inc., by which they undertake the complete engineering, erection and commissioning of the plant, and procure the bulk of the machinery, which will be of the latest design from U.S.A.; items of machinery and equipment of indigenous origin being reserved to be procured in India. The Government of India have been pleased to provide for the entire foreign exchange required for the project from the Export-Import Bank Loan Aid Programme.

The agreement with Messrs. Parsons and Whittemore South Asia Company Inc., provides specifically for the procurement of machinery suitable for producing not less than 60 long tons of paper per day of continuous operation; and for the designing of the factory buildings and the engineering, procurement and installation of the plant and machinery and its commissioning and operation to reach the guaranteed production stage.

The agreement provides for the delivery of machinery in India within 24 months from the date of contract but Messrs. Parsons and Whittemore South Asia Company Inc., have agreed to use their good offices to accelerate deliveries so that the factory can come into production in about two years time.

Messrs. Parsons and Whittemore South Asia Company Inc., are well-known to the Paper Industry as the export arm of Messrs. Black Classon who have world-wide reputation as paper machinery makers with special knowledge in the working of bamboo and bagasse. They have build many factories in the United States, as well as Europe and South America and have currently on hand a world wide construction programme.

Import Licence CCP No. 998532|EXIM|60|HQ|CG dated 4th July, 1960, has been obtained from the Chief Controller of Imports and Exports, Government of India, for the import of the above plant and machinery and an irrevocable letter of credit has been opened through the United Commercial Bank Limited, in favour of the aforesaid suppliers,, viz., Messrs. Parson and Whittemore South Asia Company Inc., U.S.A.

CAPITAL OUTLAY AND MINIMUM SUBSCRIPTION

In respect of the public issue under this Prospectus, the minimum subscription on which the Directors will proceed to allotment is Rs fifty lakhs being five lakhs of Equity shares of Rs. 10 each.

The Capital required to reach the stage of production is estimated to be as follows:

(1)	Land and Buildings	Rs. 56,00,000
	Machinery and Equipment including freight and erection charges ..	„ 4,43,00,000
	Engineering fee and supervision expenses	„ 40,00,000
		Rs. 5,39,00,000
(2)	Preliminary expenses	„ 3,00,000
(3)	Brokerage and underwritten commission	„ 8,00,000
(4)	Working capital	„ 50,00,000
	TOTAL ..	Rs. 600,00,000

It is proposed to provide the said sum of Rs. 6 crores as follows:

Out of the proposed issue of share capital of Rs. 3,50,00,000, the signatories to the Memorandum, the Madras Industrial Investment Corporation Ltd., and friends of the Directors and promoters of the Company have already subscribed and have been allotted 20,01,000 Equity shares of Rs. 10 each. Out of the balance, 49,000 Equity shares are reserved for further allotment to the promoters and their friends. The balance of Rs. 1,45,00,000 consisting of 14,50,000 Equity shares, is now offered for public subscription.

The sum of Rs. 2,50,00,000 (being the difference between the estimated capital requirements of Rs. six crores and the Equity share capital of Rs. Three crores and Fifty lakhs) as well as any increase, if any in the actual cost over the estimated cost of the plant, machinery and facilities and any amount by which the allotment to the public out of the present issue falls short of Rs. 1,45,00,000 will be raised to the extent required by loans from the Bankers and other financial institutions and if necessary from other sources.

ESTIMATE OF PROFITS

The Company intends to instal up-to-date machinery and equipment and utilise modern manufacturing processes. Based on market conditions, the Directors are satisfied that the operation of this Mill will yield a satisfactory return on the capital invested.

The Company will enjoy the special benefits under the Indian Income-tax Act, 1922 as regards development rebate and depreciation; in addition, as a new Industrial undertaking, it will enjoy exemption from Income-tax for profits up to 6 per cent on the Capital employed for the first 5 years of the Company's operation.

MANAGING AGENTS

The Company will be under the management of Messrs. Seshasayee, Parsons and Whittemore Private Limited, a private company formed jointly by Messrs. Seshasayee Brothers (Private) Limited of Tiruchirapalli and Messrs. Parsons & Whittemore Paper Mills Corporation, State of Delaware, U.S.A. Messrs. Seshasayee Brothers (Private) Limited are well-known industrialists and the Managing Agents of several successful industrial enterprises in South India. Messrs. Parsons & Whittemore have considerable experience in building and operating pulp and paper mills throughout the world. Their knowledge and know-how will be available to the Company for designing the plant and commissioning it. Their associate Company have sub-

scribed Rs. 75,00,000 to the capital of the Company and thus have a substantial stake in its prosperity. The combined experience of these two organisations will ensure the speedy completion and successful operation of the Mill.

Articles 139 and 140 of the Company's Articles of Association provide for the appointment of Messrs. Seshasayee, Parsons and Whittemore Private Limited as Managing Agents of the company on the terms of a draft Managing Agency Agreement referred to therein.

The Articles Provide that subject to the approval of the Central Government, Seshasayee Parsons and Whittemore Private Limited shall be the Managing Agents of the Company on the terms of the draft agreement above referred to. The Managing Agents will be paid by way of remuneration a commission on the net profits of the Company, at the following rates:

10% on the first Rs. 10 lakhs or fraction thereof;
9% on the next Rs. 10 lakhs or fraction thereof;
8% on the next Rs. 10 lakhs or fraction thereof;
7% on the next Rs. 10 lakhs or fraction thereof;
6% on the next Rs. 10 lakhs or fraction thereof;
5½% on the next Rs. 25 lakhs or fraction thereof;
5% on the next Rs. 25 lakhs or fraction thereof;
4% on the balance of the net profits of the Company or fraction thereof.

In the event of inadequacy or absence of profits, the Managing Agents will be paid a minimum remuneration of Rs. 50,000 per annum. The expression "net profits" shall have the same meaning as defined under Sections 349 and 350 of the Companies Act, 1956.

DIRECTORS

The Articles provide that there shall be a minimum of six Directors and a maximum of twelve Directors including ex-officio Directors. The Articles further provide that the Board of Directors may at any time declare in respect of any Director that his continued presence in the Board is of advantage to the Company and that he shall not be liable to retirement by rotation. The maximum number of Directors not liable for retirement by rotation should not exceed one-third of the total strength of the Board.

APPOINTMENT OF DIRECTOR BY THE MADRAS INVESTMENT CORPORATION LIMITED

The Madras Industrial Investment Corporation Limited, so long as they hold Equity shares of the face value of Rs. 30,00,000 in the capital of the Company, or so long as any monies are due by the Company in respect of any loan advanced by the Madras Industrial Investment Corporation Limited, or guaranteed by them shall be entitled to appoint an ex-officio Director to the Board.

PRELIMINARY EXPENSES

The estimated amount of preliminary expenses (inclusive of about Rs. 1,00,000 towards expenses of this issue but exclusive of underwriting commission and brokerage) is Rs. 3,00,000 and will be paid and borne by the Company.

ISSUE OF SHARES

By a Resolution passed at an Extraordinary General Meeting dated 12th August, 1960, directions have been given that the shares now issued need not be offered to the existing shareholders for subscription and that the Board of Directors shall be at liberty to offer and allot the whole or any portion of the issue for public subscription or allot in such manner as they deem fit.

UNDERWRITERS

The Company has entered into agreements with the Life Insurance Corporation of India, the following Banks and Brokers under which they have agreed to underwrite equity shares of the face value set out respectively against their names.

Date	Name		Amount
16-8-1960	Life Insurance Corporation of India, Bombay.	Rs.	25,00,000
-do-	The United Commercial Bank Ltd., Calcutta.	,,	25,00,000
-do-	The Bank of Baroda Ltd., Bombay	,,	25,00,000
-do-	The Indian Overseas Bank Ltd., Madras.	,,	25,00,000
-do-	Devkaran Nanjee Banking Company Ltd., Bombay.	,,	15,00,000
-do-	Messrs. Chitra & Co., Madras	,,	5,00,000
-do-	Messrs. Maconochie & Co., Madras.	,,	5,00,000
-do-	Messrs. Paterson & Co., Madras	,,	5,00,000
-do-	Messrs. P. R. Subramanyan, Bombay.	,,	5,00,000
-do-	Messrs. Lewis & Jones, Bombay.	,,	5,00,000
-do-	Messrs. C. M. Pyne, Calcutta.	,,	5,00,000
	Total	Rs.	1,45,00,000

The Directors are of opinion that the resources of the Underwriters are sufficient to discharge their respective underwriting obligations.

Under the said agreements, the Underwriters are entitled to an underwriting commission of 2½% of the face value of the shares respectively underwritten by them exclusive of brokerage, referred to below.

BROKERAGE

Subject to Clause 13 of the Articles of Association of the Company, brokerage at the rate of 1% will be paid on all allotments made in respect of applications bearing the stamp of a Bank or a recognised Broker. Brokerage on the same basis is payable to underwriters in addition to the underwriting commission, on allotments in respect of applications made or procured by them and bearing their respective stamps.

OTHER COMMISSIONS

The Madras Industrial Investment Corporation Limited will be paid commission at 2½% of the nominal value of the equity shares subscribed by them.

INSPECTION OF DOCUMENTS

Original and/or copies of the Memorandum and Articles of Association of the Company, Consent of the Controller of Capital Issues, License issued by the Government of India for establishing the industrial undertaking, Import Licence issued by the Chief Controller of Imports, Government of India, for the import of machinery, Auditors' Report, Contracts and agreements can be inspected at the Registered Office of the Company at No. 1, Alexandra Road, Cantonment, Tiruchirapalli-1, during the usual business hours on any business day for the period the subscription list remains open.

PROSPECTUS AND APPLICATION FORMS

Application for Equity Shares must be made on the respective forms accompanying the Prospectus. Application should be for a minimum number of 100 Equity Shares.

Copies of the Prospectus on the terms of which alone, applications will be considered and application forms may be obtained from the Registered Office of the Company, the Company's Bankers, the Underwriters and the Brokers whose names have been mentioned in the Prospectus.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months / Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84 3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108 2	108.1	108.4
1958-59 ..	115 2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119 0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
May 1959 ..	116.1	98.6	115.8	119.5	108.1	108.5	108.4	114.0
June ,, ..	118.7	97.6	115.9	120 3	108.2	109.3	109 1	115.6
July ,, ..	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
May 1960	119.9	107.3	118 6	140.1	125.4	118 9	119.8	122.7
June ,,	120.3	109 5	118 5	139.6	127 2	118.6	119.8	122.9
July ,, ..	124.0	109.6	118 3	137.1	130.4	119.4	121.0	124.7
23-7-1960 ..	124.8	109.0	118.3	136.7	130.9	119.7	121.3	125.2
30-7-1960 ..	124.6	109.0	118.2	138.1	131.2	120.1	121.7	125.3
6-8-1960 .	125.0	109.0	118.1	137.7	131.3	120.6	122.1	125.6
13-8-1960	124.6	108.7	118 0	136.8	129.9	120.7	120.7	125.2

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	--	—		--	105	104		106	--	--	—
1952												
1953	321	337	250	143	351	441	380	150	330	151	154	141
1954	346	363	275	140	349	453	387	151	351	147	156	145
	342	359	244	138	327	408	373	139	341	148	140	138
1955												
1956	322	338	218	130	321	371	364	133	321	134	135	132
1957	336	352	244	142	347	424	397	151	358	152	146	145
1958	352	368	259	150	364	448	422	162	374	157	158	152
	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 September	403	422	319	156	399	465	510	162	434	162	179	173
October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168*
February	399	418	294	161	389	468	511	165	448	167	167	168*
March	395	414	287	157	392	464	510	165	446	166	168	168*
April	402	421	288	155	392	463	511	165*	446	162	163*	168*
May	402	421	295*	153	396	461	510	165*	452	166	163*	168*
June	403	422	—	154	399	460	510	—	462	—	—	170*
July	—	—	—	160*	—	—	—	—	467	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 19-8-1960 High	19-8-1960 Low	19-8-1960 Average	12-8-1960 High	12-8-1960 Low	12-8-1960 Average	5-8-1960 High	5-8-1960 Low	5-8-1960 Average	29-7-1960 High	29-7-1960 Low	29-7-1960 Average
Gold (per fine tola) ..	133 12	132.50	132 75	133.00	131.69	132.45	133.16	130.12	131.76	131.94	129.66	130.45
Silver per 100 fine tolas)	224.31	222.06	222.98	223.75	221.12	222.44	222.94	220.81	217.75	221.87	219.44	220.50

SCHEDULED BANKS

(Rs. in Lakhs

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321.29
1954-55 ..	559,62	351,86	911,55	32,68	53.91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653.34	453,92	1,107,26	36,94	50,23	7.96	626,08	155.56†	71.39	359,35
1957-58 ..	723.89	619,19	1.343,08	39,34	77,55	8.72	723,79	167.32†	66.77	385.54
1958-59 ..	735,93	860,33	1,596.26	40,30	83.99	7.74	766,56	133 27†	56.37	565.14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144.49†	53.87	725,20
Average of Fridays										
February 1960 ..	748,29	1149.47	1,897,76	45.11	72.06	6.17	889.52	159.19†	55.26	767.23
March ,, ..	768,84	1154 11	1,922,96	56,88	79,67	7.10	930.20	166 32†	57 02	749 40
April ,, ..	800.17	1162,83	1.963 01	51,40	89 55	7.18	950.14	177,77†	57.46	729 23
May ,, ..	785,27	1193,71	1,978,98	48,84	90,72	7.05	964 21	167.88†	57.21	744,91
June ,, ..	790 17	1202 95	1,993,12	47.38	102,55	7.52	975,63	155.82†	56.77	743 94
July ,, ..	792,72	1215,71	2,008,43	48,19	112,01	7.98	979,13	147,95†	56.12	735,74
Week Ending										
15-7-1960 ..	787,37	1211,84	1,999,21	46,57	107,34	7.68	976,31	149,56†	56.21	739,72
22-7-1960 ..	804 43	1211,39	2,0 5 82							
29-7-1960 ..	798,86	1215,04	2,013,90	48.67	107.08	7.75	978,32	149.34†	56.14	744 47
				49.66	105 47	7.74	988,41	149 93†	56 79	749 04
5-8-1960 ..	783.74	1220 12	2 003 86	50.61	121,62	8.61	987,92	140 41†	56.44	732 24
12-8-1960	778 75	1226,92	2,005,67	47,60	106,77	7.66	972,52	146,87†	55.53	728,88

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564.54	549.83	14.71	+ 29 26
1954-55 ..	1,920,63	1.311,77	608,86	599.16	9,71	+ 126 65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+ 263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+ 128.57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+ 75 94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+ 109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+ 203,44*
January 1960 ..	2,589,94	1,793,78	796,16	778,08	18.08	+ 70,38
February ,, ..	2,619 71	1,825,55	794 16	778,57	15.59	+ 29,77
March ,, ..	2,702,19	1,861 78	840 41	818.62	21 79	+ 82.48
April ,, ..	2.746.10*	1,912,71*	833 39*	812,80*	20 58	+ 43.91*
May ,, ..	2,723 89*	1,894 36*	829,53*	810,43*	19 11	— 22,21*
June ,, ..	2,702,40*	1,867,70*	834,70*	811,79*	22,92	— 21,49*

* Provisional.
* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

REVENUE BUDGETS OF STATES

Development and Non-Development Expenditure (Rs. crores)

Heads of Expenditure	1951-52 (Accts.)	1955-56 (Revised)	1956-57 (Budget)	1957-58 (Accts.)	1958-59 (Accts.)	1959-60 (Revised)	1960-61 (Budget)	1956-61
Development:								
Education	60.30	105.04	119.93	130.37	147.25	163.41	177.33	738.29
Medical and Public Health ..	29.22	48.83	54.27	51.57	57.85	73.99	82.03	319.71
Agriculture, Veterinary and Co-operation	25.90	42.31	46.66	46.23	51.75	64.09	70.83	279.61
Irrigation*	17.62	25.02	22.93	23.76	25.43	28.33	30.07	130.52
Electricity Schemes*	4.61	7.16	9.14	8.61	7.26	4.97	5.49	35.47
Rural and Community Development Projects	0.82	36.51	32.97	31.70	39.06	41.05	51.92	196.70
Civil Works	40.93	70.67	59.92	50.12	44.20	61.29	63.01	279.14
Industries and Supplies ..	5.81	10.67	19.77	15.35	18.04	21.84	25.16	100.16
Other Development Expenditure (a)	11.00	16.31	21.56	28.35	32.24	38.64	49.81	170.60
Total Development Expenditure ..	196.21	356.46	387.15	386.06	423.08	498.21	555.70	2250.29
Non-Development:								
Direct Demands on Revenue (b) ..	26.94	48.50	55.81	53.36	55.91	62.78	63.51	296.37
Debt Services (c)	8.49	18.84	23.03	36.99	54.51	64.42	72.01	251.01
Civil Administration (d) ..	106.65	124.50	128.04	139.14	145.95	151.76	156.74	720.73
Miscellaneous (e)	17.53	27.57	26.18	28.91	35.91	38.10	40.79	169.89
Famine	3.99	18.31	3.49	9.94	19.09	14.00	9.23	55.75
Other Non-development Expenditure (f)	32.87	32.25	30.64	29.99	34.74	35.36	35.94	166.69
Total Non-development Expenditure	196.47	269.97	267.24	298.33	345.21	366.44	383.22	1660.44
TOTAL EXPENDITURE ..	392.68	626.43	654.39	684.39	768.29	864.65	938.92	3910.64

(a) Includes expenditure on miscellaneous and scientific departments, aviation and ports and pilotage.

(b) Exclude forests.

(c) Include appropriation for reduction or avoidance of debt.

(d) Comprises general administration, administration of justice, jails and convict settlements and police.

(e) Covers expenditure on displaced persons, grants and other contributions to local bodies and private parties, irrecoverable loans and advances, advanced technical training scholarships etc.

(f) Includes pensions, stationery and printing, extra-ordinary charges and transfers to funds.

* Including interest on capital outlay.

Source: Report on Currency and Finance.

CAPITAL BUDGETS OF STATES

Development and Non-Development Expenditure (Rs. crores)

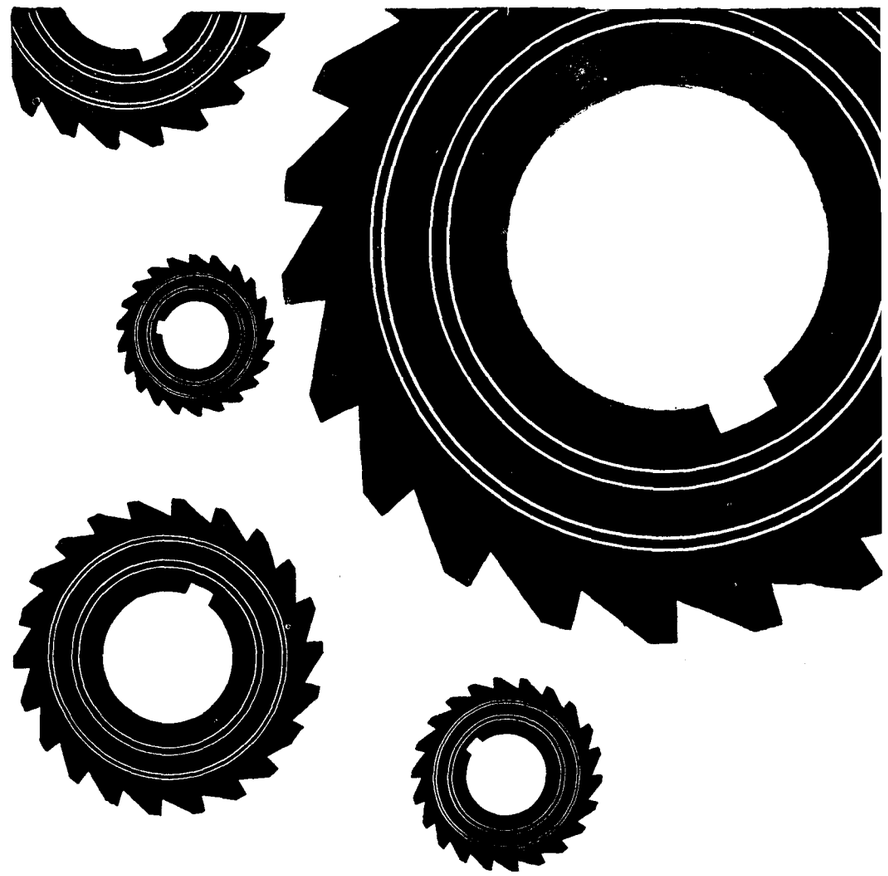
Heads of Expenditure	1951-52 (Accts.)	1955-56 (Revised)	1956-57 (Budget)	1957-58 (Accts.)	1958-59 (Accts.)	1959-60 (Revised)	1960-61 (Budget)	1956-61
Development:								
Multi-purpose River-valley Schemes	27.59	66.80	64.63	61.79	53.40	54.01	52.18	286.01
Irrigation and Navigation	24.00	71.88	84.86	61.82	52.53	76.99	94.36	370.56
Schemes of Agricultural Improvement and Research	0.12	4.50	2.95	4.60	4.76	5.48	5.79	23.58
Electricity Schemes	19.94	47.92	61.25	38.33	27.14	24.84	—39.38*	112.18
Road Transport	1.63	2.94	3.49	2.63	2.89	3.84	3.35	16.20
Buildings, Roads and Waterworks	21.04	39.48	80.23	64.03	76.46	93.45	106.92	421.09
Industrial Development	5.81	7.84	17.13	12.29	14.65	19.98	17.40	81.45
Others	0.16	1.37	1.38	0.78	1.16	1.72	2.51	7.55
Total Development	**100.29**	**242.73**	**315.92**	**246.27**	**232.99**	**280.31**	**243.13**	**1318.62**
Non-Development:								
State Trading†	25.09	—11.48	—4.66	15.85	—0.38	6.98	0.73	18.52
Compensation to Landholders on the Abolition of Zamindari	2.03	3.32	6.17	4.46	6.38	9.30	12.92	39.23
Other Financial Transactions	0.16	—0.02	0.29	0.01	0.20	0.22	0.15	0.87
Total Non-Development	**27.28**	**—11.18**	**1.80**	**20.32**	**6.20**	**16.50**	**13.80**	**58.62**
Total Capital Outlay	**127.57**	**231.56**	**317.72**	**266.59**	**239.19**	**296.81**	**256.93**	**1377.24**
Discharge of Permanent Debt	1.01	7.84	8.20	7.18	12.49	6.69	20.82	55.38
Repayments of Loans of the Centre	11.37	22.96	28.63	61.39	65.28	84.86	79.04	319.20
Other Loans**	—	—	—	0.07	0.23	6.16	4.59	11.05
Loans and Advances by State Governments	48.77	107.39	99.51	96.90	117.71	154.52	220.86	689.50
Total Disbursements	**188.72**	**369.75**	454.06	432.13	434.90	549.04	582.24	2452.37

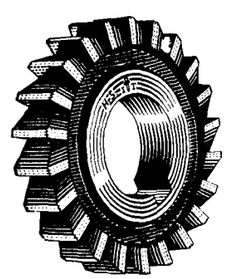
* Including a credit item of Rs. 68.87 crores in the Uttar Pradesh Budget representing the value of assets of the electricity schemes transferred to the Electri city Board.

** This is a new item included from 1957-58 to show loans from National Agricultural Credit (Long-term Operations) Fund of the Reserve Bank of India, Loans from National Co-operation Department and Warehousing Board, Loans from Khadi and Village Industries Board, Employees' State Insurance Corpo-

† Figures are net.

Source: Report on Currency and Finance.





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The Eastern Economist

SEPTEMBER 9, 1960.

The Governor's Place

ON Monday this week in a *cause celebre* the Constitution Bench of the Supreme Court defined the place of a State Governor in respect of Article 161 of the Indian Constitution. By implication, the judgment, by a four to one majority, conveys a rebuke on the Governor and, since in this case it is known the Governor acted on the Central Government's advice, on the Prime Minister, the Defence Minister, and the Law Minister who initiated action in this case! A nice reading of the judgment might indicate that the rebuke was very qualified in that the operative part of the judgment was only in respect of the point that Commander Nanavati was to surrender to his sentence or to the orders of the Supreme Court before his appeal was entertained. In other words, the powers of a Governor under Article 161 were not impugned, so far as proceedings preparatory to the Supreme Court appeal are concerned. Nevertheless, since the context of the Governor's order was in the light of an appeal to the Supreme Court, thereby raising a conflict between the powers of the Governor under Article 161 and the Supreme Court's rules, the Executive has been shown its place. This is somewhat different from the judgment of the Constitution Bench of the Bombay High Court where no such conflict seems to have appeared; the difference seems to arise from the character of the Supreme Court in the Constitution. Happily it is paramount — as against a Governor attempting parallel jurisdiction.

The legal pedants will continue to argue as to the extent to which the Governor's action was improper. Now that the Supreme Court has given a decision in respect of the need for Commander Nanavati to surrender to his sentence, or in the alternative to accept the Supreme Court's directions as against the Governor's directions in the matter of custody, there is still room for a Governor's action of the kind that has been unfortunately allowed to occur. For there will always be a lag before the Supreme Court's jurisdiction is invoked. If in this case, the law provides an insufficient reply to the critics of the Governor, it is necessary to observe that it equally provides him no support. Where case law is incomplete, as in the exact area of operation of the powers of a Governor under Article 161, and Supreme Court's powers under Article 142 of the Constitution and the rules made under Article 145, good sense should prevail against a mere catalogue of legal rights of operation.

The Eastern Economist takes the view, with a great majority of people in the country, that the issue is not in regard to this particular case and the extent of support that can be wrung from the Indian Constitution for the Governor's action. While the Advocate-General of Bombay has lost his point that the Governor's authority under Article 161 and the Governor's powers were undeterred even when the Supreme Court was seized of the matter, this is not the issue. The issue is a convention in regard to the place of the Judiciary and the Executive. It is vital that in a Parliamentary democracy a conflict between the Executive and the Judiciary in the exercise of justice should be prevented by a clear exercise of powers by the Judiciary over the Executive. The Governor's attempt to encroach upon the functions of the Judiciary and the orders of the courts by intervening at an intermediate stage of trial is reprehensible, not so much in law as in sound democratic practice. Whether in point of fact the law explicitly prohibits such action or not, it is against the spirit of the Rule of Law for the Governor of Bombay to have acted as he has done. It is even more reprehensible because the Governor did not act on his own initiative, but was persuaded by interested parties in Delhi to act for them under virtual political pressure. The abuse of power by a monolithic executive has thus been amply illustrated. For the rest, the country can afford to wait for the Bombay Governor's further action and the Supreme Court's further directions. At least the Central Government and the Bombay Government will now be convinced of their supreme error in attempting to protect a particular individual from the consequences of his conviction. We should take pride in the demonstration that the Rule of Law has withstood the attempt of the Central Executive to distort this country's pattern of justice to its purpose.

State Steel in Siege

THE State steel plants all of which have been duly inaugurated in 1959 are in a state of siege. They are like beleaguered garrisons awaiting supplies. What the effect of these mishaps on the country is no one has yet computed. Perhaps this is the time for the facts; later, the judgment.

On August 19. Sardar Swaran Singh gave a shock to the Lok Sabha when he made the amazing admission that the third blast furnace at the Rourkela steel plant, although fully erected, could not be put into commission possibly until the end of December this year. This was due to lack of adequate and continuous supplies of coking coal and also of iron ore to some extent. Even so, the Minister for Steel ventured the optimistic forecast that towards the end of the present Plan the supply position of coking coal would yield a surplus of anything up to 115,000 tons per month. If Rourkela's third blast furnace seems threatened with starvation until the close of 1960, on what basis is the surplus production immediately after 1960 envisaged? While the Minister sought diver-

sion in drawing a complacent picture of the prospect of coal production (and with it of steel production) on the eve of the Third Plan, the third blast furnace at Bhilai, which was ready at the fag-end of the last month, joined company with its opposite number at Rourkela. Delays have occurred in keeping the schedules of the construction of the plants. The additional time, which thus became available for ensuring production of coking coal, was lost.

A Working Group, representing Government and industry, has been set up recently to prepare a programme of coal production "colliery-wise and grade-wise" for the rest of the period of the present Plan. Whether the results of its detailed investigation, in so far as it relates to the coking coal component, will justify the promised monthly surplus of about 115,000 tons will be disclosed in a few weeks' time. If this summary planning is matched by objective policies assuring implementation, steel may get early relief from a chronic shortage of coal. The position at present is that there are substantial gaps between demand and supply and, as the Special Article in this issue demonstrates, rail transport has aggravated the situation.

These gaps would underline progressive deterioration in the supply situation. One such crucial gap is conspicuous in the strategic indicator of stocks with industry. The size of coal stocks has shrunk substantially from 2.99 million tons to 2.35 million tons in January 1959 and 1960 and from 2.66 million tons to 1.92 million tons in May during the same years. The reasonable conclusion to draw is that increasing overall output, covering all categories and grades of coal, in 1960 has failed to keep pace with the rapidly rising demand. A positive shortage has developed in spite of some increase in overall production.

Trends in the output of metallurgical coal are of real relevance to the steel industry and emphasis on the overall picture may obscure the critical nature of the situation. Looked at from this material angle, the current year has a depressing tale of declining production to tell. Output of soft coke decreased from 174,771 tons in March this year to 158,204 tons in April to take a precipitate drop to 130,440 tons in May. The crisis of steel production, as ironically demonstrated by the enforced idleness from the very outset of the costly new blast furnaces in the State plants, is but a reflection of the deeper crisis of coal production. It gives a foretaste of the critical situation ahead if policy on coal is not overhauled now.

The challenge posed by the recurring crises of coking coal should have created a new sense of crisis reflected in Government's search for solutions. It is discouraging to find that this sense is not being displayed. While the Working Group is busy preparing the short-period programme of accelerated expansion, collieries in the private sector have been assured that all aids will be granted to them with the significant exception of a price increase. Emphasis on price increase always provokes carping criticism of the industry's "disguised design" to grab a larger profit. What really is the truth of the situation?

The plea for price revision is no partisan advocacy. It is a pressing necessity so cogently argued by the World Bank's mission whose report on the Third Plan Draft is now ready. The mission has stated in words beyond equivocation that a target of 90-95 million tons (as against a target of 97 million tons envisaged in the Draft for the Third Plan) will not be realized unless radical changes are brought about in the Government's policy on coal. The major changes it has suggested are to put "modest" trust in the capacity of the National Coal Development Corporation to deliver the goods, to remove restrictions on the issue of new mining leases to private colliery-owners in virgin areas beyond what are contiguous to their present mines and to allow higher prices to facilitate reinvestment. It has recorded its candid view that policy should work for dismantling the price control. Government ought to treat this disinterested and expert verdict with the respect which is its due and subordinate its political prejudices to the logic of hard facts.

The Debate on Assam

THE controversial three-day debate in the Lok Sabha last week on the recent disturbances in Assam has been less helpful in analysing the background to a deep tragedy, than in displaying the diversity of opinion in Parliament. Various reasons have been suggested as to the origin of the disturbances. It has been generally made out that the language agitation had much to do with it. But the very fact that the people in the districts of the Brahmaputra valley, who are by no means opposed to Assamese as the State language, were the worst affected showed that factors other than language were also at play. Acharya Kripalani levelled the charge that there was a "deep-rooted campaign" behind the riots, and there was a clique which wanted to get rid of the Chaliha Ministry. According to the statement of the Assam Government, while the riots were no doubt the result of the language agitation, they were only manifestations of a deep-seated social and economic malady and of a sense of frustration which unfortunately afflicted the people of Assam. Finally, as the Prime Minister himself diagnosed during the course of the debate, the State had remained backward with its numerous problems, especially after Partition, and there were all kinds of "urges" among the Assamese people to come forward and all kinds of difficulties to face. This is an aspect that cannot be ignored, while analysing the background to the recent tragedy.

Though the magnitude of the damage to the property has yet to be properly assessed, even the few figures given from official sources are quite disturbing. According to Government estimates, apart from the loss of lives, 7,000 houses have been destroyed and 1,200 houses damaged. The number of people who had migrated from Assam has been estimated at about 42,000. In spite of the different versions, it also came out during the debate that during the time of riots, the administration for one week failed very badly. The Chief Minister was ill, and the Finance Minister, who was a senior member of the Cabinet, was in Kashmir. There seemed to be no precise knowledge in Delhi of exactly what was going on in Assam, and even if it were so, no action seemed to have been taken in the initial stages. Mr. Nehru himself admitted that the intelligence apparatus was "very, very bad", which made it appear that the situation was far from serious. As against this, there was the statement of Mr. Atulya Ghosh that the I.G. of Police of Assam had sent a note as early as June 1 apprehending "major" trouble. What is more perplexing was even after the trouble assumed serious proportions, the Centre was not able to take any effective action.

No doubt, the army was there, but since it was under the command of local administration, it could not take any independent action. It was courageous no doubt on the part of the Prime Minister and the Home Minister, who vied with each other in owning responsibility for any "lapses" on the part of the Government, but the fact remained that many members remained unconvinced that Government did all it could have done.

So far, as regards the past. The question is what is to be done not only to retrieve the damage, but also restoring a sense of confidence and security in the minorities to facilitate their return. Though the suggestion for President's rule has been canvassed, it would appear that the balance of advantage lies in not resorting to it. For one thing, it would have the effect of humiliating the Government and indirectly the people of Assam. Secondly, as the Home Minister pointed out, President's rule with only the Governor and a few officers associated with him could not have been very effective since the real difficulty in Assam was the weakness of the administrative machinery which could not be remedied in a day or two. Finally, in the ultimate resort, it is the State Government and the people of Assam who should squarely face the responsibility for restoring confidence in the minorities.

This is more easily said than done. But the statement of the Assam Government that they would take steps for toning up the administrative apparatus of the State and deal firmly with the offending Government officials, who showed partisanship, and take firm action against those who committed crimes may go to some extent in reviving confidence. It is also good that the Government has taken up seriously the question to rehabilitation of victims of the riots which will now be supervised by a member of the Union Government. Again, though the demand for an immediate judicial enquiry has been turned down (on which there was considerable lobbying and divergence of opinion), it has been agreed that three or four quick enquiries would be held in different regions to find out the malefactors and punish them. The judicial enquiry that is intended to probe into the deep-rooted causes of the disturbances will be held later at the "appropriate time," since as Mr. Nehru showed, such a comprehensive enquiry at the present juncture would only have the effect of reversing the "processes of healing" that would now be undertaken. A fact of some concern is the reference made to the Press during the debate. It is to be hoped that the Government will not fall into the error of doing anything in haste which will only hamper the Press in developing a sense of responsibility.

Fertilizers for Sugar

MR. S. K. Patil has often described himself as the Minister for Agriculture rather than for Food, meaning thereby that his main concern is to step up farm output. That he is going about this task in right earnest is evident from his declaration at the concluding session of the State Agriculture Ministers recently that "he was thanking of exporing sugar and utilising the foreign exchange proceeds for the import of fertilizers". The linking of sugar exports to fertilizer imports does not imply that foreign exchange would not be made available for the purpose otherwise. It only underlines the fact that, happily, there is now a greater awareness in the counsels of the Government of the need to increase agricultural production through application of inorganic manures.

A disconcerting note in this otherwise promising outlook, however, is the growing imbalance between the demand for and supply of fertilizers. Of late, the supply situation has grown very tight thanks to fall in output at Sindri last year — which, it is understood, is not likely to be made up for at least another year — and the rapidly increasing demand consequent upon improvement in the financial position of the agriculturists, who, as a recent survey conducted by the Indian Institute of Public Opinion reveals, have become remarkably conscious of the yield-raising potentialities of chemical fertilizers. The shortfall in the supply during the Third Plan, at least in the first two years of its operation, available estimates of production suggest, is likely to become more acute. As indicated in these columns earlier, with the optimum progress in plant construction, production of nitrogenous fertilizers in this country would not exceed 3.5 to 4.0 lakh tons by 1963. Consumption during the current agricultural year itself is expected to increase to 3.6 lakh tons. By 1963, with the implementation of the "package programme" in full swing, it may well be in the neighbourhood of 6 lakh tons. Obviously, imports will have to be stepped up to nearly 2.5 lakh tons in another three years, if there is to be established a near balance between demand and supply.

How are these imports going to be financed? No doubt, Mr. Shriman Narayan, Member for Agriculture in the Planning Commission, has promised adequate provision in the next Plan for fertilizer imports, it requires no second thoughts to point out that sufficient foreign exchange will not be available for financing these imports. Attempts have, therefore, to be made to explore possibilities of earning some additional foreign exchange which can be specifically earmarked for the import of fertilizers. It is presumably in this context that Mr. Patil has come out with the suggestion of exporting sugar to finance fertilizer imports. The suggestion is quite practicable at the present juncture and needs to be pursued. Carry-over stocks of sugar from the current season are likely to be around 500,000 tons, out of which an export allocation to the tune of 100,000 tons can be conveniently made. If these exports are effected to the United States, as has been suggested, India can easily earn foreign exchange worth about Rs. 6 to 7 crores, which can finance fertilizer imports to the extent of 200,000 tons.

A notable development has recently taken place in the Western countries in regard to the manufacture of nitrogenous fertilizers. Faced with the task of reducing production costs, these countries are reported to be going in for liquid fertilizers which are less costly to produce than granular fertilizers. The Government should explore the possibilities of adopting this practice here in view of the heavy expenditure that the country will have to incur to step up fertilizer production to meet the growing needs of its agrarian economy. The difficulties of storage and transport may be there in the initial stages, for liquid fertilizers will require tank type wagons for movement. But they are not insurmountable.

A DELHI DIARY

WATER, WATER, EVERYWHERE!

THERE have been floods and rumours of floods; and, of course, everyone knows the tragic story of Rohtak which has been all but submerged after a noble battle in which the army has played a splendid part. What is remarkable is the extent to which our people, visited by great natural misfortunes of this kind, carry on with stubborn determination and good cheer. It makes one proud of being an Indian like unto them. A tea vendor of Rohtak acquired fame in New Delhi newspapers by the fact that in the middle of the flooded street he kept his tea stall going right through the floods. I have been collecting—such is the force of journalistic urge—similar stories of heroism in the Orissa floods and the Punjab floods, which this year have been more severe than almost at any time in living memory. I must confess that as a result of this proximity to abundant water, I have this week pursued water (and the consequences thereof) to the exclusion of subjects of greater international importance. One of my friends, putting it gently, says that I now have water on the brain. It is a fact that most people in Delhi have become very conscious of water—the best of servants, now the worst of masters. It is rapidly replacing another element, fire, of which this was originally said. Can we not teach moderation to these two unruly elements?

AFTER KHANPUR, SULTANPUR

Who amongst my readers has heard of Sultanpur? This is not another Sohna to which I referred last week as the source of possible disturbances resulting in a recent Delhi earthquake. Sultanpur is a tranquil spot about three miles from the Qutab Minar, still I believe in Delhi State or conceivably just outside. Here, in a plot of one acre, I saw last Sunday an experiment which has been tried elsewhere over some years, but is now reaching what is often described as the "critical point" of decision. Some people, and not a few journalists, think that it is a wonderful idea; others, and not a few irrigation pundits or persons under that guise, think that it is one more white elephant. But here at least is an idea which has reached, as I stated, the critical stage of decision. This means—in Delhi at least—that it has endured hard times for what the Americans call "quite a time." So, I might say, has its inventor!

I am aware that Khanpur—the village not very far away from Delhi, where the Ford Foundation initiated a grand experiment on the production of electric power by bullocks with irrigation as a by-product—is being written off. But in Khanpur it was the experts who were optimistic and we (innocent laymen) who were sceptical. We proved to be right in the event; but does the fate of Khanpur matter? The need for a solution of the problems of village irrigation remains as difficult but as necessary as ever. The Sultanpur well is submitted as a possible solution in some areas. In any case, since Nature abhors a vacuum, I trust that it will be received as a better than the emptiness which now prevails!

Let me provide some technocracy in addition to mere description. The Sultanpur well is an inverted cone dug out of the ground covering an area of about an acre. In the manner in which it was done with high wage rates in the Delhi area, excavation and other related work cost Rs. 60,000. There is about thirty to forty feet of water in the well, which is capable of delivering between 12 and 16 thousand gallons per hour using a diesel pump which works on light diesel oil at a cost of Rs. 1.50 per hour. The crops raised in the area round about the well are certainly to be attributed to the new irrigation, and have benefitted therefrom. So far as the national welfare is concerned, I have no doubt that the solution in this particular case is "economic" as the value of the additional annual output which this well can produce has been variously described between Rs. 20,000 and Rs. 30,000, as against Rs. 60,000 capital incurred. The optimists say that it can irrigate a hundred acres, but pessimists say that fifty is about as much as should be safely presumed. In any case, a gross profit of between 30 and 50 per cent seems likely here; or must we have a full balance-sheet and an Estimates Committee report in due course?

Will all wells be as successful as the Sultanpur one? That is the critical point for decision. The inventor of this well, of whom I shall say more in a moment, sunk some in Bankura District in Bengal some years ago (thereby hangs a tale) at a cost of Rs. 15,000 each. The time was a period of drought and the effort was applauded by the people, but (secret!) considered somewhat extravagant by the West Bengal Government. What I would submit is that in the present agricultural situation of our country (a) when we have our backs to the wall agriculturally, (b) when large areas in the country are neglected because canal irrigation does not reach them, (c) where manpower for earth work seems to be abundant, (although the will to use it is often small), and (d) where direct benefits provide incentives to those working on a village project, the Sultanpur experiment has a good deal to commend it as a large-scale proposition for areas where the water table is fairly high. I have no doubt that there will be some errors if the Sultanpur type of well is indiscriminately multiplied. But why must everything be multiplied indiscriminately as though they were party political slogans?

A NEW PANI MAHARAJ?

Pani Maharaj, if I mistake not, was the name of a gentleman who rose dramatically to fame ten years ago as a kind of water diviner, and enjoyed, for a period of some months, access to the highest in the land who believed implicitly in his capacity to find underground streams which would burst forth if only wells were struck at the appointed place and at the appointed hour. History does not record exactly how Pani Maharaj lost fame, but the deserts of Rajasthan have had some connection with him and are, therefore, responsible for much else besides the arid character of the scenery they produce. Mr. M. A. T. Iyengar, I.C.S., who is the inventor of the Sultanpur open well, is not, I hope, to be so easily overcome. Indeed in the last few years he has shown a singleness of mind working on this one project—I believe on leave without allowances—to persuade the Government of India and the State Governments that here in fact is an operation which might make a major contribution to both rural employment and rural prosperity. He has acquired a kind of Sanyasi look (perhaps as a result of dwelling on this single idea) and I fear that in the corridors of the West Bengal Secretariat, and possibly, in the Home Ministry here, his reputation as a Civil Servant has been affected thereby. History, of course, does not prove that singleness of mind is always in error. We might recognise that the idea is one which a country requiring (a) food production, (b) employment and multiplicity of simple schemes and (c) speed should adopt. This—as I have said twice before—is the critical hour of decision. And I think the Prime Minister and Mr. S. K. Patil should both look at this proposition again.

ARGUS.

THE WEEK'S NOTES

Congo

CONFUSION AND MORE

DEVELOPMENTS IN the Congo are becoming intractable. On Tuesday this week, it was reported that President Kasavubu had dismissed Mr. Patrice Lumumba as the Prime Minister. But the next day, reports came that the Prime Minister had denounced the Presidential action and had "overthrown" Mr. Kasavubu. In all this welter of confusion and political whirlpools, it is difficult to predict the future course of events. The only glimmering hope is the presence of the U.N. which stands as a bedrock of sanity. By the end of last month, the withdrawal of practically the entire Belgian forces had been completed and the Kamina military base had also been handed over to the U.N. The forceful intervention of the U.N. at the original request of Mr. Lumumba himself has prevented the Republic from being made a pawn in the cold war game of the Big Powers. The task of the U.N. forces in the Congo was an unenviable one and every time a controversy arose about his Congo mandate, Mr. Hammerskjoeld had tried to refer the dispute back to the Security Council. The U.N. forces came to replace the Belgian forces from the Congo in an orderly way and the U.N. Secretary-General had decided wisely from beginning that it should be predominantly an African operation.

With the withdrawal of Belgian forces, the Congo crisis has moved into a new phase in which the territorial integrity of the young Republic has become the dominant issue. Mr. Lumumba now wants the U.N. forces to interfere even in domestic matters and more especially in putting down the rebellion of the Katanga Province. Apart from Katanga, there has also been trouble from other provinces, the most important of these being the "diamond" State of South Kasai whose independence was declared by Mr. Kalonji. According to reports, fierce fighting seems to have taken place between the Central Government forces and the forces of the Kasai Province and though the Congolese are stated to have occupied Bakawanga, the capital, a clear picture has not yet emerged. The situation is complicated by the fact that the Soviet Union is now giving direct military support to Mr. Lumumba.

In these circumstances, it is unwise on the part of Mr. Lumumba to be often proclaiming that he had lost confidence in the United Nations and its Secretary-General. It is, however, highly significant that at the recent conference of Independent African States held in Leopoldville, delegates, instead of supporting Mr. Lumumba's efforts to undermine the U.N. forces, should have praised United Nations work. Though they were anxious to give the Congo as strong a support as possible, they made it clear that they would do it only through the U.N. Even Dr Nkrumah had advised Mr. Lumumba to desist from attacking the U.N. Secretary-General and to place his trust in him. It is, therefore, clear that Mr. Lumumba is now faced with the choice of conducting any military operations against the recalcitrant provinces entirely on his own or follow the advice given by the conference delegates. Unless the Congolese Premier sees the signs on the wall, the future is full of the unknown for the Republic. It would appear that just as at the earlier stage, Mr Hammerskjoeld took a great military initiative by sending the U.N. forces, he should now explore the possibilities of taking a political initiative if the Congo is not to be torn to pieces. Here, more than anything else, his hands should be strengthened by the independent African States, who should persuade the mercurial Congolese Premier, that for the establishment of peace in the Congo, an early discussion of provincial autonomy and a loose confederation has become an imperative necessity.

Jordan

PREMIER'S ASSASSINATION AND AFTER

THE ASSASSINATION of the Jordanian Prime Minister, Mr. Hazza Majali, along with several other high officials of the Foreign Ministry, on August 29, in Amman, came as a shock even to those familiar with the situation in the Middle East. Since King Hussein's political coup in April 1957, there has been an impression that the Hashemite regime in Jordan has gained in stability though the same cannot be said in respect of its popularity. In May 1959, Samir Pasha Rifai, a veteran of Jordanian politics, was replaced as Prime Minister by Mr Majali and this was construed as a gesture of conciliation by the King, since he was reputed to be less conservative than Rifai. Since taking over, he also acquired some measure of popularity by accelerating the release of political prisoners and by deciding on general elections next autumn. Nevertheless, he was suspect for his pro-Western views and the charge was levelled that he was leading Jordan out of the Arab family into exclusive dependence on the West.

It is still a matter of speculation as to who was responsible for the assassination. One theory is that the late Prime Minister had many enemies within his own country, particularly among the one million Palestinians who regard the present Jordan regime as something imposed by the Western Powers. These apparently have as their objective the establishment of some form of Palestine Government on the West Bank. This move for dismemberment of the kingdom, that was proposed by the United Arab Republic and Iraq at the recent Arab League meeting in Lebanon (which, however, was rejected by Jordan's Foreign Minister) might have provided an excuse for some disgruntled Palestinians. The second theory is that this might have been the work of Jordanian emigres in Syria whose subversive activities might have received the blessings of the U.A.R. In any case, a commission of enquiry has been set up immediately after the tragedy under the chairmanship of an army officer and it is to be seen what its findings are going to be. Whether President Nasser is directly involved or not, there can be no denying that tension has been created through propaganda warfare emanating from Cairo inciting people to violence and terrorism. It is true that Amman has also to take a part of the responsibility here. But it is not a little ironic that the Amman tragedy should have occurred less than 24 hours after the truce had been called to mutual slander from Cairo and Amman.

The fact seems to be that President Nasser looks towards the day when his influence will be paramount in Palestine, while King Hussein is equally tenacious to his claim to sovereignty over what is now the west bank of Jordan. It is, however, doubtful whether President Nasser would seriously countenance the removal of King Hussein, which will lead to a general revolt and with all the attendant consequences of a possible

clash between the Israeli and Syrian armies. Because, it is not inconceivable that in the event of a Jordan break-up, Israel may move to occupy some of the territory. In that case Britain, under her present treaty obligation, must come to the rescue of Jordan against aggression which would mean that she will be simultaneously in conflict with Israel as well as the Arab States. But it is unlikely that the situation would be allowed to deteriorate to such an extent since the U.N. will then be called upon to give its assistance as in the case of the Congo in preserving stability in the region. Already, the Italian head of the U.N. mission in Jordan has rushed to Amman under instructions from the U.N. Secretary-General to watch the developments following the assassination of the Premier.

Banking

THE AMENDING BILL

OUT OF evil has come good; the failure of the Palai Central Bank has not gone in vain. The storm of public criticism which it raised has forced the hands of the Government to amend the Banking Companies Act. Most of the amendments incorporated in the amending Bill are wholesome and should go a long way in expediting liquidation proceedings, thus bringing to an early end the protracted distress which depositors have to endure under the procedure prevailing at present. With the prices spiral continuing to expand, it was obviously necessary to raise the limit of full repayment to the preferred savings bank depositors, in case a bank goes into liquidation, from Rs. 100 to Rs. 250. In the case of other deposits, the Bill provided for payment of 50 per cent of the balance to credit subject to a maximum of Rs. 250. This would have resulted in an invidious discrimination against holders of deposits below Rs 500. For instance, a depositor with a balance of Rs. 300 would have been entitled to receive only Rs. 150. The Finance Minister has done well in accepting Mr R. R. Morarka's amendment, which provides that payment in such cases would be made to the extent of Rs. 250 or in full if the balance to credit is less.

It is heartening to note that the Government has assumed powers to force reconstruction of a bank or its amalgamation with another if its working is not considdered to be proper and on sound lines. Reconstruction or amalgamation of a weak bank with a more sound banking company is always preferable to its going into liquidation, for if the former course is adopted, quite a good deal of unnecessary expense would be avoided which can well be utilised for cutting down the loss to depositors. In using these powers, however, the Government and the Reserve Bank will have to be very careful and judicious; they call for prompt action and not a repetition of the dilatory attempts at remedial measures as has been the case with the Palai Bank. It is comforting that the time limit for such action has not been sought to be extended; the grant of moratorium has been restricted to a period of six months as hitherto.

The one disconcerting amendment which has been effected by the Government, however, is the insertion of two sub-sections in clause 45 of the principal Act, by virtue of which the powers of the High Court have been restricted in the matter of disqualifying a director or an auditor of a bank sought to be reconstructed, amalgamated with another, or liquidated, for a period extending to five years from holding similar office in another organisation. The amendment has transferred these powers to the Government, on which, of course, it will be incumbent to obtain the prior recommendation of the High Court. The Government, however, at the same time has usurped to itself discretionary powers under which a disqualified person can be allowed to hold the office of a director or an auditor in a company elsewhere. The original provision vesting this discretion in the High Court was sound and the amendment is a retrograde measure, which may be criticised by some as opening an outlet for favour. The soundness of a banking company depends on how well its advances portfolio is managed. This amendment will hardly improve matters and may even worsen the position in some cases.

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DALDA FORUM

IS FAT really FATTENING?

YOU: Isn't fat *fattening?*

NUTRITIONIST: Not as fattening as you might think.

YOU: How do you mean?

NUTRITIONIST: Well, usually the fat in food doesn't turn into body fat as easily, let's say, as starches, I mean foods like rice or potatoes, for instance.

YOU: I don't understand.

NUTRITIONIST: Let's put it this way. Getting fat isn't purely a result of what you eat. It also depends on how well you assimilate your food.

YOU: I see.

NUTRITIONIST: People who have a tendency to become fat have a defective capacity for assimilation. In most cases, it is the starchy foods that are not used up and what remains turns largely into body fat.

YOU: Surely, this happens with fatty food, too...

NUTRITIONIST: Not exactly. Fat is actually the least fattening of foods. This is because fat is used mainly for providing energy—it acts as bellows to body fires, helps burn up even the fat that is stored up in the body.

YOU: Is this a scientifically tested fact?

NUTRITIONIST: Research has proved all this quite conclusively. Incidentally modern 'slimming diets' call for a fat and protein intake—and a reduction in carbohydrates and starches.

YOU: You mean this is actually a better method of reducing than eating less food and following a low calorie diet?

NUTRITIONIST: Well, cutting down on the amount you eat and on calories will cut down your weight. But such diets are less strengthening than a high fat, high protein diet.

WE: It's quite simple. Fats provide energy. Lots of energy. Much more than wheat or rice.

YOU: But what are the direct sources of fat?

WE: Oils—any edible oil or hard fat that is part of food.

YOU: ...And do all these oils and fats provide energy?

WE: Yes. All of them do. But there are fats like DALDA Vanaspati which have more than energy. DALDA, for example, is also nourishing.

YOU: Nourishing?

WE: Yes, because DALDA contains vitamins. Seven hundred International Units of Vitamin A and 56 IU of Vitamin D go into every ounce. These are protective vitamins and are good for the skin, bones, teeth and eyes.

YOU: I see...

WE: All in all, DALDA Vanaspati is an excellent fat. It is made from refined vegetable oils and purified to a high degree. Since it is odourless and has no taste of its own, DALDA makes food taste as it should. And DALDA Vanaspati comes in hygienically sealed tins.

YOU: Hmm. I know that. We use DALDA for all our cooking. In fact, we have done it for over two decades.

WE: Over the years, more and more people are taking to DALDA Vanaspati because it makes an ideal cooking fat, whether they are on a reducing diet or not.

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A Window on the World

ODYSSEUS ATTACKED BY A RAKSHASA

LAST NIGHT I had a nightmare. I dreamt that I was visited by a Rakshasa who tormented me by addressing me thus:—

"You periodically show up the failure and increasing abandonment of Socialism in Europe, and the steady renewal of faith in Free Enterprise. But if you think that, to the extent that you may be helping to undermine faith in Socialism in India and Asia, you are serving the cause of Free Enterprise in these parts of the world you are wrong.

"You see, there was a tradition of individual initiative, enterprise, and capitalism, in Europe which, although it may have lost prestige in the inter-war years of depression, nevertheless existed, and could be revived. But no such tradition has ever been firmly established in Asia. Before the arrival of European influence, Asia slumbered in a multitude of subsistence economies, based on the closely-knit, self-contained, mutual-aid social groups, similar to those described in your two recent articles on contemporary Bantu groups in Africa. In India, broadly speaking, the British did not inject individual initiative and free enterprise into the social structure. Their main aim, after 1857, was to keep the peace and interfere as little as possible with the customs of the people. In so far as their government was progressive, it was paternal. The District Commissioner did little to encourage village self-help. His ideal was to be the villager's "father and mother." The phrase that you quoted as the most important that today's Bantus have learned in the new schools opened for them, and which invariably begins all resolutions passed in their village meetings—'That the government be respectfully requested'—was true of British India, and is scarcely less true today. It is true that many Englishmen (or perhaps—more accurately—Scots!) launched capitalist enterprises in India and that as time went on an increasing but, relative to the population, an infinitesimal number of Indians also started business houses and industries. But as the nationalist movement asserted itself, and the theory of the foreign 'drain' of profits from India to the UK was propagated, these foreign capitalist enterprises were regarded as curses rather than blessings, and the 'westernising' type of Indian business man was apt to be tarred with the same brush—to be reprobated as a capitalist exploiter of his fellow-men rather than praised as an imitator of progressive ways. Finally, the more sympathetic attitude towards independence of the British Labour party meant that our national leaders became indoctrinated with Socialist ideals in politics and economics.

"That is why," continued the learned Rakshasa, "I believe the strength of Free Enterprise economic ideas to be negligible in India, and even more so in other parts of Asia, where there were even fewer indigenous enterprises.

COMMUNISM THE ALTERNATIVE TO SOCIALISM?

"It follows that when you demonstrate the failure of Socialism in Europe, the alternative that suggests itself here is not Free Enterprise but that Communist, totalitarian system, which has made the USSR one of the world's two most powerful states, and which seems to be introducing a good rate of economic growth in China.

"Of course, the Communist system has succeeded by the total suppression of individual freedom. The savings necessary for industrial advance have been obtained by compulsion based on fear. No man has a life of his own. He is the instrument of the state. I recoil from this with the same horror as you do, because I happen to admire that decimal minority who, like Jawaharlal Nehru and others, have absorbed Western ideals of democracy. But the concepts of individual liberty elaborated by John Stuart Mill mean nothing to a mufussil cultivator, or at least not enough to make him fear the inauguration of a Communist government in Delhi. As a matter of fact, the views of the rural masses would, I imagine, count for little in any switch-over to Communism. The people who would bring it about are the vast numbers of half-baked intellectuals, mass produced by our universities. To a student working, sleeping, eating (or rather half-starving), sharing with one, or may be two others, a Calcutta students' lodging house room, size 6 ft. by 6 ft., who is likely to be unemployed, or under employed, and certainly under paid when he leaves—to such a man, John Stuart Mill's plea for liberty reads like a mockery of any reality that he knows. How far, he asks himself, does the sphere of his personal freedom extend? What scope has he for initiative? What chance has he of a saving, launching his own business, becoming a capitalist? No, for him, 'It's up to the government to do something, and if Socialism is as bankrupt as you say it is, then it's Communism for him.

"The only answer that I can think of, for the moment," concluded this learned Rakshasa, "is that if Free Enterprise Europe is as successful as you say, if it wants to save Asia from Communism, then Europe must pour capital into Asia on a far greater scale than today's trickle. This will buy us not only capital equipment but time. We need time to practise political and economic liberty long enough to build up the ideals of democracy and Free Enterprise into part of our own tradition and faith."

I awoke in alarm and despondency at what the Rakshasa had said to me, until I remembered that Rakshasas are not by nature evil beings but creatures destined by Dharma to play a hostile part in the life of a given person in order to do him good. In my case, the Rakshasa's object had evidently been to compel me to cease tossing off easy superficialities here week by week and to go back to fundamentals. Here, then, is what I shall reply to my Rakshasa the next time I meet him.

Up to a point I concede your argument that to demonstrate the bankruptcy of Socialism in Europe will by no means make Asians automatically turn to Free Enterprise as the alternative. On the other hand, do you suggest that I should pretend that Socialism in Europe is going from strength to strength? Would that make the application of Socialist doctrine in India more efficient? Would it multiply productivity and make roses blossom in the great Thar desert?

I accept your word for it that my faith in Free Enterprise and John Stuart Mill's conception of individual political liberty is shared by few in Asia. But I take my stand with Professor F. A. Hayek who, in his courageous new testament, "The Constitution of Liberty" (Routledge. London. July, 1960. Price 45 sh.), agrees with the view also submitted (and quoted in this column before now) by Professor J. K. Galbraith that if people were not at most times led by some system of common ideas, neither a coherent policy nor even real discussion about particular issues would be possible. Professor Hayek doubts whether democracy can work in the long run if the great majority do not have in common at least a general conception of the type of society that they want. But even if such a conception exists, it does not necessarily show itself in every majority decision. Groups do not always act in accordance with their best knowledge, or obey moral rules that they aprove in the abstract, any more than individuals do. It is only by appealing to such common principles, however, that we can hope to reach agreement by discussion rather than by bloodshed.

WHO ORIGINATES NEW IDEALS?

No general conception of what society ought to be can ever be "frozen." Situations, conditions, circumstances, domestic and international, are always in process of change. Conceptions thus need to be kept under constant review—to be adapted to changing circumstances.

Who ought to be engaged in this constant reviewing? Most people are too busy earning their living to do more than accept the current views held by the majority. Politicians? Professor Hayek shrewdly points out that for the politician, concerned with day to day issues, popularly held views are to all intents and purposes unalterable facts. "It is almost necessary that he be unoriginal, that he fashion his programme from opinions held by large numbers of people." The successful politician secures office because he thinks and talks conventionaly within the framework of accepted ideas. His task is to find out the opinions held by the largest numbers, not to put forth new opinions which may become the majority view at some future date.

New ideas start amongst the few and gradually spread until they become the possession of a majority who haven't the least idea where they got them from. New ideas come from those whose profession it is to deal in ideas—philosophers, economists, professors, people like Edmund Burke, John Stuart Mill, Darwin, J. M. Keynes, or F. A. Hayek. Dare I claim that a newspaper columnist has a contribution to make in popularising the ideas of original thinkers, by translating them out of the technical terms in which they are so often expressed into language that can be understood by any busy, mildly intelligent mortal?

If majority opinion is to be educated to accept new ideas to meet new circumstances, the theorist who offers guidance cannot be bound by majority opinion. "The task of the political philosopher," says Professor Hayek, "is different from that of the expert servant who carries out the will of the majority. . . It is his duty to show possibilities . . . to offer comprehensive aims of policy as a whole which the majority have not yet thought of. It is only after such a comprehensive picture of the possible results of different policies has been presented that democracy can decide what it wants," and he concludes with this striking thought: "If politics is the art of the possible, political philosophy is the art of making politically possible the seemingly impossible."

Thus, despite your doubts, I shall continue periodically to expose the bankruptcy of Socialism in Europe in hopes of contributing something to making politically possible the seemingly impossible—the conversion of the majority in India to acceptance of individual initiative, the acquisitive instinct, the profit motive, and Free Enterprise.

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saving the city's water supply

On 1st October 1959, as rain and cyclone lashed Jamshedpur, a small group of Tata Steel workers hurried to a reservoir adjoining the Subarnarekha to save the city of Jamshedpur from a major disaster.

A raft, cut adrift by storm, stood poised on the very brink of a dam separating the reservoir and the river . . . threatening to hurtle down with the swelling current any moment and smash the water main running along a bridge over the river.

As catastrophe seemed imminent, 27-year old Shamsuddin Khan jumped into the swirling water. Fighting his way to the raft, he managed to pull it away. His colleagues gave him a hero's welcome and Tata Steel gave a reward of Rs. 500 and a permanent job to this brave son of an ex-employee.

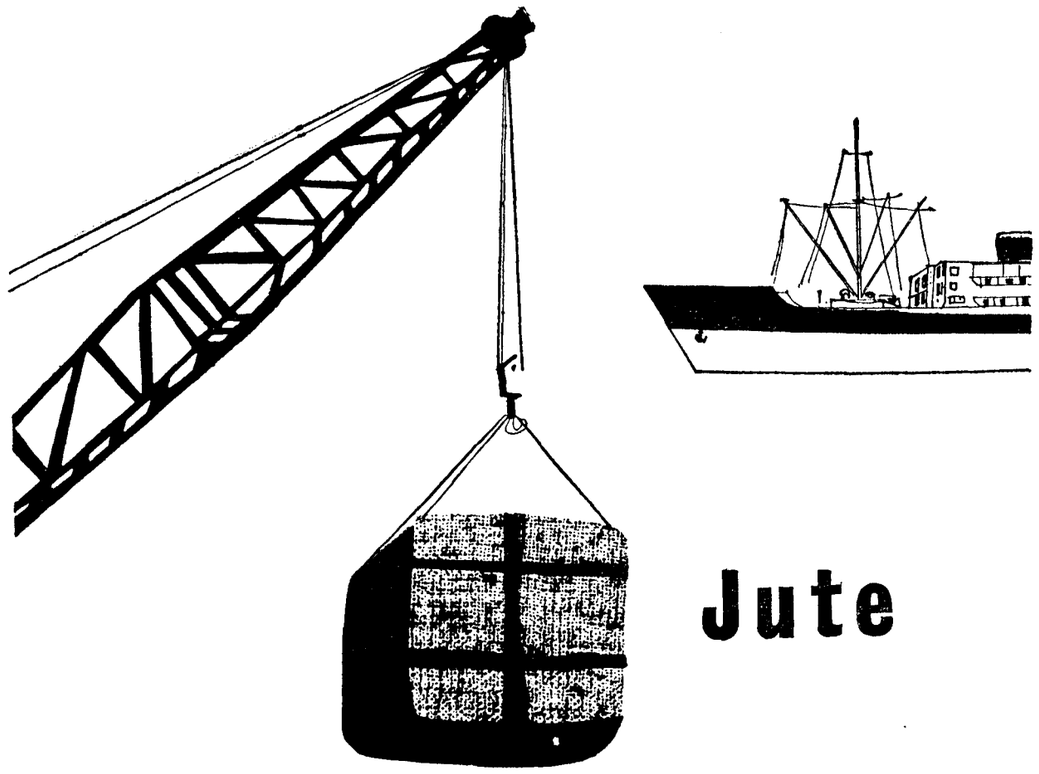
Risking life from a sense of duty is a tradition that worker heroes like Shamsuddin are setting up in Jamshedpur, where industry is not merely a source of livelihood but a way of life.



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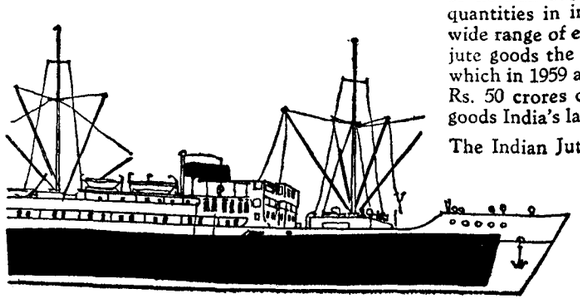
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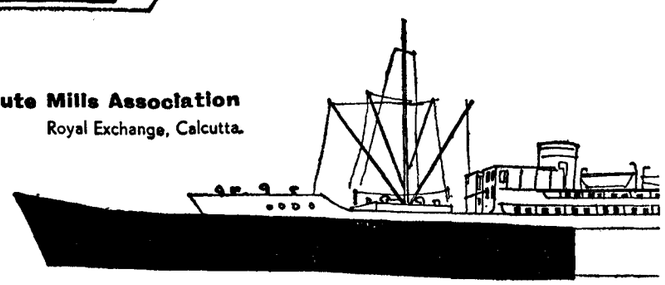
in the forefront of India's export trade

The Indian jute industry is essentially an export industry. Almost 80% of the industry's production—or about 900,000 tons of jute manufactures—is shipped to overseas markets; 55% of the jute goods used as packaging material throughout the world are supplied by India.

But jute no longer serves merely as the humble gunny or hessian bag. Today, jute fabrics are used in large quantities in industrial processes to give a remarkably wide range of end-products. From the massive export of jute goods the country earns valuable foreign exchange, which in 1959 amounted to Rs. 110.8 crores. Out of this, Rs. 50 crores came from the dollar area, making jute goods India's largest dollar-earner by far.

The Indian Jute Mills Association—the organisation of the industry—carries on extensive propaganda in several foreign countries to promote the exports of jute goods, undertakes research at home to widen the applications of this golden fibre.





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The European Scene

BELGIUM COUNTS HER LOSSES

From Our Special West European Correspondent

PARIS, September 6.

THE Congo drama is not played out yet, and it is too early to try to draw up a final account of Belgium's economic losses in the catastrophe that overtook her former colony immediately after independence. It is of course certain that Belgium has lost all political influence with the central Congolese Government, and the hope of retaining any for long with a secessionist puppet regime in Katanga is very slim. The security of investments in the Congo is another matter, however. Most of these were situated in Katanga and have continued to operate without the least interruption; they could go on doing so if Messrs Lumumba and Tshombe settle their political differences otherwise than by civil war. It is not only in Katanga that Belgian enterprises have been kept going; in the Congo as a whole, 80 per cent of Belgian business is still at work, though under very poor conditions due to the disorganisation of transport, labour unrest and senior staff shortages. The impression given by such as Mr Detwiller (the financial adventurer of whom nothing has been heard since he signed a piece of paper with Mr Lumumba) that all the Belgians had downed tools and fled, leaving Congolese industry to be taken over by whoever cared to try, is false. When the Congolese Government discovers how far it has shaken foreign confidence by its unstable behaviour during the crisis, and how little trust it can place in offers of aid from Moscow and the seedy end of Wall Street, it might well realise that the soundest course is to let Belgian enterprise continue, regardless of political relations with Brussels.

Nevertheless, that favourable outcome is by no means assured and the Belgians are correct to make their calculations on the pessimistic assumption that all will be lost, if not at once then over a few years. The foreign exchange speculators have already done this, and they caused a run on the Belgian franc in the first week of August that cost the central bank several thousands of millions of francs' worth of gold. The bank responded by increasing bank rate from 4 to 5 per cent. Because this coincided with Swiss and West German measures to prevent the influx of capital, with a cheapening of credit in the USA and with rumours of a lower bank rate in Britain, the outflow slowed down and the Belgian franc recovered some ground. There are still rumours of a devaluation, but, for reasons that will be given, these do not deserve to be taken seriously. The fact is that even before the Congo crisis, indeed ever since the last French devaluation which sent French funds home again, the Belgian franc has been regarded as overvalued by many speculators, and the Congo drama turned this sentiment into panic.

In reality, the loss of the Congo does not affect the Belgian economy very gravely. Dollars earned from Congo uranium exports (figures for which are never published and hence are popularly exaggerated) helped put Belgium back on her feet very quickly after the last war and gave her one of Europe's hardest currencies. The belief has persisted that Congo uranium therefore underwrites the Belgian franc, and so its loss must be disastrous. This is by no means the case. The Congo has had for some years its own independent central bank, which receives the foreign exchange proceeds of Congo mineral exports; the only element contributing to Belgium's reserves has been the repatriated profits of the Belgian mining companies. The Belgian reserves are quite healthy (67,000 million francs for a total monetary circulation of about 210,000 million). Meantime, internal prices in Belgium have been remarkably stable for the past year. Industrial production is currently running 10 per cent above a year ago, despite the fact that the coal industry (which accounts for 14 per cent of Belgian industrial output) is barely recovering from a serious slump. Business both with the buoyant neighbouring Common Market countries and with Britain is constantly expanding. In these circumstances, talk of a devaluation of the Belgian franc may be dismissed as senseless.

The losses caused by the rupture with the Congo, while still notable, are of a much more modest order than such as could produce the collapse of the Belgian currency. Belgian exports to the Congo last year (it must not be forgotten that, unlike other European colonies, the Congo was an open market where Belgium enjoyed no commercial privilege) were only 2.7 per cent of total Belgian shipments. True, the pre-independence political commotion depressed the Congolese economy last year, and the figure of 4.7 per cent recorded in 1957 was probably more normal. Imports from the Congo were 5.6 per cent of total imports (5.5 per cent in 1957). For the Congo, on the contrary, trade with Belgium constituted about 33 per cent of imports and exports, so an interruption of this commerce would be much more serious for the colony than for the former imperial power. The Belgian exports to the Congo were the traditional lines: steel, machines and textiles; given expanding West European trade, there would be little difficulty in placing these elsewhere, for the absolute quantities involved were small by European standards. The loss of Congolese raw materials (minerals, non-ferrous metals and cotton) would be more awkward for Belgian industry, but it seems unlikely that this trade will be totally interrupted however bad political relations become; there is no sellers' market in raw materials today, and if the Egyptians have been selling France cotton since soon after Suez one cannot see why the Congo will cease selling raw materials to Belgium.

So much for trade. Next there is the question of the contribution the Congo has made to Belgian economic activity by using that country's ships, ports (70 per cent of Congolese exports to Europe pass through Antwerp), mineral processing industries, etc. During the present shipping slump, and given the keen competition between European ports, Belgium could suffer losses here, and could see her "invisibles" decline in the payments balance . On the other hand, there does not exist adequate refining capacity elsewhere to process Congolese minerals. A certain number of Belgian

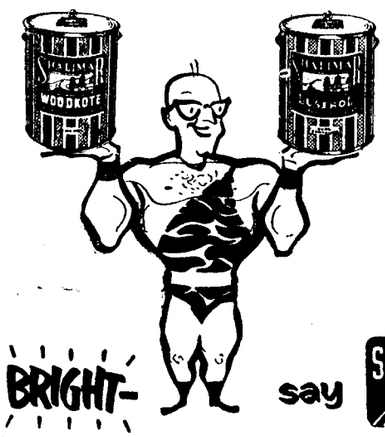
industries that were geared to living off the Congo will have to be converted. This will cause a temporary loss of national revenue, but in view of the rate of expansion of Belgian industry this phase can be got by with a minimum of austerity.

Next there is the loss of revenues from Belgian investments in the Congo, which includes both the service of the Congolese public debt placed in Belgium and the dividends of Belgian companies operating in that country. Total loss of these returns could cost Belgium about 3,000 million francs a year, because three-quarters of all the capital invested in the Congo came from Belgium. Matters would have to get much worse than they are now for that to happen; supposing Mr Lumumba ever gets the power to confiscate all Belgian holdings in the Congo (including Katanga where most of them are situated and where Mr Lumumba's writ does not run yet), such action would be an unsuitable prelude to an appeal to foreign capital. Still, this happened with the Dutch in Indonesia so the Belgians must reckon with the possibility. Combined with the loss of trade, services and processing just referred to, complete economic rupture that went to the point of confiscation of Belgian capital would amputate a proportion of the national revenue that some experts put at 3 per cent and others at 5.75 per cent.

Before considering how well the nation could meet that loss, there are two problems that concern more particularly the Belgian Government: the impact of the Congo crisis on the budget, and the cost of assimilating the repatriated Belgians. Short-term, the budgetary problem is the most serious. To the loss of tax revenues flowing from the above decline in business activity and dividend receipts, must be added the high cost of sending troops to the Congo and flying back several tens of thousands of refugees, who must now be supported, and compensated for their losses. A period of budgetary rigour is inevitable, and the Finance Minister has threatened extra taxation and (though this was probably said out of spite when the USA and Britain declined to give Belgium the moral support expected in the UN debate) a large cut in defence expenditures required by NATO membership. As to the 88,000 Belgians who were in the Congo, the return of all of them would be equivalent (since they are 1 per cent of the Belgian population) to the arrival in India of 4 million refugees; since none of them are workers, clerical and professional employment will have to be expanded about 2 per cent to absorb them. This is not beyond the possibilities of an expanding economy, but it means extra strain on an unbalanced budget.

Comparison with the experience of Belgium's Benelux partner, Holland, after the break with Indonesia is inevitable, if only because Indonesia recalled the parallel by breaking off all diplomatic relations with the Dutch at the height of the Congo crisis. The comparison is all in Belgium's favour. The Dutch connection with the East Indies was much older (it dated from three centuries ago) and more profound. There were 220,000 Dutch people in Indonesia before the war, and exports to that country were 10 per cent of total Dutch shipments and imports 8 per cent of purchases (against 2.7 and 5.6 per cent in the Belgian case). Yet Holland is one of the most prosperous countries in West Europe today. And total rupture with her former colony only came because of the New Guinea affair. There is no need for Belgo-Congolese relations to deteriorate to that point, but if they do Brussels' savings on aid to the former colony will amply compensate all the budgetary losses involved, leaving an expanding economy to make good the marginal loss in national revenue.

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Economic Report from the U.S.

GATT SESSIONS

By GUY SIMS FITCH

WASHINGTON, Aug. 31.

THE last few weeks have seen the exodus from Washington of a number of ranking U.S. government economists. Some have taken their families with them, and all have taken enough luggage to indicate a long absence from the nation's capital. These experts are not bound for lengthy vacations nor have they suddenly lost their jobs. Quite to the contrary, they are representing the United States at a series of negotiations opening at Geneva this week. These talks, the fifth round of multilateral tariff negotiations under the 13-year-old, 42-nation General Agreement on Tariffs and Trade (GATT), could be the most significant of recent years.

Traditionally, GATT tariff-cutting sessions have been lengthy, drawn-out affairs, as the participating nations have negotiated reciprocal reductions in duty rates on a multinational scale. And this year the give-and-take promises to be even more time-consuming and more important than usual. This is evident from the agenda for the meeting which actually is being held in two distinct stages. The first item concerns the adjustment of the uniform external tariff schedule of the six-nation European Economic Community (EEC)—the so-called Common Market—to the liberal trading principles—France, Italy, the Federal Republic of Germany, Belgium, the Netherlands and Luxembourg—against the rest of the GATT partners. Successful completion of this task will set the stage for the second phase—the general round of tariff-cutting negotiations among the GATT nations themselves and with several other countries which have expressed a desire to adhere to the General Agreement. This second phase is expected to get under way in January and to run through most of 1961.

In its opening phase, then, the main concern of this GATT meeting will be the extent of the liberal position taken by the EEC. Customs unions are permitted under GATT rules, of course. But those rules stipulate, in essence, that such unions should not adopt a common tariff toward outside countries that is more restrictive than the individual national duties being replaced. The basic approach taken by the EEC nations in arriving at their common external tariff is to average arithmetically their individual rates. This, it is presumed, might automatically adjust many of the Common Market duties to the satisfaction of the GATT partners.

In practice, this could mean that the United States—or any other non-EEC nation—might lose a concession from one Common Market country if the new uniform rate is higher than that nation's old individual rate. At the same time, the non-EEC partner might gain a new concession from another EEC country whose tariff schedule would decline under the averaging formula. The general objective would be to retain as far as possible the concessions previously granted by the six EEC countries to their GATT partners. Where this kind of averaging does not produce a satisfactory arrangement, the matter would have to be settled by negotiation. And it is in this realm that EEC's good faith, which already has been enunciated in theory, would be put to the practical test. Adding to the importance of this first stage of the Geneva Sessions is the prominent position of the EEC in world trade. Taken as a unit, the six-nation community today is the world's largest importer and the second-largest exporter. Its population is 165 million, plus more than 50 million associated overseas territories. Its gross national product—total output of goods and services—has more than doubled in the past decade. Intra-community trade has boomed sharply in the three years since the signing of the Rome Treaty, under which the EEC was formally established.

Under the circumstances, it would not be unexpected to find the other GATT nations doing some hard bargaining to obtain meaningful trade concessions from the Common Market countries. U.S. negotiators may have the added incentive of seeking the kind of liberal concessions which reflect the very generous concessions, before the free nations of Europe, and of other parts of the world, had attained their present levels of economic activity.

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WORLDGRAM

India

Sale of Scooters to be Controlled: In order to ensure equitable distribution of scooters at fair prices, the Government of India have issued a statutory order under Section 18G of the Industries (Development and Regulation) Act, 1951, controlling the purchase and sale of scooters. The order stipulates that every applicant for a scooter should furnish a bank guarantee of Rs 250 at the time of registration, the amount being payable when the scooter is actually delivered. In the case of customers, whose names have already been registered with dealers, the guarantee may be furnished within 45 days. The dealers will have to sell the scooters strictly in the order of registration and the register of orders will be open to inspection by members of the public as well as the representatives of Central and State Governments. The order stipulates that no person, who has purchased new scooter in any calendar year, can purchase another scooter in the same year except with the written permission of the Controller or an officer appointed for the purpose by the State Governments. In the case of companies or associations, however, they will be permitted to purchase up to a maximum of 6 scooters. The order also prohibits the re-sale of scooters before the expiry of one year from the date of its purchase as a new scooter, except under a permit from the Controller or an officer appointed for the purpose by the State Governments.

*

Membership of Central Trade Union Organisations: The verification of membership of the Central Labour Organisations, as on March 31, 1959, showed that the Indian National Trade Union Congress had a membership of 10,20,653, the All-India Trade Union Congress 507,654, the Hind Mazdoor Sabha 241,636 and the United Trade Union Congress 90,629. The INTUC had more membership than all the remaining three Central organisations put together.

*

Export of Rourkela Steel: The Rourkela Steel Project has received orders for the export of over 78,000 tons of steel slabs and ingots. Among the major orders are one for supplying 25,000 tons of steel slabs to Italy, despatches against which have already started. About 12,000 tons of slabs have already been supplied to Messrs Mannesmann-Export, West German and supply of 10,000 tons of steel ingots to Messrs. Stewarts and Lloyds, UK will be completed by the middle of this month. The pipes manufactured in barter arrangement against these slabs and ingots are already being received and delivered to Burma Oil Company (Pipelines Ltd.) for laying the oil pipeline between Nahorkatiya and Barauni. About 6,000 tons of pig iron has also been exported to the USA. Another order for 7,500 tons of pig iron from Japan is being supplied. These orders will earn the country over Rs. 3 crores in foreign exchange.

*

Power Potential in India: A proposal to carry out a detailed survey of 64 selected schemes on water power potential in India was under consideration. These schemes had an aggregate power potential of about 12 million kw at 60 per cent load factor. It was intended to complete the work in about 5 years. The estimated expenditure was about Rs. 13 crores.

*

Nahorkatiya—Barauni Oil Pipeline: It is reported one hundred miles of high test line pipes have already been delivered to Burma Oil Company (Pipelines) Ltd. for laying the oil pipeline between Nahorkatiya and Barauni as arranged by Hindustan Steel Ltd. The supplies have been made ahead of schedule. According to the contract with Burma Oil Company (Pipelines) Ltd., Hindustan Steel Limited is to supply about 51,000 tons of high grade steel pipes of 14" diameter for laying the 471 mile oil pipeline. The pipes already supplied amount to 11,000 tons. The pipe plant at Rourkela is nearly complete and is expected to be commissioned by the middle of September.

U.S.A.

Ford Foundation Grants for India: The Ford Foundation has announced a grant of $474,500, for a four-year experimental programme of educational television in the higher secondary schools of Delhi and New Delhi. The Delhi Administration had been granted $50,000 for research on technological improvements for village use with special attention to producing electric power and pumping irrigation water. Other grants in India include: Institute of International Education —$20,000 grant to enable 10 Indian specialists to attend the Seventh International Soil Science Congress. Lodhipur Institute—$35,000 grant, for continued assistance in developing and industrial training course. National Council of Applied Economic Research—$740,000 grant for continued support of its general programme. The grant will finance research related to India's economic development and will provide foreign consultants, training outside India for staff members, and statistical laboratory equipment. Punjab University—$38,000 grant, for continued support of its training programme in methods of social-science research. Consultants—$272,000 was provided for consulting specialists in general education, business and management training, home-economics training, economic analysis, and industrial-relations research. Ahmedabad Municipal Corporation—$170,000 grant, for a pilot project in urban community development. Like an earlier foundation-assisted project in Delhi, this project will encourage and assist slum dwellers in improving their living conditions. Allahabad Agricultural Institute—$51,215 grant, for scholarships and instructional costs in developing an under-graduate course in home economics extension work. University of Baroda—$525,000 grant, for a post-graduate training and research programme in home economics in co-operation with Iowa State University.

*

Major Rockfeller Foundation Grants to Indian Projects: Establishment of an International Centre and development of an Institute of Medical Sciences in New Delhi are among the major projects which received Rockfeller Foundation support in 1959, according to Foundation President, Dean Rusk. For the new International Centre in New Delhi, Mr Rusk said, the Foundation had appropriated two grants totalling $834,134.

*

Dow Chemical will Participate in Spanish Petrochemical Venture: C.B. Branch, President of Dow Chemical Limited S.A., has announced that an agreement has been reached between Dow and Union Quimica del Nortes de Espana S.A. (Unquinesa), one of the foremost Spanish manufacturers of organic and inorganic chemicals and plastics, with headquarters in Bilbao, to construct a petrochemical complex in Spain. The basis of the agreement is Dow's financial and technical participation in the development of a petrochemical industry in Spain. An approval for the joint venture has been already secured from the Spanish government.

Yugoslavia

Steel Production: Judging by the past results, it is expected that Yugoslav steel works will manufacture this year, one million and four hundred thousand tons of steel. This will be by 9 per cent more than last year of 7 times as much as in 1946. Production and consumption of steel has been constantly on the rise in Yugoslavia during the last 15 years. Owing to intensive economic development, steel consumption has grown from 17 kilograms per inhabitant in 1939 to 80 kilograms last year. It is estimated that steel consumption during the next four to five years will reach the level of 145—150 kilograms per inhabitant, i.e., it will grow by 12 to 13 per cent annually. A quantity of 1.3 million tons of crude steel was produced in Yugoslavia last year i.e. 900,000 tons of finished steel products. However, the needs of the domestic market were not satisfied with this, so that Yugoslavia was obliged to import another 190,000 tons of finished steel products. In order to meet the domestic requirements considerable sums will be invested in the construction of new steel works as well as for modernisation and enlargement of their existing steel works.

United Kingdom

Equipment for Indian Power Project: A century-old British firm is now working on a contract which will help the electricity power scheme at Harduaganj, Aligarh district, Uttar Pradesh. The firm—Samuel Jellyman and Co. Ltd.—is making special valves, water draining gates, and hydraulic ash-handling equipment to cope with the process of the disposal of ash from the coal-fired boilers. The Indian contract is expected to be completed by the end of this month.

Australia

Rich Mineral Resources: The potentialities of the mineral fields of Queensland are receiving greater attention from prospecting interests and present likely opportunities for increase of Australia's mineral wealth. Iron deposits in the Constance Range, North-West of Mt. Isa, are believed by the Queensland Minister for Mines, to indicate that the field has a great potential as a major iron ore producer. The deposits are being tested by the Broken Hill Proprietory Company Ltd. and although no announcement has yet been made by the company, deposits are being believed to contain a fairly low grade ore but in large volume. One estimate is that the ore body extends over 1,000 sq. miles.

U.A.R.

UAR Joins Isotopes Producing Countries: United Arab Republic has joined the corpse of countries that produce atomic materials for the treatment of incurable diseases such as cancer and gland troubles and the enhancing of land yields.The necessary atomic reactor that will produce those materials has already been set up at Inchas. UAR and Soviet experts at the Nuclear Energy Organisation are engaged in installing the heart of the plant which contains the radio-active material. It is the inter-action between those materials that will produce the isotopes. At the same time, certain materials will be converted into a new type of nuclear fuel.

Poland

India Among Customers for Polish Agricultural Machines: Polish agricultural machines have already gained a good mark in many foreign markets. For instance, the harvesting combines produced by the Plock plant are exported to India, Argentina Yugoslavia and Brazil. Contracts have been entered into for exporting over 300 of these combines this year and further orders are expected. Nearly a 100 of all kinds of tractors turned out in Poland are to be exported this year. Dip-traillers are the new entrants in the import list of Polish agricultural machinery. High compression engines used in agriculture for driving machinery, pumps, mill equipment etc. are already being exported to Tunisia, Algeria, Egypt, Brazil, Turkey and many other countries.

*

River Ships for Export: A series of river tankers for the United Arab Republic is now under construction in Wroclaw. The vessels can be used on rivers and for coastal trade. Tenders have been submitted to a number of countries for other types of river ships. They include tenders for 500-ton general cargo ships for Pakistan. A tender for passenger steamers has been submitted to Burma.

ICFTU-ARO

Fifth Asian Regional Conference: The fifth Asian Regional Conference of the International Confederation of Free Trade Unions Asian Regional Organisation (ICFTU-ARO) is to be held in Manila, from 20th October to 4th November 1960. The Conference is being held in Manila at the invitation of the Phillipine Trade Unions Council (PTU). About 50 delegates from 15 countries in Asia, Ceylon, China, Hong Kong, India, Indonesia, Japan, Korea, Malaya, Nepal, Okinawa, Pakistan, Phillipines, Singapore, Thailand and Vietnam are expected to attend the Conference representing a membership of more than 6 million. In addition to the Asian Regional Secretary's report on the activities of the organisation for the last two years, the Conrence will consider measures for strengthening free trade union organisations in Asian countries.

Trans-world Airlines

Record Profit in June 1960: Trans-World Airlines' earnings in June totalling $4,436,000 after taxes, were the largest for any single month in the airlines history, and helped the company emerge with a nominal six-month profit of $4,000 following net losses of $6,826,000 in the first quarter. Net income before taxes for the month of June 1960 was $7,392,000 made up of $6,674,000 from flight operations and a net of $718,000 non-operating profit from the sale of surplus aircraft.

W.H.O.

Aiding India's Vaccine Plan: The South-East Asia Regional Office of the World Health Organisation is to assist the Government of India in a plan which will help to make possible a country-wide immunization campaign against three dangerous killers of babies and young children—diphtheria, whooping cough and tetanus. Studies carried out in one part of rural India have confirmed that tetanus and tetanus of the newborn are important causes of sickness and death. Whooping cough not only causes much suffering but many deaths occur through secondary complications. A pilot unit for the production of vaccines against these three diseases will be developed at the Central Research Institute, Kasauli.

NEWS IN BRIEF

INDIAN

The production of automobile components which was valued at about Rs. 42.31 lakhs in 1951, had increased to about Rs. 7.5 crores in 1959. In 1951, the production of components was confined to only tyres, tubes, battery and certain other minor components.

*

The outstanding balance of the 4 per cent Loan 1960-70 is repayable on September 15, 1960, and no interest will accrue thereon from that date.

*

The Central Fuel Research Institute at Jealgora has explored the possibilities of producing light and high-speed diesel oils from certain types of tar obtained from Raniganj coal. The studies have shown that some types of tar could be satisfactorily processed into good quality diesel oil.

*

Under the Second Five-Year Plan, 47 modern dairy projects comprising 42 milk supply schemes, 3 rural creameries and 2 milk products factories, are being set up with the aid of the Central Government.

*

The Government of India have decided, in consultation with the Board of Trustees of the Coal Mines Fund, to grant interest to subscribers of the Fund on their accumulations, at the rate of 4 per cent during the year 1960-61. The rate of interest for the year 1959-60 was 3-3|4 per cent.

*

It is reported the Government of India proposed to instal a switch-gear development and testing laboratory at Bhopal, the cost of which had been estimated at Rs 200 lakhs.

*

The power potential of the river Narmada had been estimated at 2 million kw. at 60 per cent load factor, stated Mr Hathi, Union Deputy Minister of Irrigation and Power, in a written reply to a question by Mr Raghunath Singh in the Lok Sabha recently.

*

It is reported that a proposal for the establishment of windmills at Chusul was received in the National Aeronautical Laboratory, Bangalore, through the Trade Commissioner, Jammu and Kashmir. The laboratory, had recently deputed an officer to survey the area and to collect data regarding wind velocities.

*

The Employees' State Insurance Scheme has been extended to Dhanbad and the adjoining areas in Bihar. The families of the insured persons in these areas will also be entitled to medical care 13 weeks after the insured persons themselves begin to get benefits.

*

During the last two years, proposals from 4 State Governments for participation in the share capital of private industrial concerns have been approved by the Planning Commission.

*

The Minister of Industry, Mr Manubhai Shah, told the Rajya Sabha recently that it was proposed to permit the setting up of three units in each State for the manufacture of watches in the small-scale sector.

FOREIGN

Oil companies placed orders for equipment and materials to a total value of £60,628,000 with British firms during the first half of this year, according to figures published by the Council of British Manufacturers of Petroleum Equipment.

*

The Board of the Central Bank recently approved a 90-day loan of $19 m. to Chile to enable it to intensify its needs in legal currency terms. Although there was no official confirmation, sources close to the bank said this step would enable the State to refrain from asking the big copper mining companies to pay taxes in advance of the time due.

*

The Bank of Finland has announced that as commercial banks have been rather free in granting credits without sufficient consideration of the liquidity regulations, it has decided to levy an interest rate of 3 per cent for rediscounts to commercial banks.

*

Delegates to the International Geological Congress decided recently to set up an international geological union to encourage co-operation between experts from the 104 countries represented and pick the best qualified and most suitable experts for international expeditions.

*

France is to have a second plutonium plant at La Hague, near Cherbourg, the French Atomic Energy Commission has announced. The existing plutonium plant is at Marcoule.

*

Poland may turn to the West for certain process licences in the construction of its 6m. tons a year oil refinery at Plock, on the Vistula. The possibility has been raised by Mr Mieczyslaw Haber, Assistant Planning Group Director of Poland's Ministry of Chemical Industry.

*

The number of village households supplied with electricity in Yugoslavia has doubled during the last nine years. They have received electricity mostly from hydro-power plants which are being built intensively on Yugoslav rivers.

*

In an article written with reference to the tenth anniversary of workers management, 'Vukamanovic' underlines that the working collectives in Yugoslavia manage on an average 46 per cent of the resources gained in the social sector of the economy.

*

French output of electricity during the first half of 1960 was 11 per cent greater than the total for the corresponding period of 1959. The amount of electricity produced during the first half of 1959 was, in turn, only 3 per cent more than that produced during the first six months of 1958.

*

France will probably buy substantially larger quantities of oilseeds outside the franc zone this year because of the small 1959-60 West African peanut crop.

Special Article

TIGHTNESS IN TRANSPORT

THE latest available statistics of wagons loaded on the broad and metre gauges of the Indian railways for the period April to July 1960 corroborate the general apprehension that failures in railway transport is one of the root causes in the coal and steel setback. A minor factor ought to be mentioned in clarification at the outset since it has been partly instrumental in aggravating the position on the railways in July 1960. But although some allowance should be made for it in the decline in railway freight earnings in that month, its magnitude must not be exaggerated. The backlog of traffic as a consequence of the strike on the railways, however, was cleared soon afterwards, so that, on balance, the situation before and after the strike ought not to show any gross disparities in railways earnings as an indicator of the traffic carried.

In the table included in this article details of the major categories of freight traffic on both the gauges have been set out for the four months in question during this year and the past year. They vividly bring out the declining trend in wagons loaded in a large majority of classes of freight traffic which depend heavily on the railways, particularly for long distant transport. They are chiefly the classes which are vital for the sustenance of productive activity. In the main, grains and pulses, oilseeds, raw cotton, raw jute, jute manufactures, sugar, cement, manganese ore and so on, have recorded substantial declines in wagon loadings this year below the loadings in the corresponding period of the last year. The percentage declines are at once conspicuous. Although it is possible to point out some reasons for these fluctuations during the current year for items like jute, cotton etc., they do not invalidate the main conclusion of a distinct deterioration in the position of transport by railways.

Attention ought to be focussed on the comparative state of loadings of coal and coke. In absolute terms, there has been a marginal increase of over 7,000 wagons in the coal carried for the public which gives a percentage increase of 2.03 over the loading in the last year. But the volume of loadings must be compared in relation to the volume of stocks at the pithead which alone would give a correct idea of the yawning gap between the demand and supply. The latest available monthly figures of production of coal and coke and stocks at the pit-head, and the ratio of these stocks to output are tabulated below:

	(000 tons)
January, 1960 :	
Stocks (at pithead)	2,696
Production	4,116
Stocks x 100 / Production	66
February, 1960	
Stocks (at pithead)	2,970
Production	4,296
Stocks x 100 / Production	69
March, 1960	
Stocks (at pithead)	3,068
Production	4,364
Stocks x 100 / Production	70
April, 1960	
Stocks (at pit-head)	3,221
Production	4,383
Stocks x 100 / Production	73

The above monthly figures show that in absolute terms there has been an increase both in the pithead stocks and production. Pithead stocks have risen from 2.70 million tons in January to 3.22 million tons in April, whereas production has gone up from 4.12 million tons in January to 4.38 million tons in April. But the increase in the two has not at all been proportionate as will be seen from a cursory glance at this table. In fact, the real aggravation of the disparity between accumulation of stocks and production is pin-pointed by the ratio of pithead stocks to output. This ratio has gone on increasing progressively from 66 per cent in January to 73 per cent in April. This ratio gives a broad idea of the inability of the railway transport to carry all the coal traffic offerings. It is of course true that a reasonable allowance must always be made for a certain amount of accumulation at the collieries but the fact that these accumulations have gone on increasing can be explained only on the hypothesis of utter non-availability of adequate wagons. This conclusion is further strengthened if it is recalled that January to April represents a period of high tempo of productive activity and since coal is the major type of energy for industry, it generates a high demand for transport capacity.

In the last year of the Second Plan, all energies have to be bent on eliminating the threatened shortfalls below the targets of priority projects which have been accommodated in the reduced outlay of the Plan. Industrial production has been accelerated in 1959-60, after a spell of stagnation, and transport has a key role to play in keeping it going. Demands on rail transport of Sindri fertiliser and the State steel plants which have always enjoyed undoubted priority have not been fully satisfied. Recent failures in the case of these public sector projects are attributable, among other major factors, to the failure of transport to rise to the occasion. There will be worse to come unless the Railway administration is made aware of the deepening coal transport crisis.

WAGON LOADINGS

(1st April to 31st July, 1960)

(In terms of 4-wheelers)

Items	1959-60	1960-61	Percentage change of (2) over (1)	1959-60	1960-61	Percentage change of (5) over (4)
	(1)	(2)	(3)	(4)	(5)	(6)
	1. Broad Gauge			**Metre Gauge**		
A. Revenue Earning Traffic						
1. Coal and Coke—						
(a) For Public	383,198	390,981	+2.03	75,535	73,339	—1.58
(b) For non-Government Railways	817	755	—7.59	—	—	—
2. Grains and Pulses	176,592	171,572	—2.84	147,072	151,550	+3.04
3. Oil seeds	22,714	19,835	—12.7	26,754	27,477	+2.70
4. (a) Cotton Raw	13,313	9,784	—26.5	10,328	7,912	—23.4
(b) Cotton Manufactured ..	4,790	4,645	—3.03	1,718	932	—45.8
5. (a) Jute Raw	19,185	10,175	—47.0	19,893	16,741	—15.8
(b) Jute Manufactured ..	2,362	1,928	—18.4	2,824	2,170	—23.2
6. (a) Sugar	19,379	18,816	—2.91	25,652	25,067	—2.28
(b) Sugarcane	847	8,805	+939.6	19,885	27,913	+40.4
7. Cement	69,924	68,690	—1.76	47,726	59,006	+23.6
8. Iron and Steel						
(a) Pig iron	9,272	15,196	+63.9	2,189	1,917	—12.4
(b) Others	75,413	74,303	—1.47	14,287	16,780	+17.4
9. Tea	3,325	3,492	+5.02	5,334	5,155	—3.36
10. Metallic ores—						
(a) Manganese ore	20,155	19,157	—4.95	7,610	7,946	+4.42
(b) Iron ore	110,694	143,604	+29.7	17,629	21,984	+24.7
(c) Others	3,504	4,271	+21.9	6,477	7,301	+12.7
11. Lime stone and Dolomite ..	33,995	53,199	+56.5	10,487	13,152	+25.4
12. Miscellaneous Full Wagons ..	529,021	497,781	—5.91	409,969	1,649	+2.85
13. Miscellaneous Smalls	126,005	118,556	—5.91	102,863	105,230	+2.30
B. Non-Revenue Traffic*						
14. Railway Coal and Materials—						
(a) Coal for home line ..	97,597	102,731	+5.26	80,351	78,075	—2.83
(b) Coal for other Govt. Railways and Manufacturing units ..	132,238	145,233	+9.83	12,278	12,222	—0.46
(c) Other stores	69,487	56,398	—18.8	44,503	46,685	+4.90
TOTAL	1,923,827	1,939,907	+0.84	1,091,364	1,131,203	+3.65

* Regarding non-revenue loadings, it should be observed that the number of wagons loaded shown in this table excludes departmental wagons loaded by the owning departments and vehicles loaned or lent to the Engineering or other departments for carriage of departmental stores or used in ballast trains etc.

THE BUSINESS WORLD

Unfair and Unimaginative

By CROESUS

I DO not know whether it was at all necessary for Mr. Nityanand Kanungo, Minister of Commerce, to tell the Lok Sabha the other day that, if the voluntary reduction in cloth prices to be effected by the Textile Industry was not satisfactory, "we have to take other steps, legal steps, to bring the prices down." Apart from the fact that such loose language by responsible persons in authority is liable to be misunderstood (actually a wag suggested whether the steps that were hitherto taken by the Government to bring down the cloth prices were illegal!), it ignores the fact that the spokesmen of the Textile Industry and the Government of India were actually still discussing the precise extent of the further reduction in prices (further to those announced on August 11). To me it appears, the Textile Industry has all along been placed in a very unenviable position, in that, while it went as far as it could go, and even out of its way, to accommodate the Government's wishes, the Government went on merely expressing dissatisfaction at every stage at the extent of reduction announced, without caring to indicate the actual reduction that it wanted. After all, in regard to matters like price fixation, one has to go on the basis of the available data or, if such are not acceptable, one has to indicate one's own ideas regardless of all considerations of costs, let alone profits. But merely expressing dissatisfaction at the extent of reduction offered by the industry or threatening to take "legal steps to bring down cloth prices," as Mr. Kanungo did, is, to say the least, abuse of power and authority.

No one who has followed the discussion between the Indian Cotton Mills' Federation and the Government of India in regard to cloth prices will accuse the Textile Industry of not having played fair. In fact, both in regard to the base period from which the reduction has been sought and in regard to the quantum of reduction desired, the Federation has accepted the Union Minister for Commerce and Industry's suggestion. Thus, although the Federation announced its first reduction of prices taking into account the October, 1959 prices and the rise in costs subsequent to it, it eventually agreed to accept the Minister's suggestion that the base period should be August, 1959, and not October 1959. (Although this has been done, the Industry is now being criticised in certain official circles for not having taken the July, 1959 base period). Instead of appreciating this gesture, it has been suggested by some that the Industry has been wanting to bargain, although the boot has been on the other leg — the Government's — all the time. These are not, however, to blame because such an impression seems to have been sedulously created. However, the Textile Commissioner, who has gone into this question thoroughly, atleast must have been convinced that, in having agreed to the second reduction, the industry has subordinated its interests to those of the country's economic necessities, even while realising that the new price structure would result in the uneconomic working of several mills, particularly those producing coarse and lower medium cloth. In the first half of 1960, 12.4 per cent of the total production or 306 million yards was coarse, while 35.8 per cent or 886 million yards was of lower medium, higher medium constituting 40 per cent or 1,002 million yards. If all the mills accounting for this production which had to suffer the additional handicap of having to use high-priced imported cotton come into trouble, then the Government will itself have to thank for it. Fortunately, such a contingency may not arise if the cotton crop this year turns out to be plentiful, and this is the only silver lining to the cloud.

According to the Federation's second press note announcing the new schedule of cloth and yarn prices, mills are called upon not to charge more than 25 per cent, 22 per cent, 18 per cent, 11½ per cent and 9 per cent, over the August, 1959, contract prices for coarse, lower medium, higher medium and fine and superfine cloth, respectively. As in the case of the previous announcement, it is significant that the revised prices now also are to apply to all cloth to be delivered henceforward, regardless of the contract prices. Analysing the effect of the new schedule of prices on different varieties of cloth, one finds that only 9.4 per cent of the total production or 181 million yards of coarse varieties will be subject to an increase of 25 per cent over the August, 1959 prices. As regards lower medium varieties, the percentage which will be subjected to an increase of 22 per cent the percentage is 32.4 or 620 million yards. Higher medium varieties, which will be subjected to an increase of 18 per cent, account for 895 million yards or 46.8 per cent of the total production. Fine and superfine varieties, which are to be subjected to an average increase of 11.5 and 9 per cent, account for only 5.4 per cent and 6 per cent, respectively, of the total production. Taking the weighted average, cloth for internal consumption will be subjected to an average increase of only 19 per cent over the August, 1959, prices. But it will be even less in the case of those varieties where the existing prices are lower, so that the effective average increase over the August, 1959 prices will, in fact, be less than 19 per cent or say around 16 per cent.

Be that as it may, if, as alleged, the mills had been selling at 40 per cent over the August 1959 prices, the reduction now proposed actually works out to about 24 per cent but it is by now well-known, although not so generally accepted, that the charge of a 40 per cent general rise is hardly justified. Even the Union Minister for Commerce and Industry did not accuse the Textile Industry of a 40 per cent rise. It has been estimated that taking all cloth prices into account, the allegation of a rise of 40 per cent may at best be true of not more than 5 per cent of the cloth consumed by the general public. If, in spite of this, some official circles were not satisfied, it is not clear why they did

not persuade the Government to accept the offer of the Federation's representatives to submit duly audited account of the first half of 1960 for disproving the allegation. Aparently the Government was not so much interested in exonerating the industry by accepting this offer as in getting a good chit for itself for having done everything to bring down cloth prices. To have brushed aside the suggestion for getting the accounts audited or that for reference of the price question to the Tariff Commission on the plea that all these would take time and that the circumstances demanded immediate action may be politically all right, but, from the point of view of the affected industry, hardly fair.

A Government which claims today that it is concerned only with prices that the consumer has to pay and nothing else ought to have looked into the factors making for a rise in costs and, therefore, in prices. It is unnecessary to dilate here on how a rise in prices became inevitable due to higher prices of cotton and other raw materials as also the higher wages imposed upon the industry. The rise has also been due to the fact that the Government was very slow in accepting the industry's suggestion to import raw cotton when it became aware of the certain prospects of failure of the Indian cotton crop. Had the Government taken timely action, the mills could have stepped up their production and foreign cotton also could have been purchased by them at a much cheaper price than what had to be done eventually. The Government is again guilty of not having heeded the industry's repeated pleas for adequate expansion of the industry's production potential. Even now, unless the authorities realise the need for this and take prompt action, the country must be prepared for a recurrence of the present situation due to the increase in population, on the one hand, the rise in 'per capita' income generated by the plans, on the other.

I am afraid the entire approach of the authorities to the problem of the textile industry has been both unimaginative and shortsighted. In its bid for popularity, it has not hesitated to overlook economic coniderations. It is a pity that the Government has failed to take into account the stark reality that the industry was in the doledrums not long ago for a continuous period of three years. By forcing the mills, especially those producing coarse and medium cloth, to sell at the low prices now fixed, it will have all but wiped out their profits and it is difficult to see how these mills will be able to make up their past losses. Again, no attention seems to have been given to the facts brought out by the Reserve Bank's study of comparative profits of all industries or those of the officially appointed Working Group which recently estimated the industry's needs for rehabilitation for the next five years at Rs. 180 crores. The findings of both these independent and impartial agencies should have convinced the authorities of the immediate and imperative need to increase the profitability of the industry which is today perhaps the lowest. Because of its low profitability thus, capital naturally tends to shrink away from this industry, and this has been responsible for not only a serious backlog of rehabilitation or modernization but also for the failure of the production capacity of the industry to keep pace with the steadily rising demand for its products. The ideological fads of the powers-that-be who have prevented the organized section of the Indian textile industry to expand is also to blame for the present plight of the industry.

The next few months will show how far the reductions squeezed out of the industry will have benefited the consumer. It is not merely a question of the mills supplying the cloth at the reduced prices or arranging to open a number of shops or of supplying cloth to approved fair price shops, but it is a question of how far these agencies will actually deal squarely with the consumer. It remains to be seen to what extent they will pass on the benefit of the reduction to the consumer. Not all of them can be expected to abstain from the temptation first to dispose of the non-stamped cloth at higher prices before disposing of the newly stamped cloth. Moreover, the authorities cannot prevent the mills from preferring to export more cloth than at present because of the obvious attraction that exports hold out by way of not only a relatively higher price but also the additional advantage of import incentives. If this happens, the Government will be in the unenviable position of having to make a choice between more exports and more cloth for internal consumption, unless the total production of cloth in the country increases perceptibly. In trying to short-circuit normal economic laws, the authorities are creating for themselves fresh and more complicated problems. What is wrong with the powers-that-be today is to quote the Union Home Minister, that "our outlook is growing perhaps more and more illiberal.'" With apologies to Mr Pant again, may I add that, if this process continues much longer, the very foundations of our industrial economy will be eroded.

A CORRECTION

The Taxation of Plantations: A Case History

In the article under the above caption published in the issue of "The Eastern Economist" dated August 12, 1960 on page 271 the following corrections should be made :

(1) Last para, line four—
for "Flat rate imports" please read "Flat rate imposts".

(2) Title of Table I—
for "Sales And Flat Rate of Imports" please read "Sales And Flat Rate Imposts".

[The Errors are regretted.—Ed.]

Business Notes

State Loans

GOOD RESPONSE

JUDGING FROM both the total amount subscribed and the period for which the loan had to be kept open, the response to the State Loans this year has been just good, but not as good as last year, although it has been relatively better than the response to the Central Government Loans. It was, of course, expected that, with the customary lobbying of the concerned State Governments and the influence exerted by them on banks and other credit institutions in their respective States, the loans would at least be fully subscribed, as it has, indeed, proved to be in the event. Compared to their performance last year, however, some of the States have been able to get just their requirements. Thus, the total response at Rs. 85.33 crores against the total face value of all the 12 loans of Rs. 75 crores this year, does not compare favourably with Rs. 102.38 crores as against a total loan amount of only Rs. 63.50 crores, for which subscriptions were invited by the State Governments in 1959-60. Even in 1958-59, the response at Rs. 65.84 crores against a total loan amount of Rs. 50 crores was comparatively better than this year. Be that as it may, the total cash subscriptions to the 12 State Government loans were more than Rs. 73 crores and were, therefore, the highest in three years, but the total loan amount that was invited also was the highest in three years.

There were two surprises in connection with the response to this year's State loans. The first was the rather overwhelming support to the Andhra Loan which was oversubscribed nearly 1½ times. This explains why the percentage of allotment in this case has been the lowest at 72, compared with the cent per cent allotment in respect of as many as seven State Government loans, including those of Maharashtra, West Bengal, Madras, Kerala, Madhya Pradesh, Bihar, and Rajasthan.

A second surprise has been that, contrary to expectations, the Kerala loan was closed much earlier than the last date which had deliberately been advanced in this case in view of the uncertain climate following the recent failure of the Palai Central Bank.

As regards the two loans of the lately bifurcated States of Maharastra and Gujarat, while both loans were over-subscribed, it was the Gujarat loan that was relatively more over-subscribed. Consequently the allotment in the case of the Gujarat Loan was only 95 per cent, as against 100 per cent in the case of the Maharashtra Loan. However, in the market presently, the Maharashtra Loan seems to be in greater demand, as witness the fact that it is already quoting at a premium. On the other hand, there are reports that some loans, especially, the Andhra Loan, though initially heavily oversubscribed, is reported to be quoting at a discount. Probably there have been fairly sizeable sales of this loan by those parties who had subscribed to the loan just to please their State Government.

Scooters

ENFIELD'S PRODUCTION PROGRAMME

MR. K. R. SUNDARAM IYER, Chairman of The Enfield India Ltd., announced at the annual meeting held recently at Tiruvottiyur, Madras, that the Company will commence the production of scooters during the second half of 1961. The Company has obained a licence for this purpose from the Government of India. Being one of the pioneers in the manufacture of powered two-wheeler transport in India, it is quite logical for the Company to take up the manufacture of Scooters when this form of two-wheelers is becoming very popular and its demand is growing fast in all regions of the country. In view of the fact that the manufacture of motor cycles and scooters involves, by and large, similar plant, machinery, techniques and skill, the new scboter project will further strengthen and consolidate the Company to a considerable extent.

Another feature of expansion announced by the Chairman is that the Company will simultaneously commence the manufacture of the well-known Villiers Road Vehicle engines. It may be added that the model of the Villiers engine with minor modifications will be used both on the scooters and the light-weight motor cycles proposed to be manufactured by the Company. This is likely to cause a considerable amount of economy in the production of both the motor cycles and scooters. In this connection, the Chairman of the Villiers Engineering Co. Ltd., of the U.K., the collaborators of the Company, also visited the plant early this year. The Company is bound to gain a lot from the experience of the collaborators.

Electricity

PAUCITY OF FUNDS

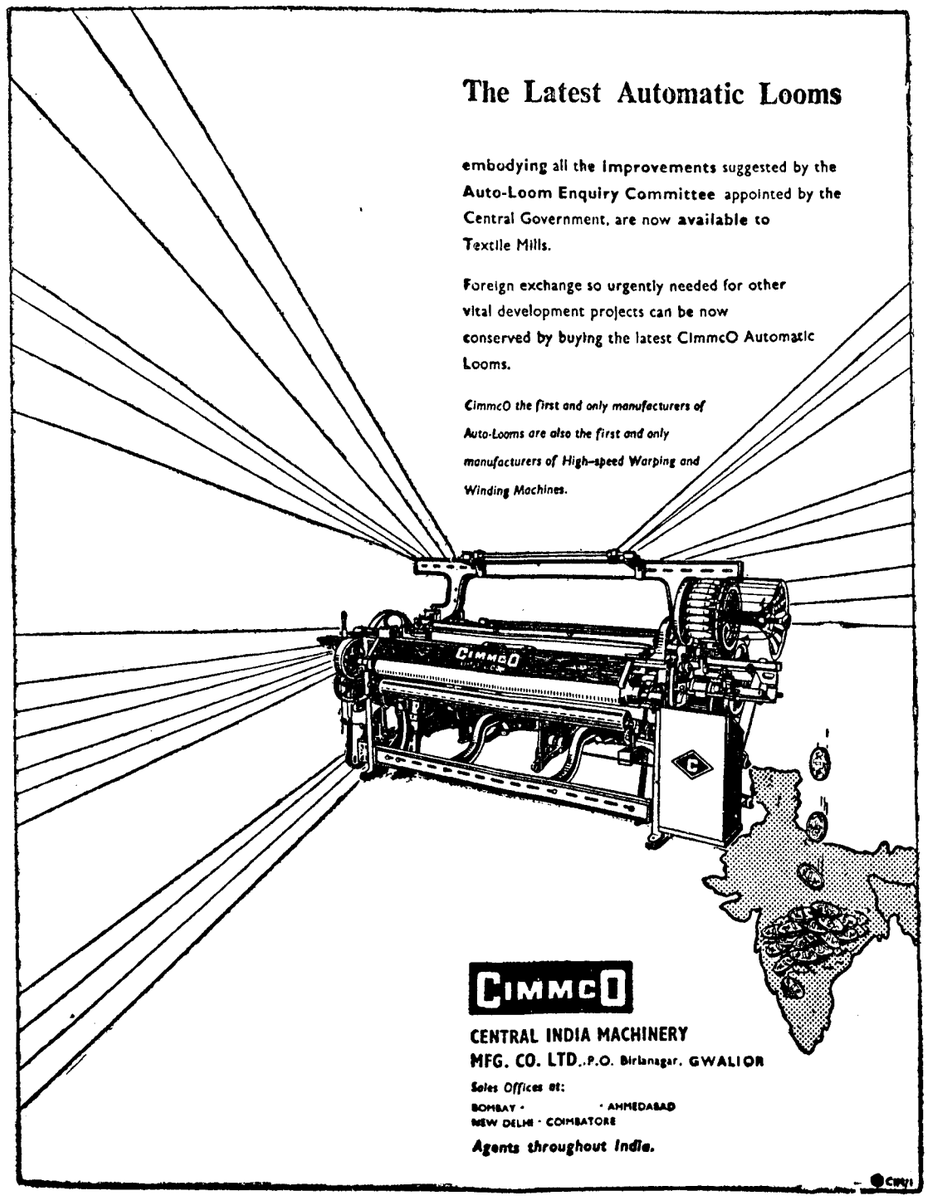
THERE PREVAILS a general shortage of capital in the Indian electricity industry. As was stated by Mr. K. A. P. Viswanathan, Chairman of the South Madras Electric Supply Corporation Ltd., at the annual general meeting held recently at Tiruchirapalli, Madras, this Company too is feeling the paucity of finance for investment. Although the Company invested Rs. 10 lakhs on a plan to electrify 19 new villages in the Trichy and Tanjore areas, it was not able to meet the demand of large number of applicants. To meet the rising demand for electricity in the areas served by it, the Directors of the Company raised Rs. 14 lakhs by the issue of equity shares and it is hoped that by March 31, 1961, supply will be augmented for the benefit of the consumers.

The Chairman has stressed that there still will remain a backlog of pent-up demand and the Company will have to tap additional sources of finance. He has pointed out that the Madras Government has placed Rs. 25 lakhs with the Madras State Electricity Board for disbursement as loans to licencees. In this connection the Company has submitted schemes to the Electricity Board and has asked for a loan of Rs. 14 to 15 lakhs. In view of the pressing needs of the Company, the Board is trusted to give due consideration to its needs.

SHORTAGE IN GUJARAT

PRESIDING OVER the annual meeting of the Surat Electricity Company Limited, the Chairman of the Company, Mr. A. N. Haksar, disclosed that the State Electricity Board had withdrawn its earlier notice to the Company to close down its diesel generation station from April 1, 1960, thus making it possible for the Company's diesel sets to continue to be of service to the community. This is a clear indication of the acute shortage of power in the South Gujarat region. It is true not only in areas of supply covered by the Surat Electricity Company, but also in the whole of Gujarat generally, that the pace of economic development is closely linked up with the pace of power development. Economic development in the coming years will undoubtedly receive a fillup with the coming in of the new Gujarat State, but it will depend upon the importance that the new State Government attaches, and the priority that it accords, to the development of power. It is believed that in places like Porbandar, some industries which are ready for being commissioned have not started working only because of absence of power. The great economic waste that delay in the supply of power entails in such cases need not be elaborated here.

Another point which Mr. Haksar made in the course of speech related to the problem of the electricity supply industry created by the fall in share values at a time when there is a general boom in the stock market. To quote Mr. Haksar, the reason for this is the need for a measure of liberalisation of the Electricity (Supply) Act, 1948, with the consequent prospect of a higher level of returns. A second and perhaps a much more serious factor, is the taxation policy of the Government of India which has brought about the present sharp drop in share values. It is to be hoped that the proposals now before the Government of India in this behalf will be processed into a suitable parliamentary enactment before the next financial year and help the electricity industry to emerge out of the woods.



FROM THE CAPITAL'S CORRIDORS

WORLD BANK MISSION'S REPORT

THE World Bank Mission, headed by Mr. Paul G. Hoffman, which visited this country in April and May last to make an on the spot study of our foreign exchange requirements vis-a-vis the Third Five-Year Plan, has done a yeoman's service by spotlighting the vulnerable points of our economy and pointing out the bottlenecks that are likely to arise in the execution of the next Plan. The report of the Mission is a well-reasoned document, designed to evoke interest in our friends abroad so that economic aid may be forthcoming from them in adequate quantities for our struggle against poverty and ignorance. It is a searching assessment of the progress made by India during the last decade and of the developmental task lying ahead.

The Mission is, obviously, gratified by the progress this country had made during the last few years. The most striking change in the Indian economy since the beginning of the Second Plan, it says, has been the broadening of the industrial base and the increased buoyancy of manufacturing enterprise. The most impressing achievement on this front, in the opinion of the Mission, is the establishment of the three new steel plants, even though it will take some time for them to work up to full production. Viewing the industrial scene as a whole, the Mission considers it truly remarkable that so much progress has been made in so short a time; in this it finds promise for the future. The Mission has expressed the view that Indian business men are becoming increasingly investment-minded and that there are signs of a gradual emergence of a new and forward-looking entrepreneurial class.

About the progress in the agricultural sphere the Mission observes, "The change in agriculture is less evident, but here too there are signs of progress, and the potential for increasing production may be greater than the statistics of output indicate." The Mission nevertheless has been greatly impressed by the signs of increased receptiveness of the Indian farming community to new ideas. It has also expressed appreciation of the fact that significant progress has been made in reducing India's dependence on certain types of imports.

The Mission finds little fault with the ambitions expressed in the Third Plan. It says: "The starting point of all Indian planning is a target rate of increase in real national income. The rate chosen—5 per cent a year—can hardly be called excessive when the present level of per capita income is the equivalent of only $63 a year and the population is believed to be growing by 2 per cent every year. To aim any lower would be to admit failure in advance." While the Mission has many detailed criticisms to make and doubts to express, it has been greatly impressed by the quality of thinking which has gone into the preparation of the Plan and it finds it difficult to quarrel either with its broad aims or with the principal assumptions underlying it. These aims and assumptions, it point out, have to be judged in the perspective of a process of development stretching not over five years, but over twenty or twenty-five.

FOREIGN AID ....

With reference to the heavy draft of external finance written into the Plan, the Mission observes: "The Third Plan has been drawn up on the assumption of massive external assistance. Without this assistance the investments proposed would be quite incapable of realisation, since they involve large imports of capital equipment which India cannot pay for out of her own export earnings, and there will be no further room for foreign exchange reserves to be drawn down." External finance, it is points out, is unquestionably the key to the succees or failure of the Plan which assumes that over one-fourth of the proposed investment will have to be financed out of external resources. In this connection a pertinent observation has been made by the Mission which is as follows: "If the Indian Government adopted drastic measures of forced savings to hold down consumption and imposed rigid controls over every aspect of economic life, much larger supplies of agricultural and industrial commodities could no doubt be made available for export and sold for whatever prices they would fetch. At the same time imports of materials for the manufacture of consumer goods could be further curtailed in order to release foreign exchange to pay for capital goods. Such methods, however, even if possible, would be incompatible with the maintenance of free political institutions in India. They would also have a disruptive effect on international trade."

The Mission finds it impossible to accept the view that the Third Plan could at this stage be remodelled in such a way as to greatly reduce its dependence on external support, and yet to retain its identity. Marginal cuts could still be made in certain investment programmes without throwing the whole Plan out of balance. The scope for flexibility has, however, been considerably narrowed by the fact that much of the foreign assistance (as well as the private foreign investment) received by India tends to be tied to large industrial projects for which the equipment is supplied by the aid-giving country. The Mission believes that India has demonstrated a capacity to make good use of foreign aid, and that the continuance of aid on a generous scale during the Third Plan can be justified on econmic grounds. It is of the greatest importance that most of this aid should be extended in a form that does not add to the already heavy burden of debt repayment.

SOME ORITICISMS ANSWERED

Regarding the criticism of the Third Plan that (i) it fails to provide adequately for the mobilisation of unused man-power for purposes of capital formation in rural areas, (ii) it gives too much attention to the production of capital goods and too little to the production of consumer goods, and (iii) it places too much of responsibility for industrial development on the private sector, the Mission is of the opinion that all these criticisms, particularly the last, appear to be in some measure justified. The broad shape of the Plan, however, it says, is well adapted to the requirements of long-term economic growth of India.

The success or failure of India's development effort over the next five years, the Mission points out, is most likely to depend on supplies of water and fertilizers, price and marketing policies and the quality of Government administration insofar as agriculture is concerned, and adequacies of supplies of fuel, power and transport, the availability of raw materials, the quality of higher management and technical personnel, the organisation of public enterprises, labour relations and the trend of productivity in relation to earning insofar as industry is concerned.

Some of other important points the Mission has made are:

(1) **Resources for the Plan:** Nearly one-third of the domestic resources for financing public expenditure in the Plan is to come from additional taxation. The Central Government has displayed considerable courage in raising taxes during the Second Plan, though the record of the State Governments in this respect has been less satisfactory. It believe that, with firm political leadership, the target for the Third Plan can be attained. One of the key issues here in the readiness of State Governments to play their full part in making

a success of the national Plan. Particular attention should be given to increases in taxation of land, to indirect taxes on semi-luxuries, and to higher taxation of the middle income groups, including the better-paid industrial workers. Surpluses of the railways and other public enterprises are relied upon to contribute nearly one-sixth of the internal finances for the Plan. The Mission believes that the railways can reach their target, but it is doubtful about the contribution expected from the public steel and fertilizer plants and oil refineries. On the other hand, there is room for a larger contribution from State Electricity Boards than the Plan allows for, and the Centre should press strongly for a general increase in power rates.

(2) **Coal:** As long as India remains a net importer of oil, it has to depend on coal and electricity for power generation. It is a matter of grave concern that production of coal, particularly of metallurgical coal, is failing to keep pace with the rising demand. Some steel production has already been lost because of the poor quality of the coal supplied, railway efficiency has been adversely affected, fertilizer production at Sindri has had to be curtailed, and valuable opportunities have been lost of earning foreign exchange from coal exports. The target of coal production for the end of Third Plan (97 million tons) is probably higher than can be justified by the probable increase in demand unless coal exports can be stepped up considerably. Nevertheless, at least 90 to 95 million tons of coal per annum may be required by the end of the Plan to support the projected expansion of economic activities generally. There is no prospect of production reaching this level unless there is radical change in Government's policy towards the private sector coal industry. The National Coal Development Corporation, which manages most of the public collieries, is a comparatively young organisation with very limited resources of managerial talent and skilled man-power; it will be hard put to quintuple its output in the short space of six years. Relying as it does predominantly on the open-cast and horizon mining, it may not be able to go in for large-scale production of metallurgical coal for which deep mining operations are required. The over-riding need, in the nation's economic interest, is to get more coal quickly to which all other considerations can be subordinated. The private collieries, therefore, should be encouraged to raise all the coal they can. Restrictions on the issue of new mining leases should be lifted and prices should be adjusted to provide the industry with larger resources for reinvestment. The differential between prices of coking and non-coking coal should be increased. The Government has ample means of ensuring that price adjustments are not followed by unreasonable increases in dividends. A good case could be made out on economic grounds for the removal of price controls altogether.

(3) **Electricity:** There is evidence of electric power shortages in all the main industrial areas. Fairly successful efforts have been made so far to minimize the impact of these shortages by staggering of working hours and placing restrictions on installation of electric appliances, but such forecasts as are available of demand in relation to firm capacity suggest that shortages will be intensified in the future.

(4) Oil: The policy pursued by the Indian Government over the past few years of excluding private capital from further investment in oil exploration and refining has added very considerably to the immediate pressure on India's foreign exchange resources. A change in this policy could free significant amounts of foreign exchange for other uses during the Third Plan by attracting additional foreign capital into the oil industry.

(5) Steel: It is regrettable that steps were not taken earlier to develop this industry on a large scale. Development under the Second Plan has been spectacular, though full production at the new steel plants can be expected only in another two or three years' time because of difficulties of organisation, management, supply of technical personnel etc. The Mission is convinced that foreign personnel will have to be retained in responsible positions for quite a long time if the plants are to be operated efficiently, and if full value is to be obtained from the huge sums invested; it would be a mistake to rush through the process of Indianisation at these plants on misplaced considerations of national prestige. The present organisation of the public sector steel industry is felt to be unsatisfactory by many of those responsible for trying to make it work. It certainly satisfies few of the criteria that have been found elsewhere to be applicable to efficient operation of public enterprises. The Mission believes that this organisation ought to be promptly re-examined. The lines of responsibility drawn in the present three-tyre structure, with the Ministry on the top in New Delhi, the Board of Hindustan Steel Company in between and awkwardly located at Ranchi, and the plant managements at the bottom at Durgapur, Rourkela and Bhilai, are blurred. Those responsible for the technical aspects of the operations feel that their viewpoint is either unheard or mis-understood by those responsible for administrative decisions. Much time is spent in communication. There seems to be insufficient delegation of authority along the line. Little attention has been given to costs and selling prices in these plants. The accounting system so far applied is incapable of producing cost data, being simply an adaptation of accounting practices used in Government departments, such as the post office, and totally unrelated to the requirements of steel manufacture.

(6) **Fourth Steel Plant:** The expansion of the three Government-owned steel plants to raise their capacity to a little over 6½ million tons would not appear to be excessive on current demand assessment, especially when it is unlikely that full production will be achieved within the Third Plan period.The case for the construction of a fourth steel plant in the public sector is much debatable and must rest in the last resort on the arrangements made for running it when it is completed. India will certainly not be able to spare from her own resources the managerial and technical skills required without detriment to the operations of the other steel plants. The shortcomings in the organisation of the existing Government plants anyhow suggest that special arrangements might with advantage be made to secure foreign management for the fourth plant. Nor does the Mission feel that the case for having the fourth steel plant in the public sector can be established until alternative possibilities of obtaining a further expansion of production in the private sector have been thoroughly explored. This does not yet appear to have been done.

(7) Technical Skill: Scarcity of experienced managers, technicians and supervisors is one of the factors most inhibiting to growth of Indian industry. Almost all the industrial plants in India have more workers than they need, and very many more than a comparable plant operating in countries where there is no problem of surplus labour. As a result, labour costs per unit of output are usually much higher than the level of wage rates would suggest. This, however, is not the case with the new industrial units. Another problem that Indian industry faces at this early stage of its development is lack of common servicing facilities and ancillary undertakings which limits the scope for division of labour and necessitates a high degree verticle organisation.

(8) **Price Fixation by Tariff Commission:** The Mission has expressed concern at the extension of price fixation activities of the Tariff Commission. The primary purpose of the Tariff Commission's enquiries, the Mission says, is legitimate enough — namely, to prevent industries which have to be granted protection against imports from exploiting their monopoly position at the expense of the consumer. The trouble, however, is that price fixation has come increasingly to be regarded as a desirable end in itself, and the arbitrary methods employed in deciding what the limits to profits should be are liable to discourage investment. Thus, prices are normally fixed on the basis of an allowance for profits ranging from 8 per cent to a maximum of 12 per cent of capital employed. As a result, after dividends have been paid there is a very little left for financing expansion. The Mission believes it generally desirable that a larger proportion of industrial profits should be retained in future in the business. This is especially important if private industry is to expand sufficiently to utilise the industrial materials and semi-manufactures which are to be produced by the heavy industrial plants in the public sector.

The Mission suggests that the chances for the success of the Third Plan in industry would be greatly improved if the Government were to institute promptly at the enterprise level an objective and thorough examination of the impact of controls on the efficiency of management. There should be two objectives of such a review. The first should be to relieve management of the burden of complying with unnecessary, obsolete and trivial controls and formalities. The second should be to re-examine the case for price controls and the base on which prices are fixed in different industries to ascertain whether, on balance, the industry's development, and the growth of the economy generally, is being helped or hindered by the present arrangements. The mere announcement of the Government's determination to institute such a review should have valuable psychological effect on the progressive forces in the Indian business community.

ARBITRATION ON INDO-U.S. TRADE MATTERS

The Federation of Indian Chambers of Commerce and Industry and the U.S. Arbitration Association have agreed to recommend to the firms engaged in Indo-American trade the insertion in their contracts of the following arbitration clause:—

> "Any dispute or claim arising out of or relating to this contract shall be settled by arbitration. If the arbitration is to be held in India, the dispute shall be submitted to the Arbitration Tribunal of the Federation of Indian Chambers of Commerce and Industry and shall be conducted in accordance with the Rules of that Tribunal. If the arbitration is to be held in the United States of America, it shall be conducted in accordance with the Rules of the American Arbitration Association."

The two associations have further agreed that in the event the parties do not designate the place of arbitration or are unable to agree thereon within 30 days after the demand of arbitration has been made, the place of arbitration shall be determined by a Joint Arbitration Committee of three members, one to be appointed by the Arbitration Sub-Committee of the Federation, another by the American Arbitration Association and the third of a nationality other than that of any one of the parties to act as Chairman to be chosen by the other two members. Moreover, the party demanding arbitration, according as he is resident of India or the United States of America, shall give notice to the Arbitration Tribunal of the Federation or the American Arbitration Association, as the case may be.

ZINC SMELTER NEAR UDAIPUR

The Union Government has granted a licence to the Metal Corporation of India Ltd., Calcutta, to set up a zinc smelter, with an installed annual capacity of 15,000 tons of zinc, near Udaipur (Rajasthan), based on the ore deposits of the Zawar Mines. These ore deposits contain lead, zinc and silver. The scheme under which the company want to go in for smelting of zinc includes production of 25,000 tons of sulphuric acid (for further manufacture of superphosphates), manufacture of 70 tons of cadmium per annum and expansion of the company's Tundoo lead and silver refining plants, raising their capacity to 9,000 tons and 5,40,000 oz. per annum respectively. The company will have the technical and financial collaboration of Krebs and Cie, of Paris, in association with Societe Miniere et Metallurgique de Penarroya, also of Paris.

The Government has as well approved the company's proposal to import plant and machinery for the zinc melter, valued at about Rs. 268 lakhs, under the Indo-French Economic Agreement. The issue of capital has also been approved. The scheme is expected to materialise during the second year of the Third Plan.

INDIAN INVESTMENTS ABROAD

In view of the tight foreign exchange situation, the Government of India has decided that Indian investments abroad shall be limited only to the value of the Indian machinery exported and the value of free shares, if any, allotted by foreign firms to the Indian participants by way of technical fees or payment for 'know-how' etc.

REFINANCE FACILITIES TO BANKS

It has been decided in principle to extend refinancing facilities to certain selected scheduled banks and financial institutions without requiring them to become share-holders of the Refinance Corporation. The proposal also envisages giving the Corporation discretion to determine, within the broad framework of the Five Year Plans, the eligibility of any particular industry for assistance. It has also been decided to increase the maximum period of the loans eligible for being refinanced from 7 to 10 years.

YEN CREDIT

Some details are now available of the manner in which the yen credit from Japan has been utilized. Power and shipping projects have been the principal beneficiaries to the tune of Rs. 23.8 crores. Tractors form an important part of equipment ordered. In the private sector, rayon industry has been allocated Rs. 4.13 crores, of which Rs. 3 crores worth of equipment has been ordered. An allocation of about Rs. 3 crores has been approved for the import of paper mill machinery.

BRIEFS

The Government of India has decided to expand the capacity of the Durgapur Coal Mining Machinery Plant from 30,000 ton to 45,000 tons of machinery items per annum. The expansion programme includes production of 25 tons of light drilling rigs annually and an additional 5,500 tons of heavy oil drilling rigs.

*

A licence has been granted to Baroda Rayon Corporation for the manufacture of viscose rayon yarn. It is understood the firm has entered into a contract with a Japanese concern for the purchase of machinery required for the project. The Japanese firm proposes to take up equity shares of the Baroda Rayon Corporation to the extent of about 7 per cent as part payment for the cost of machinery.

*

Two proposals for the manufacture of chemically bonded basic refractories on commercial basis have been finalised. One of the projects, costing about Rs. 70 lakhs to Rs. 80 lakhs, will be located at Salem, in Madras State, and the other, costing about Rs. 350 lakhs, at Belpahar, District Sambalpur, in Orissa State.

*

The Union Minister for Industry, Mr Manubhai Shah, told Parliament last week that it was proposed to permit setting up of three small-scale units in each State for the manufacture of watches. Four applications have so far been received for this purpose and they are being examined. There is no proposal to set up a watch manufacturing factory at Mussoorie with Russian aid, though Russia makes some of the best watches in the world.

BOOK REVIEWS

STORY OF A BETRAYAL

Revolt in Tibet: By Frank Moraes; Published by Macmillan Company, New York. Pp. 223. Price Rs. 7.50.

Frank Moraes' "Revolt in Tibet" is in every sense a timely, thought provoking book, in the sombre context of the border situation. It suffers, of course, from the disadvantage of a lack of authentic and first-hand experience, except for a brief encounter between the author and the Dalai Lama, who emerges as the pathetic symbol of yet another lost cause. But Mr. Moraes has painstakingly read, questioned, and sifted an impressive mass of information, and set down in great detail a complete picture of Tibet—its history, religion and culture, the events which led up to the invasion of the Chinese, and the flight of the Dalai Lama to India, and a well documented account of conditions in Tibet, since it has been yoked to the Communist juggernaut.

The whole course of Tibet's historical association with Britain, India and China is carefully traced. Basically it reveals, that over 3,500 years, except for brief interludes during the Han dynasty and under the Manchus, China was unable to assert her authority over Tibet, and Chinese suzerainty was a mere technicality. A consistent pattern is established of Tibet's reluctant acceptance of Chinese overlordship when China was strong, and of its assertion of independence, when China was weak. In 1911, when the Manchus were weak, the Dalai Lama declared the full independence of Tibet, both in external and internal affairs, and Tibet had her own coinage and army. This was until 1951, when the Sino-Tibet Treaty was signed, giving China the right to guide Tibet's external affairs while guaranteeing Tibetan autonomy. But the Dalai Lama has since protested that this treaty was signed under duress, and affixed with a forged seal.

Mr. Moraes goes directly to the heart of Chinese claims to overrun Tibet, when he raises the whole question of the meaning of suzerainty. The entire episode of Chinese betrayal and treachery is exposed, their blatantly false promises to respect Tibet's religion and internal administration, which were followed immediately by mass immigration, intensive indoctrination, mass deportations, and drastic reforms, including arbitrary confiscation of property, dissolution of the monasteries, forced collectivization, and systematic and unscrupulous undermining and destruction of the religious beliefs, culture and language of the Tibetans, which they sought to replace with the Chinese language and doctrine. When this was inevitably resisted by the mass of the people, to whom religion was a living issue, the situation was cynically designated as a revolt of "reactionary elements" and massacre and other "dastardly" methods were used to bring Tibet under the Chinese heel. That reforms were long overdue, no one will question, but they should have been initiated "within the framework of Tibetan thinking," and certainly not with a brutal disregard for human dignity.

The author feels that India should have proclaimed Tibet a free and sovereign state when she herself gained her independence instead of meekly accepting an ambiguous situation as a legacy of the British. But whether any action of India could have effectively prevented, or even delayed Chinese ruthlessness, once it was set on its course, is a moot question.

The main purpose of book is to point out forcefully, that Tibet, now "liberated" into a serfdom, more terrible than any she suffered before, is a tragic object lesson to Asia, demonstrating not only the vagaries of Communism, far worse than any Imperialism, but also its tremendous propulsive force, for, to it "expansionism is endemic." The Chinese variety is indeed the more dangerous, because of the Chinese view of themselves as a civilization, rather than as a nation, and their whole concept of state, in which minorities cannot exist as entities, with the right of secession (as in at least the theory of Russian Communism) but must be totally and unrecognizably assimilated into the Great Han Motherland. Tibet, now a mere decoy in Chinese hands, is part of a menacing situation which confronts India along her entire northern border. It is a border which abuts on Sikkim, Bhutan and Nepal, which despite ties of friendship with India are ethnographically a unity with Tibet, and so a fruitful ground for the classic Communist methods of infiltration and subversion.

PUBLIC FINANCE

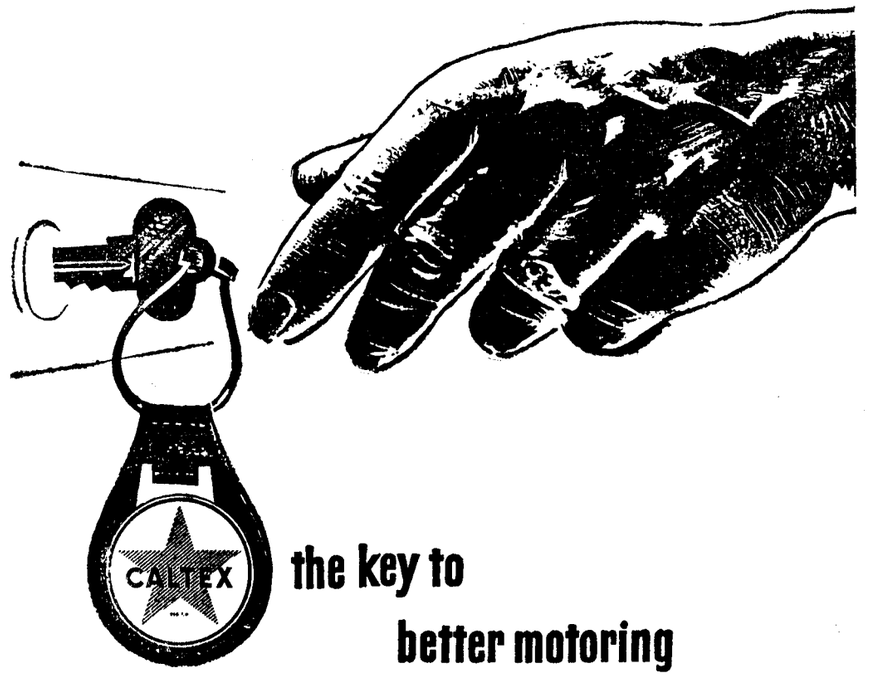
Currency, Banking and Finance: By K. P. M. Sundharam; Sultan Chand & Sons, Nai Sarak, Delhi; Pp. 233; Price: Students' Edition; Rs. 6.50; Library Edition; Rs. 7.50.

This book by K. P. M. Sundharam, who is in the Department of Economics, S.R. College of Commerce, University of Delhi, is a welcome addition to the current literature on money and banking. The author has explained the main principles of currency and banking in an intelligible and simple manner even while covering a fairly wide ground. It is primarily meant for Indian students, since the syllabus of the Indian universities as well as the application of the essential principles of money and banking to Indian conditions have been taken into account. Another merit of the book is that it includes a small list of select references for those who are further interested in pursuing their subjects. For the benefit of those who are preparing for their examinations, a list of model questions is also appended to each chapter. There is, no doubt, that this useful textbook will be sought after not only by a large body of under-graduate students of universities but others interested in acquainting themselves with the general principles of currency and finance.

ENGINEERING EXPORTS

Directory of Indian Engineering Exporters 1960: Published by the Engineering Export Promotion Council, India Exchange, Calcutta: Price Rs. 10.

This directory, which is the third revised edition published by the Indian Export Promotion Council, is divided into five parts which include an introductory note about the working of the Council, an article reviewing in brief the progress of the Indian engineering industries especially during the Second Plan, and a list of the manufacturers and exporters who are the members of the Council. It also includes an alphabetical list of exportable items and the names of exporters classified according to the products. The earnings from engineering exports are currently of the order of Rs. 7 crores and they are bound to assume greater importance during the Third Plan. It is, therefore, only proper that this directory should be brought out to serve as an authentic guide to the foreign buyers so that they may be acquainted with the wide variety of engineering goods at present exported from India.



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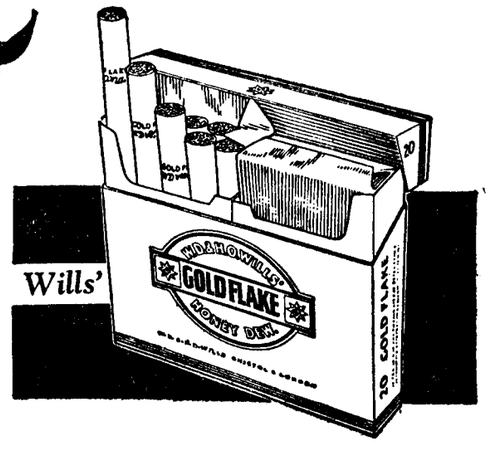
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COMMODITY NEWS AND NOTES

HIGH PRICES OF GOLD AND SILVER

The Deputy Minister of Finance, Mr B. R. Bhagat informed the Rajya Sabha recently that the main factors affecting the price movements of gold and silver were: (i) the continued ban on the imports of gold and silver; (ii) more effective steps against smuggling of gold; and (iii) a marked reduction in the arrivals of Tibetan silver coins. He said the Bombay Bullion Association had been raising from time to time the margin requirements for trading in gold and silver. In reply to a question by Mr. Ansaruddin Ahmed whether Government's attention had been drawn to the present inordinately high prices of gold and silver; and whether it was a fact that a sovereign was sold in May 1960 at Rs. 90.50 nP. against Rs. 80.00 in the corresponding month of the previous year, the Deputy Minister said Government received the market quotations for gold and silver regularly. The average price of sovereign in the Bombay bullion market during May 1960 was Rs. 88.17 nP. as against Rs. 77.94 nP. in May 1959.

EXPORT PROMOTION COUNCIL FOR SPICES FORMED

An Export Promotion Council for spices—twelfth of its kind—has been formed. The Council's head-quarters will be at Cochin. Besides the Joint Chief Controller of Imports and Exports, Madras as Chairman, the Council will include a representative each of the Government of Madras, Andhra, Kerala and Mysore, and the Agricultural Marketing Adviser to the Union Government. It will also have non-official members representing trade in Pepper, Cardamom, Turmeric, Ginger, Chillies and minor spices. The promotion activities relating to pepper exports hitherto handled by the Cashew and Pepper Export Promotion Council, will now be undertaken by the new Council.

The problems facing the different spices are varied. In pepper, the export values have declined on account of the emergence of stiff competition from Saravak and Indonesia during the post-war period. Ginger exports have declined since 1958, the main reasons being the import restrictions in West Asian countries, increasing competition from Jamaica and Seirra Leone and change in consumers' preference. The new Export Promotion Council will address itself to these problems and undertake market survey and research. send out trade delegations, prescribe quality standards and attend to importers' complaints etc. In 1959, India exported spices worth Rs. 10.4 crores pepper accounted for Rs. 4.3 crores, cardomom for Rs. 3.3 crores, ginger, chillies and turmeric for Rs. 50 lakhs, Rs. 30 lakhs and Rs. 26 lakhs respectively. The balance was accounted by minor spices like celery seed, coriander seed, fennel seed etc.

PRODUCTION OF COPPER ORE IN INDIA

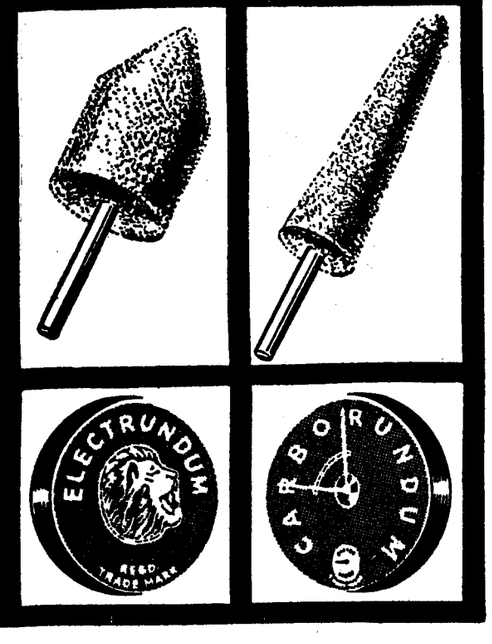
The production of copper ore during January-June, 1960 was 219,464 metric tons, according to the Indian Bureau of Mines. This represents an increase of about 10 per cent as compared to the output of 199,945 metric tons in the corresponding period of the preceding year. The entire production was reported from the Singhbhum district of Bihar State. The production of copper metal during January-June, 1960, was 4,379 metric tons as compared to 3,817 metric tons in the corresponding period of 1959.

EXPORT OF TEA

The Minister of Commerce, Mr. Nityanand Kanungo, said in the Lok Sabha recently that the Tea Board had set up promotional units in the U.S.A., Australia and the U.A.R., with Tea Promotion Officers in charge of these units. Similar units would shortly be set up in the U.K. and Germany. A Tea Centre would be shortly opened in Cairo. Mr. Kanungo, who was replying to a question by Mr. Assar, added that the world market for tea was inevitably a competitive market, with world production sometimes tending to outpace the consumption. By and large, our quality teas, he said, had maintained their position. The competition was more severe in respect of our common teas, since world supply was in excess of demand.

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COMPANY AFFAIRS

TISCO DIVIDEND MAINTAINED

From the working results of the Tata Iron & Steel Company for the year to March 1960, a brief summary of which was released recently, it appears that the Directors have proposed to maintain the net dividend of Rs. 6.80 per share for the year. The gross dividend will, however, be Rs. 9.72 per share and the payment on account of this dividend will absorb Rs. 2.98 crores. The dividend on the new shares is Rs. 1.70 free of tax, or Rs. 2.43 gross, per share. The dividend on the first preference shares is Rs. 9 subject to tax and on the second preerence shares Rs. 7.50 subject to tax.

This maintenance of the ordinary dividend is in line with the rising output of the Company. Production is up from 1.15 million tons of steel ingots last year to 1.53 million tons; the turnover too was higher at Rs. 73.47 crores against Rs. 54.45 crores during the previous year. Naturally, the profits were higher too. The Gross Profits recorded a substantial increase from Rs. 8.58 crores to Rs. 14.15 crores. After providing Rs. 8.46 crores for depreciation and Rs. 4.14 crores for plant rehabilitation and development rebate reserve, there is a net profit of Rs. 1.54 crores. This amount of Rs. 1.54 crores is transferred to General Reserve No. 2 representing un-taxed profits while a sum of Rs. 3.76 crores has been transferred from General Reserve No. 1 representing taxed profits of previous years for payment of the proposed dividend.

The Directors have reported that although the profits of the Company have gone up the Company has been obliged to draw a net amount of Rs 2.22 crores from the Reserves to pay the proposed dividends, as it did during the previous year too. This, in a way, is a reflection on the uneconomic nature of steel retention prices. The Company is likely to get a tax credit under the provisions of the New Finance Act because the dividends have been paid out of the taxed profits.

BAGALKOT CEMENT

During the year to December 31, 1959, the Company registered a fall in the production of clinker and cement. The output was 94,326 tons of clinker and 96,717 tons of cement against 1,01,004 and 1,01,011 tons, respectively, in the previous year. The despatches of cement by the Company amounted to 98,001 tons against 1,00,494 tons in 1958. The Company introduced certain modifications in the chain zone recommended by the machinery manufacturers for the purpose of improving performance of the kiln. The time involved in carrying out these modifications resulted in the shortfall of production in 1959 but has yielded satisfactory results in operation of the current year.

The expansion of the Company's Cement Plant at Bagalkot from one lakh tons of yearly capacity to that of two lakhs of tons was completed in the month of April, 1960. Certain difficulties were experienced initially and the expansion of the plant was delayed partly on account of transhipment difficulties of machinery from broad gauge to meter gauge at Hotgi. Now the working is quite satisfactory as reported by the Directors.

After meeting all expenses and providing depreciation, the Company shows a profit of Rs 8.75 lakhs. After making some other provisions the Directors have recommended the dividend at 8 per cent subject to deduction of income-tax, on the paid-up capital of the Company as at December 31, 1959, to the shareholders whose names appear on the Register of Members on 1st September, 1960, irrespective of the dates of payment, but no dividend is proposed to be paid on new shares allotted and paid for in the year 1960.

ORISSA CEMENT

Mr J. Dalmia, Chairman of Orissa Cement Limited, observed at the annual general meeting of the Company held recently that there has been a significant expansion in the refractory industry during the last few years so that the output has increased from 4.44 lakh tons at the beginning of the Second Plan to over 8 lakh tons in April, 1960. This increase is not adequate because the requirements of India's expanding steel industry are much greater. He pointed out an anomaly that existed in the industry today. While the production of refractories is very short in the field of special steel plant refractories such as glass furnace bricks, ladle refractories, basic refractories, etc., there has been to some extent a surplus capacity created in the manufacture of ordinary fireclay types. He, however, expressed satisfaction that the Orissa Cement has been concentrating more on the production of specialized refractories including basic, blast furnace, ladle and silica bricks

The Chairman observed that the expansion of this vital industry is being severely hampered by lack of foreign exchange. He was of the opinion that in the present circumstances preference should be given to units already in production who would be able to balance their plants for increasing the range and quantum of production by a comparatively small expenditure of foreign exchange.

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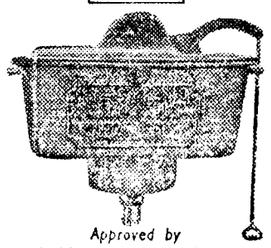
ECONOMIC DEVELOPMENTS IN THE MIDDLE EAST, 1958-1959

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General Manager.

Company Meetings

The South Madras Electric Supply Corporation Limited.

TIRUCHIRAPALLI

August 27, 1960

CHAIRMAN'S SPEECH

Ladies and Gentlemen,

I have great pleasure in welcoming you to this Twentieth Annual General Meeting of the Company.

I believe you have studied the Directors' Report and the Balance Sheet & Accounts which have been in your hands for some time. I shall take these documents as read, with your leave, and shall invite your comments on them later.

This year too we have suffered from paucity of finance. A capital expenditure of Rs. 10.35 lakhs was incurred and 19 new villages were electrified in the Trichy and Tanjore areas. I must admit that this is far below the expectations of the large numbers of power supply applicants and in spite of our anxiety we could do no better.

The share issue of Rs. 14 lakhs worth of equity shares made this year have been fully subscribed. Your Directors have sanctioned a comprehensive works programme; with due consideration to priority of applications and it is expected that we may be able to execute about Rs. 15 lakhs worth of capital works before 31st March, 1961.

We have also been informed by the Government of Madras that a sum of Rs. 25 lakhs has been placed by them with the Madras State Electricity Board for disbursements as loans to licensees. We have submitted schemes to the Electricity Board and we expect they may give us our share of this loan, may be about 14 to 15 lakhs, before the end of March, 1961. Expeditious steps will be taken to utilize these funds for extensions in the year 1961-62.

The back-log of works are heavy. Even about a crore of rupees will not suffice to completely satisfy the demands in our area of supply. And even if such a sum of money were made available, we will not be able to utilise the sum in an year for want of materials and adequate skilled man power. It is my hope that with our resources and loans from the Electricity Board we may execute every year between Rs. 15 & 20 lakhs of new works, thus satisfying the consumers to the extent possible.

Apart from our own difficulties it is a well-known fact that adequate power supply is not available from the Electricity Board's existing power houses and grid. I expect it will easily take another 2 or 3 years for the supply to catch up with the demand, if the Kundah and Neiveli Schemes get completed by then and the State Electricity Board is enabled to plan for the future in a broad based way by supplementing existing resources with thermal and nuclear stations.

The revenue earnings this year have been satisfactory and we have been able to maintain the usual 9% dividend on equity shares. I believe this will nearly represent the position in future years. With the existing ramifications of the Electricity Supply Act nothing better could be expected.

On preference dividends you are aware of the controversies created by the Finance Act. Your Directors have, under proper advice, decided the measure they have adopted as explained in their Report. It has also been indicated to you that in due course your approval will be sought to change the dividend structure, to give the preference shareholder a 7% dividend from which the shareholder's tax will be deducted. This step appears to me to be equitable, from the point of view of all classes of shareholders. This change involves a complicated procedure of class meetings and an extraordinary General Body Meeting. These will be convened in due course, unless legislation anticipates us and makes position easier for us.

Among your Directors, Sri M. V. Krishnamurthi Rao resigned this year, to seek election to the State Legislature. I would like to tender to him on behalf of all of you and myself, my sincere thanks for his contribution to the development of the Company. In accordance with the policy enunciated last year and to comply with the requirements of the Electricity Supply Act, it has been recommended to you that this vacancy need not be filled up and the strength of the Board reduced accordingly. The suggestion is that the strength of the Board be reduced to ten members (excluding ex-officio directors) by not filling vacancies as and when they arise.

I am glad to say that staff relations have been very cordial all through. The Works Committee is functioning usefully and responsibly much to the satisfaction of both the management and labour.

Last year I told you of the proposals put forward by the citizens of this City and the districts to have an Engineering College here in memory of the late V. Seshasayee. Considerable progress has been made in this direction and I am hopeful that Trichy will have its Engineering College in 1961. At the appropriate time I am sure we will have your support.

I now move that the Directors' Report and Audited Balance Sheet as on 31-3-1960 and the Profit & Loss Account for the year ended 31-3-1960 be approved and adopted.

(Sd.) K. A. P. VISWANATHAM,
Chairman.

Tiruchirapalli,
27-8-1960.

N.B. The above does not purport to be the report of the proceedings of the 20th Annual General Meeting of the Company held on 27th Aug., 1960.

THE ENFIELD INDIA LIMITED

Sharp Increase in Turnover

SRI K. R. SUNDARAM IYER'S REVIEW

Presiding over the Fourth Annual General Meeting of the Company held on Wednesday, the 31st August, 1960, at Tiruvottiyur, Sri K. R. Sundaram Iyer, Chairman, said :

Gentlemen:

I have great pleasure in extending to you a cordial welcome to this Fourth Annual General Meeting of the Company. The Directors' Report and the Statements of Account for the year ended 31st December, 1959, have been with you for sometime and with your permission, I shall take them as read.

Satisfactory progress was made during the year in all directions. The production of vehicles was higher by 20 per cent and sales turnover increased from Rs. 71 lakhs to Rs. 91 lakhs. The profits increased to nearly Rs. 7 lakhs from Rs. 5 lakhs for the previous year, before providing for depreciation. This has enabled your Directors to recommend, after writing off fully the balance of the preliminary expenses and brokerage on shares and after providing for Development Rebate Reserve and dividend on preference shares, a maiden dividend on the ordinary shares.

Further plant and machinery were acquired and put into operation. The gross block increased from Rs. 39.4 lakhs to Rs. 48 lakhs. Your Company continued to make rapid progress in increasing the indigenous content of the motor-cycles, in spite of the several difficulties that industries having phased programmes of import substitution have to face. I am now able to state with greater confidence than I was able to muster at the last Annual General Meeting that the phased programme will be substantially completed during the calendar year 1960, according to the original schedule. During 1961, we shall be importing only a negligible number of finished components and even these, mostly will comprise what are commonly known as proprietory or specialised components, such as electrical equipment, carburettor, etc. which are not in our manufacturing programme and which normally vehicle manufacturers obtain from specialists. There is greater reason than ever to expect that, as a result of the measures that are being taken by the Government, industries for the manufacture of such specialised components would soon be established in the country, so that imports of even these proprietory items can cease in the coming years. Those who are already engaged in the manufacture of proprietory items and components in India have to play a vital role towards a rapid and smooth progress of the industries who depend upon such manufacturers for their original equipment requirements. Already many well-established manufacturers have given the highest priority for original equipment requirements. In the present critical stage of our having to achieve self-sufficiency, regulated deliveries are of paramount importance. I should not have referred to this but for the fact that there have been occasions when the only source of supply of some original equipment was the open market at unconscionable prices.

NEED FOR ADDITIONAL CAPITAL

I must once again express our gratitude to the Government of India for their continued and active assistance and guidance in general and in particular for progressively increasing allocation of foreign exchange for imported raw materials. This, coupled with the increase in indigenous content and increase in productivity to which I shall refer later, will enable your Company to achieve a further increase during 1960 and a substantial increase in 1961, in production. With such a steady expansion of our production, the need for larger capital has become insistent. As it is, the imbalance between the paid-up capital and the capital employed in the conduct of our business is large. Your Directors have, therefore, decided to make a further issue of equity capital to the extent of Rs. 10 lakhs. This, will be offered in the first instance to equity shareholders on our register. You will get the Company's circular in this regard shortly.

Significant progress was made by your Selling Agent, The Madras Motors Private Limited, in sales promotion and rendering service-after-sales. Royal Enfield motor-cycles are sold and serviced all over India by a net-work of dealers and sub-dealers, whose number has reached a record of 145 as against 91 at the time of the last Meeting. More Zonal and Service Representatives have been stationed to assist and guide the dealers. A separate organisation has been sponsored for providing hire-purchase facilities for our products. Training courses for service personnel of the dealers are being conducted with more intensity and with great advantage to the users of our products. A representative was deputed to the various countries in West Asia to make contacts and explore the possibilities for export of our products. With these various sales, service and export promotion arrangements and with the increasing use of motor-cycles at home consequent on increased economic activity, your selling agents are well set to take care of the increasing output.

It is gratifying to note that an increased volume of orders was secured for and executed by the General Engineering Department. This has been a significant factor in reducing the overheads and the cost of production of motor-cycles.

VISIT OF FOREIGN COLLABORATORS

I would like to express my pleasure that Major Smith, Chairman of our U.K. Collaborators, The Enfield Cycle Co. Ltd., accompanied by Mrs. Smith and Major Mountford, Joint Managing Director, was able to visit your factory early this year. Major Smith is a leading personality in the motor-cycle industry in the United Kingdom with over 50 years' experience in the line. We are naturally gratified when he expressed his immense

satisfaction at the progress which your Company has made and the quality of its production

EXPANSION PLANS

I would now like to say a few words about the expansion plans of your Company. During the second half of 1961, we expect to commence the production of Scooters for which, as you have perhaps seen from Press Reports, the Government has granted us a licence under the Industries (Development & Regulation) Act. Your Company has been the pioneer in the manufacture of powered two-wheeler transport in India. After bringing to a successful completion the phased programme for manufacture of motor-cycles, it seems logical that your Company should take-up the manufacture of Scooters, which is another popular item of powered two-wheeler transport and for which demand in the country is growing fast. The Scooter Project will go a long way to further strengthen and consolidate the position of this Company. The manufacture of motor-cycles and scooters involve, by and large, similar plant and machinery, techniques and skills. Therefore, we are in a specially advantageous position to achieve this expansion by better utilization of our existing equipment and with suitable additions to them. An entirely new scooter-making plant would involve a substantially larger outlay of capital and this is where our existing set-up secures for the new programme considerable economy in capital cost. Simultaneously, your Company will be commencing the manufacture of the well-known Villiers Road Vehicle engines. A unique feature in this expansion programme is that the same model of the Villiers engine with small modifications will be used both on the scooter and the light-weight motor-cycle. This should facilitate economies in the production of both the motor-cycle and the scooter. Plans are also under finalisation for the manufacture of Villiers engine for industrial and agricultural uses. There is a fast growing demand in our country for such engines.

In March this year we had the pleasure of a visit by Mr. Farrer, Chairman of The Villiers Engineering Co. Ltd., U.K. and an authority on engines, accompanied by Mrs. Farrer and Mr. Thornton, Export Manager. I consider that the collaboration arrangement with Villiers as an event of great importance to your Company. Mr Farrer's visit at this preliminary stage and the first-hand impression he has gained of your Company have given a good start to this programme.

At the last Meeting, I referred to our intention to promote a number of small-scale ancillary units. A detailed scheme has been got ready for this including the formation of an Industrial Estate by the small entrepreneurs on a co-operative basis. Apart from the fact that your Company would be playing a wholesome role in helping small entrepreneurs to come-up, the scheme will be mutually beneficial

INCENTIVE BONUS SCHEME

I must refer to some major steps that your Company had initiated during the year under review for increasing the efficiency of the Company's operations and thereby achieving higher productivity. Increase in the Nation's standard of living is, to a considerable extent, dependent on higher productivity. Even in some of the advanced Western countries the productivity movement is of recent origin. We are grateful to the Government of India, and in particular, to the Minister for Industries, for the stimulus given to the productivity movement in our country. As is known, productivity aims at achieving with a given set of facilities higher production of better quality at lower cost. This requires both increase in management efficiency and enthusiastic co-operation from the employees. Obviously, the fruits of higher productivity should be shared not only by the consumers, the Company and its shareholders but also by the employees. Otherwise, there is no motivation for them to take part in this important task. With the assistance of Industrial Engineering Consultants, your Company commenced during the year under review, studies of various departments for taking measures to increase management efficiency and to evolve a suitable scheme of incentives for the employees. As a result, an incentive bonus scheme was introduced in June this year. The Madras Chief Minister inaugurated the scheme and the Industries Minister presided over the function. By the end of the year most of the sections would have come under the incentive scheme and I have every hope that this scheme will play an important role in increasing the prosperity of your Company and its employees in the years to come. I wish to remind the shareholders once again that your Company is still in the midst of the phased programme which is scheduled to be completed by the end of this year and which involves considerable advance planning. The benefits that accrue from the above measures will be apparent only from the coming calendar year.

An important event in the labour-management relations since the last Meeting has been the merger of the two Trade Unions. This has further strengthened the cordial relationship between the employees and the management and eliminated to a considerable extent unhealthy rivalries. A start has been made to implement the scheme of joint consultation to improve productivity and on matters of performance standard, job evaluation and employees' grievances. An agreement has been signed with the merged union on the incentive scheme and bonus for 1958.

I would like to take this opportunity to convey our gratitude to the Madras Government from whom we continue to receive assistance and guidance.

I wish to express our appreciation to our U.K. Collaborators, The Enfield Cycle Co. Ltd. who have continued to give unreservedly their co-operation.

I take pleasure in expressing the thanks of the Company to the Selling Agents, the dealers and sub-dealers, who have played an active part in the sales promotion and servicing of our products.

Last but not least, the workmen, staff and officers of your Company deserve appreciation for having contributed to the satisfactory results of 1959.

NOTE: ("This does not purport to be a record of the proceedings of the above Fourth Annual General Body Meeting of the Company.")

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures			All Commodities
						Intermediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
May	1959 ..	116.1	98.6	115.8	119.5	108.1	108.5	108.4	114.0
June	.. ..	118.7	97.6	115.9	120.3	108.2	109.3	109.1	115.6
July	.. ..	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
May	1960 ..	119.9	107.3	118.6	140.1	125.4	118.9	119.8	122.7
June	.. ..	120.3	109.5	118.5	139.6	127.2	118.6	119.8	122.9
July	.. ..	124.0	109.6	118.3	137.1	130.4	119.4	121.0	124.7
30-7-1960	..	124.6	109.0	118.2	138.1	131.2	120.1	121.7	125.3
6-8-1960	..	125.0	109.0	118.1	137.7	131.3	120.6	122.1	125.6
13-8-1960	..	124.6	108.7	118.0	136.9	129.9	120.7	120.7	125.2
20-8-1960	..	122.4	104.7	118.1	135.8	130.0	121.1	122.4	124.0

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104		106		—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168*
February	399	418	294	161	389	468	511	165	448	167	167	168*
March	395	414	287	157	392	464	510	165	446	166	168	168*
April	402	421	288	155	392	463	511	165*	446	162	163*	168*
May	402	421	295*	153	396	461	510	165*	452	166	163*	168*
June	403	422	—	154	399	460	510	—	462	—	—	170*
July	—	—	—	160*	—	—	—	—	467	—	—	—
August	—	—	—	—	—	—	—	—	470	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	26-8-1960			19-8-1960			12-8-1960			5-8-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	134.06	132.25	133.08	133.12	132.50	132.75	133.00	131.69	132.45	133.16	130.12	131.76
Silver (per 100 fine tolas)	223.62	221.62	222.61	224.31	222.06	222.98	223.75	221.12	222.44	222.94	220.81	217.75

Indian Union

NATIONAL INCOME : 1948 - 49 — 1958 - 59

(At 1952 - 53 Prices)

	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59*
Net Output in Rs. Abja :											
At current prices	86.5	90.1	95.3	99.7	98.2	104.8	96.1	99.8	113.1	114.0	124.7
At 1952-53 prices	90.6	92.2	92.6	95.2	98.2	104.9	106.9	109.2	114.6	113.2	121.5
At 1948-49 prices	86.5	88.2	88.5	91.0	94.6	100.3	102.8	104.8	110.0	108.9	116.9
											(117.5)
Per Capita Net Output in Rupees :											
At current prices	246.9	253.9	265.2	274.0	266.4	280.7	254.2	260.6	291.5	290.1	313.2
At 1952-53 prices	258.6	259.9	257.7	261.6	266.4	281.0	282.7	285.1	295.4	288.0	305.2
At 1948-49 prices	246.9	248.6	246.3	250.1	256.6	268.7	271.9	273.6	283.5	277.1	293.6
											(291.3)
Index Number of Net Output with 1950-51 as Base :											
At current prices	90.8	94.5	100.0	104.6	103.0	110.0	100.8	104.7	118.7	119.6	130.8
At 1952-53 prices	97.8	99.6	100.0	102.8	106.0	113.3	115.4	117.9	123.8	122.2	131.2
At 1948-49 prices	97.7	99.7	100.0	102.8	106.9	113.3	116.2	118.4	124.3	123.1	132.1
											(132.8)
Index No. of Per Capita Net Output (Base: 1950-51) :											
At current prices	93.1	95.7	100.0	103.3	100.5	105.8	95.9	98.3	109.9	109.4	118.1
At 1952-53 prices	100.3	100.9	100.0	101.5	103.4	109.0	109.7	110.6	114.7	111.8	118.4
At 1948-49 prices	100.2	100.9	100.0	101.5	104.2	109.1	110.4	111.1	115.1	112.5	119.2
											(118.3)

Note: Figures in brackets, relate to the period 1959-60.
Abja: 100 crores. *Preliminary.

SECTOR - WISE DISTRIBUTION OF NATIONAL INCOME

(At 1952 - 53 Prices)

(Rs. Abja)

	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59*
Category—I											
1. Agriculture, animal husbandry and ancillary activities ..	44.2	44.9	44.2	45.2	47.1	51.4	51.5	51.5	53.9	51.0	57.1
2. Mining	0.7	0.7	0.8	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1
3. Factory Establishments ..	6.1	6.0	6.0	6.1	6.4	7.0	7.5	8.1	8.9	9.2	9.3
4. Communications	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
5. Railways	1.8	1.9	2.0	2.0	2.0	2.0	2.1	2.3	2.5	2.8	2.8
6. Commerce and other transport**	14.1	14.3	14.5	15.2	15.4	16.2	16.8	17.2	18.1	18.0	18.8
SUB - TOTAL	67.2	68.1	67.8	69.8	72.2	78.0	79.3	80.6	84.9	82.6	89.6
Category—II											
7. Forestry and fishery	0.9	1.0	1.0	1.0	1.0	1.0	1.1	1.2	1.3	1.4	1.4
8. Small enterprises including construction	9.2	9.3	9.5	9.6	9.7	9.8	9.7	9.8	9.8	9.8	9.9
9. Professions and liberal arts ..	4.4	4.7	4.8	5.0	5.2	5.4	5.6	5.9	6.2	6.5	6.8
10. Domestic service	1.2	1.2	1.2	1.3	1.3	1.4	1.5	1.4	1.5	1.6	1.7
11. Government services (administration)	4.0	4.1	4.4	4.5	4.6	4.9	5.2	5.7	6.1	6.6	7.3
12. House property	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.9
SUB - TOTAL	23.6	24.3	25.0	25.6	26.1	26.9	27.6	28.6	29.6	30.7	32.0
13. Net domestic product at factor cost	90.8	92.4	92.8	95.4	98.3	104.9	106.9	109.2	114.5	113.3	121.6

* Preliminary. ** Including organised banking and insurance.

Source: C.S.O.

NET NATIONAL OUTPUT 1948-49 — 1958-59

(At 1952 - 53 Prices)

(Rs. Abja)

	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59*
1. Agriculture, animal husbandry and ancillary activities (a) ..	45.1	45.9	45.2	46.2	48.1	52.4	52.6	52.7	55.2	52.4	58.5
2. Mining, manufacturing and small enterprises	16.0	16.0	16.3	16.6	17.0	17.8	18.2	18.9	19.7	20.1	20.3
3. Commerce, transport and communication	16.2	16.5	16.8	17.6	17.8	18.6	19.3	20.0	21.1	21.3	22.1
4. Other Services (b)	13.5	14.0	14.5	15.0	15.4	16.1	16.8	17.6	18.5	19.5	20.7
5. Net domestic product at factor cost	90.8	92.4	92.8	95.4	98.3	104.9	106.9	109.2	114.5	113.3	121.6
6. Net earned income from abroad	—0.2	—0.2	—0.2	—0.2	—0.1	0.0	0.0	0.0	0.1	—0.1	—0.1
7. Net national output at factor cost=national income	90.6	92.2	92.6	95.2	98.2	104.9	106.9	109.2	114.6	113.2	121.5

(a) Including forestry and fishery.
(b) Comprising professions and liberal arts, Government services (administration), domestic service and house property.
* Preliminary.

Source: C.S.O.

Foreign Aid to India

PURPOSE - WISE DISTRIBUTION OF FOREIGN LOANS : 1951 - 60

(Rupees Crores)

	Aid authorised up to the end of First Plan	Aid utilised up to the end of First Plan	Aid undisbursed as at the end of the First Plan	Aid authorised from 1st April 1956 to 31st March 1960*	Total available for utilisation during Second Plan (3+4)	Estimated utilisation from 1st April 1956 to 31st March 1960
	(1)	(2)	(3)	(4)	(5)	(6)
I. Railway Development						
(i) I.B.R.D.						
(a) Railways I	15.6	15.6	—	—	—	—
(b) Railways II	—	—	—	42.9	42.9	42.9
(c) Railways III	—	—	—	40.5	40.5	40.5
(d) Railways IV	—	—	—	23.8	23.8	6.7
(ii) D.L.F.						
(a) Railways I	—	—	—	19.1	19.1	4.5
(b) Railways II	—	—	—	16.7	16.7	16.5
TOTAL I	15.6	15.6	—	143.0	143.0	111.1
II. Power Projects						
(i) I.B.R.D.						
(a) D.V.C.—I	8.0	8.0	—	—	—	—
(b) D.V.C.—II	5.0	2.0	3.0	—	3.0	3.0
(c) D.V.C.—III	—	—	—	11.9	11.9	7.0
(d) Trombay—I	6.6	2.1	4.5	—	4.5	4.1
(e) Trombay—II	—	—	—	4.7	4.7	3.9
(f) Koyna	—	—	—	11.9	11.9	1.1
(ii) D.L.F.	—	—	—	4.8	4.8	1.8
TOTAL II	19.6	12.1	7.5	33.3	40.8	20.9
III. Steel & Steel Projects						
(i) I.B.R.D.						
(a) I.I.S.C.O.—I	14.3	2.8	11.5	—	11.5	10.1
(b) I.I.S.C.O.—II	—	—	—	9.5	9.5	7.4
(c) T.I.S.C.O.—I	—	—	—	35.7	35.7	35.7
(d) T.I.S.C.O.—II	—	—	—	15.5	15.5	15.5
(ii) Bhilai	63.1	—	63.1	—	63.1	63.1
(iii) Rourkela	—	—	—	74.8	74.8	53.7

Foreign Aid to India

PURPOSE-WISE DISTRIBUTION OF FOREIGN LOANS (Contd.)

(Rupees Crores)

	Aid authorised up to the end of First Plan	Aid utilised up to the end of First Plan	Aid undisbursed as at the end of the First Plan	Aid authorised from 1st April 1956 to 31st March 1960*	Total available for utilisation during Second Plan (3+4)	Estimated utilisation from 1st April 1956 to 31st March 1960
	(1)	(2)	(3)	(4)	(5)	(6)
(iv) **Durgapur**						
(a) E.C.G.D.I.	—	—	—	20.0	20.0	20.0
(b) Lazard Bros. Credit	—	—	—	15.3	15.3	13.3
(v) D.L.F.						
(a) Steel Loan—I	—	—	—	8.6	8.6	3.0
(b) Steel Loan—II	—	—	—	10.5	10.5	4.1
(c) Steel Loan—III	—	—	—	9.5	9.5	—
TOTAL III	77.4	2.8	74.6	199.4	274.0	225.9
IV. **Orissa Iron Ore Project**						
(a) U.S.A.	—	—	—	9.5	9.5	—
(b) Japan	—	—	—	3.8	3.8	—
TOTAL IV	—	—	—	13.3	13.3	—
V. **Port Development**						
(i) I.B.R.D.						
(a) Calcutta Port	—	—	—	13.8	13.8	1.9
(b) Madras Port	—	—	—	6.7	6.7	1.0
TOTAL V	—	—	—	20.5	20.5	2.9
VI. **Transport**						
(i) I.B.R.D.-Air India International	—	—	—	2.7	2.7	2.7
(ii) U.S. Banks' Credit Air India International	—	—	—	5.3	5.3	5.3
TOTAL VI	—	—	—	8.0	8.0	8.0
VII. **Industrial Development**						
(i) I.B.R.D.						
(a) I.C.I.C.I.—I	4.8	—	4.8	—	4.8	2.6
(b) I.C.I.C.I.—II	—	—	—	4.8	4.8	—
(ii) E.C.G.D.—II	—	—	—	38.0	38.0	38.0
(iii) U.K. Loan for Oil Pipeline	—	—	—	4.0	4.0	2.3
(iv) Second West German Credit	—	—	—	19.0	19.0	19.0
(v) Second Russian Credit	—	—	—	59.5	59.5	0.6
(vi) Russian Drugs Credit	—	—	—	9.5	9.5	—
(vii) Russian Credit for Barauni Oil Refinery	—	—	—	11.9	11.9	0.1
(viii) Loans under T.C.A. Programme (excluding P.L. 665)	27.4	2.3	25.1	15.5	40.6	38.4
(ix) D.L.F.						
(a) Automobile, Jute & Cement Industries	—	—	—	16.7	16.7	3.8
(b) Machinery and Capital Equipment	—	—	—	7.1	7.1	4.9
(x) U.S. Ex-Imbank Loan	—	—	—	71.4	71.4	11.1
(xi) E.C.G.D.—III	—	—	—	25.3	25.3	8.8
(xii) Japanese Yen Credit	—	—	—	23.8	23.8	4.0
TOTAL VII	32.2	2.3	29.9	306.5	336.4	138.6
VIII. **Agricultural Development**						
(i) I.B.R.D.	3.4	3.4	—	—	—	—
TOTAL	3.4	3.4	—	—	—	—
IX. **Wheat Loans**						
(i) U.S.A.	90.3	90.3	—	—	—	—
(ii) Canada	—	—	—	15.7	15.7	15.7
TOTAL IX	90.3	90.3	—	15.7	15.7	15.7
GRAND TOTAL	236.5	126.4	112.1	739.4	851.5	523.0

NOTES: (i) The purpose-wise and sector-wise classifi cations provided here are very rough and broad-based.
(ii) Individual items may not add up to totals because of rounding differences.

* Exclusive of authorisations of (i) Rs. 179 crores from the U.S.S.R., (ii) Rs. 23 crores from Czechoslovakia and (iii) Rs. 19 crores from Yugoslavia earmarked for use in the Third Plan period.

Source: Report on Currency and Finance.

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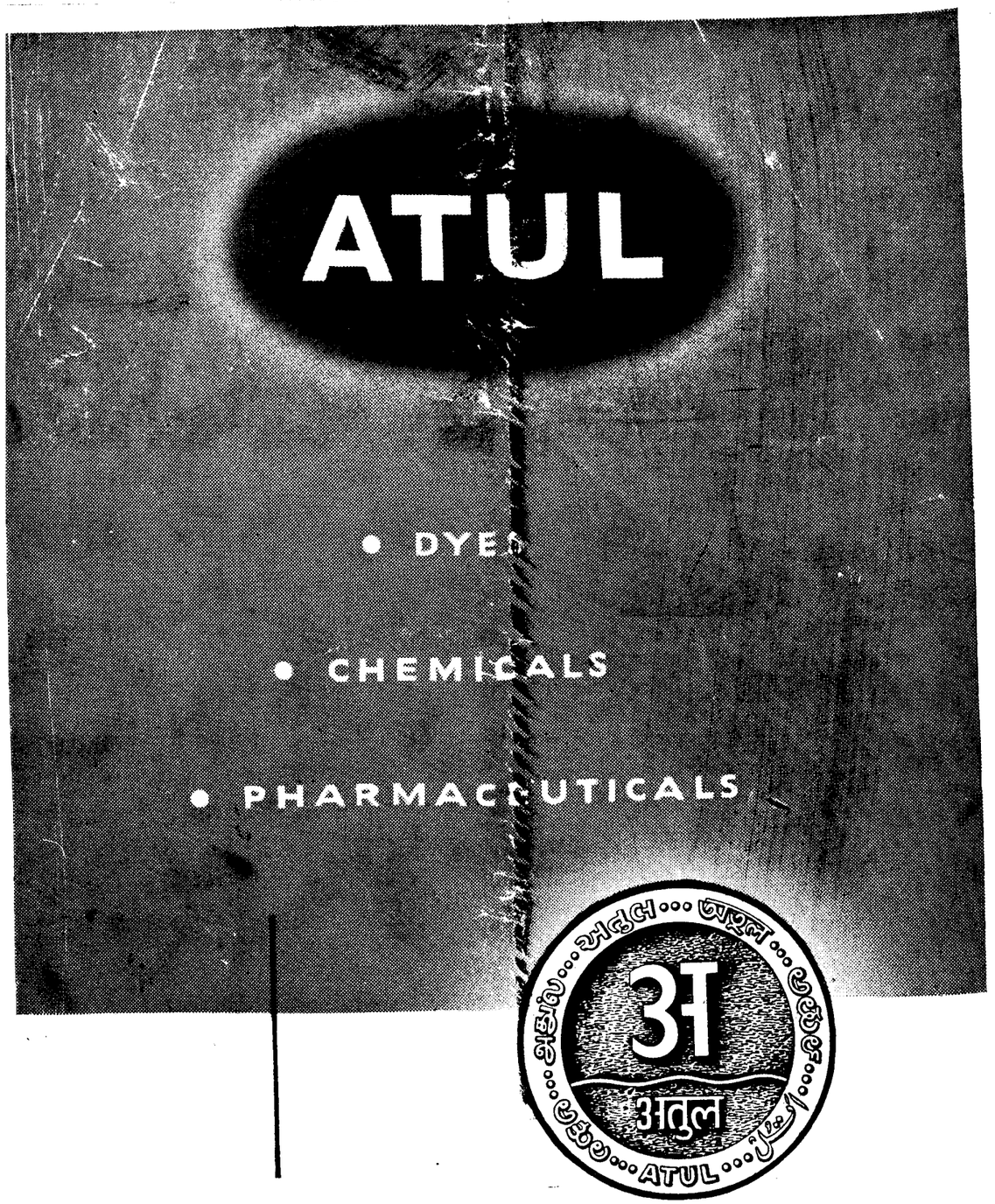
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THE EASTERN ECONOMIST

VOL. XXXV. NO. 12 SEPTEMBER 16, 1960 ONE RUPEE

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The Eastern Economist

NEW DELHI: SEPTEMBER 16, 1960.

Export or Perish?

THE National Development Council's meeting on Monday and Tuesday this week made all the appropriate noises on exports and prices. The Prime Minister, in what was obviously a sincere speech, demanded a supreme effort on exports in order to reduce our dependence on foreign countries and to make our own development more secure. For this purpose he prescribed austerity within, even of "necessities". That the foreign exchange position is serious enough to need this exhortation is not open to doubt. The question which will arise in everyone's mind, however, is whether the Government of India and the country as a whole are prepared for the full consequences of the policy the Prime Minister has prescribed.

In the first place, if "necessities" are exported —sugar is one of those which springs immediately to the mind — and their internal prices rise as a consequence, is the Government of India prepared to face the political consequences? Secondly, if there is need for exporting, say, coal to Pakistan, will the Government of India see that output of India's coal is speeded up by a production drive which is not hindered by Mr. K. D. Malaviya's shibboleths in the Ministry of Fuel and Mines? More bluntly, is the Government of India prepared to withdraw its ban on the private mining of coal in "contiguous" areas so that both India and Pakistan will have enough coal for their current needs? Finally, there is the question of price of commodities in export trade. Take the problem of cement which Pakistan is willing to buy in a substantial quantity, and where obviously there is room for exporting since many of India's large cement consuming projects could be deferred in the current emergency. Are we prepared to make the adjustments in price, removing, for example, the State Trading Corporation's commission and reducing the price to a level at which Pakistan will recognise that India is the most "economical" country from which to import? These are issues of policy which are by no means underwritten by a mere exhortation to tighten our belts and to export in order to find foreign resources for the Plan. India's public policies have hindered export, both by restriction of production and reduction of private incentives.

It is perfectly true that all the fault is not with the public sector. In a Special Article elsewhere in this issue, where India's balance of trade area-wise from 1958 to 1960 is exhibited, it is shown that practically the whole of India's rise in exports in the first half of the current year from Rs. 266 to Rs. 301 crores is "accidental." Practically the whole improvement in exports is due to a rise in unit values or in terms of trade. In other words, India's additional business with the West promoted by Indian businessmen in the private sector must be negligible in terms of volume, although substantial in terms of value. In effect, therefore, the export effort, although apparently satisfactory, is based on an "accidental" windfall. It is, therefore, obvious that the export situation is not what value figures might imply. The country has, over the last six months, made no export effort worth the name, notwithstanding a minor rise in certain engineering goods.

It is obvious if the balance of trade is to come right through India's exports, we must plan for a rise of at least Rs. 50 crores in the next twelve months. Most people agree that this cannot be done without a determined effort to "compel" exports, and to accept the consequences thereof; a rise of prices on the items exported, conceivably sugar, coal, cement and some engineering goods. This is an inescapable rise in prices and should not affect the cost of living and should, therefore, not be treated as a retreat from a policy of "holding the price line." But the dilemma of holding the price line of some commodities and increasing foreign exchange earnings at the same time should be squarely faced. Unless production is increased in all these commodities—and for most purposes steel and coal are central—the bold plans for export will be of no avail. Thus, it comes about that the Prime Minister's exhortation is meaningless unless the Ministries concerned in the Government of India now lay down a policy for export based on a much more dynamic policy of internal production. This applies particularly to the Ministry of Steel and Fuel whose failure to work its production according to schedule in steel and coal has blackened the face of the public sector, and has raised a major crisis in production for the nation as a whole. If the Prime Minister addressed himself to the Ministry of Steel and Fuel with half the passion he imparted to the National Development Council as a whole, some major development on the export front might be possible. When will Mr. Swaran Singh and Mr. K. D. Malaviya be held responsible for their major failures in production of coal and steel?

Indo-Pakistan Relations: The Turn of the Tide?

THE visit of India's Prime Minister to Karachi next week has rightly been regarded as a momentous event in Indo-Pakistan relations. Is it a turning point? Undoubtedly, over a large portion of India, the feeling that our enmity against Pakistan has been overdone and that our security against China is not adequately safeguarded on that account, has grown in the last few months. President Ayub Khan has also shown a statesmanlike approach to a settlement of outstanding pro-

blems with India. The signing of the Canal Waters Agreement, with the personal intervention of India's Prime Minister to settle a last-minute hitch, has thus been naturally treated as a sign of good augury for the future.

The Treaty has been rightly described by the World Bank as a "unique and historical document." It marks the end of 12 years of continuous dispute between India and Pakistan and which has been not a little responsible for further embittering the relations already strained between the two countries. It is worth drawing attention to some of the factors that have contributed to the reaching of this final settlement. First of all, a deserving tribute should be paid to President Ayub Khan who, as contrasted with the heads of the previous Pakistan Governments, was able to face the issue objectively, and in the main conceded the point of India that the issue should be isolated from politics and should be dealt with more by engineers than politicians. Secondly, the detached and friendly role played by the World Bank which was seized of the problem since 1951 cannot be exaggerated. As a matter of fact, the agreement now reached generally follows the World Bank proposals made in 1954. Finally, since finance was the bedrock of the solution, not a little credit goes to the United States and many friendly Commonwealth countries who have offered to build up the required fund of about one billion dollars (Rs. 500 crores). Here the contribution of India is estimated to be of the order of Rs. 60 crores which will go to build the replacement works during the ten-year transition period when India would diminish her supply of water to Pakistan.

There can be no gainsaying that this agreement is of great significance from the point of view of opening of new opportunities of economic development between the two countries and it would be a tragedy if either India or Pakistan remains content with this single success. The time is, therefore, ripe for India on her part to show a new initiative in the matter of trade. Indo-Pakistan trade, which was of the order of Rs. 87.36 crores in 1949-50 has dwindled to Rs. 15.72 crores in 1959-60. This is, in part, the result of natural economic forces such as the growth of Indian jute and Indian cotton to make us nearly self-sufficient in two major elements of import ten years ago. But it is also a reflection of indifference on both sides. There must now be a determination to multiply trade on a new basis. Certainly, India can guarantee import of jute cuttings of the order of an additional two lakh bales every year. India can balance this trade with exports of cement and coal, both of which must be arranged through a reasonable incentive to production and, in the case of cement, by the removal of unnecessary costs of distribution as well as excise duties. Some imagination similar to that which has led to the Canal Waters Treaty is obviously necessary. The President of Pakistan and the Prime Minister of India might be relied upon to supply this next week.

Finally, there is the problem of Kashmir. The Indian people are slowly realising that some relaxation in tension on the Kashmir front is also necessary. Mr. M. R. Masani, on behalf of the Swatantra Party has suggested this week that troops should be withdrawn on both sides of the cease-fire line in Kashmir in order that they should be more suitably utilised where they might be more urgently required. This is a suggestion which deserves to be considered, even if an approach on joint defence is considered impossible since Pakistan's military commitments with other countries make her a party in the Cold War. All in all, there can be no doubt that the signs are good that the political climate, heavily sown with distrust, is taking a firm turn for better understanding.

Self-Sufficiency in Shipbuilding?

INDIA'S shipbuilding industry has a long and arduous way to go before it can expect to achieve self-sufficiency in a substantial degree. The production costs of ships built at Visakhapatnam Yard are high because of the cumulative effect of three factors relating to production capacity ranging below the optimum, low per capita productivity of labour and an excessive degree of import content of machinery, equipment and materials used in the manufacture of the ships. The substantial import component is easily the greatest single factor contributing to the high cost structure of India's shipbuilding industry. But its replacement by indigenous equipment is fraught with real impediments of a great magnitude.

It will be a revelation to most people that the import content of Indian-built ships is as high as 80 per cent in value which involves foreign currency expenditure of that order. This high percentage gives a fair idea of the nature of the task before the industry in attaining a stage of near self-sufficiency. The main engines, engine room and deck auxiliaries, electrical installations, ventilation piping, navigational precision instruments and refrigeration equipment account for a high proportion of the major imported equipment used in the construction of ships in this country. The first two types of equipment take as big a slice of imported materials as 25 per cent. The prospect of replacing imported main engines and auxiliaries by indigenous products seems quite remote at the present time and, although there has been a talk of setting up marine engine manufacture in the public sector, it is anybody's guess when this proposal may very likely take a concrete shape. But about its postponement until after the Third Plan, or possibly the fourth Plan, there can be no room for doubt.

An engine manufacturing plant cannot be viable in this country so long as it depends entirely on the limited requirements of shipbuilding. But the move for self-sufficiency will not have made any striking progress until the main engines and its auxiliaries are manufactured at home. Another major item of import is the special type of steel required for shipbuilding, but its manufacture could not be undertaken in the country because it would be uneconomic when set against the very restricted requirements of the industry. It accounts for 10 per cent of the import content value at the present time. Nevertheless, it is a great redeeming feature that the steel plant at Rourkela is scheduled to undertake the manufacture of this special type of steel possibly towards the end of the Third Plan. But here again one cannot be certain.

One outstanding feature of the shipbuilding industry is that it does not admit of vertical integration of the manufacture of equipment ranging from small items of equipment to the major engine

in one shipbuilding yard. In this respect shipbuilding takes its place alongside a host of other heavy industries like automobile manufacture. It is of the essence of the shipbuilding industry that it has to resort to horizontal integration by extending a purposeful patronage to ancillary units, producing items other than the main engine and the like.

The drive for self-sufficiency must necessarily be concentrated for a considerable time to come on the manufacture of a number of small items required as lesser components in ship construction. Mr. G. L. Mehta, who delivered the inaugural address at the Industries Exhibition, opened last week at the Hindustan Shipyard, directed attention mainly to accelerating the production of this equipment, which alone could be given first priority in the struggle for self-sufficiency. This exhibition is conceived on a novel pattern, focusing attention on the nature of the equipment needed to be manufactured to start with, and it will be a normal accompaniment to the yard until the last category of this equipment is taken up for production at home. How much of the 80 per cent imported component is accounted for by this category of minor equipment now on exhibition is not clear, but cumulatively it is appreciable enough to warrant the priority that has been given to it.

At the present time a technical committee is seized of the problem of the development of ancillary plants which could switch part of their capacity to the manufacture of these parts. The main issues posed are that this equipment ought to be undertaken in medium-sized units, a high degree of precision required in their manufacture must be exacted from them and they must be made to conform to the standards laid down in Lloyds' Register and also by the Mercantile Marine Department. Conformity to these standards is essential to make the parts suitable for assembling into whole equipment. But apart from it, the standards set in Lloyds' Register give a warranty of soundness which is a vital factor in accepting underwriting risks. The components may be termed as minor, but the questions raised in their manufacture are certainly by no means so.

Disparities in the Fruits of Planning

THREE weeks ago, the Prime Minister initiating the debate in the Lok Sobha on the Draft Outline of the Third Five-Year Plan observed: "I think it is desirable, and I am sure it will meet the pleasure of the House, that we should enquire more deeply as to where this (increased national income generated by the first two Plans) has gone and appoint some expert committee to enquire exactly how this additional income that has come to the country or *per capita* has spread." Some thought he was just thinking aloud on the problem. Happily he has been quite serious about it; on Tuesday this week he announced the appointment of a National Distribution Inquiry Committee to study how the benefits of planning in the last ten years have been shared by the society. The findings of this Committee will be eagerly awaited; they can be a good guide for the investment pattern in the future and should throw a flood of light on the sectors of the economy which ought to be better exploited for finding resources for future development.

An enquiry of this kind has obviously to address itself to three components of the problem. Firstly, it has to be directed towards finding out what changes have come about in the past few years in the structure of various income-groups in the country. The second component of the problem is the study of regional progress under the two Plans. In the third place comes the probe into distribution of this additional income between the rural and the urban population. From the Press reports it appears that the proposed Committee may be primarily concerned with the first aspect of the problem. If it is to be so, its contribution towards future planning of the country will only be limited.

An interesting study, just completed by the Economic Intelligence Unit of the Indian Institute of Public Opinion, which was drawn upon extensively by Mr. R. Venkataraman, Madras Industries Minister, in his address to the National Development Council early this week, reveals that a decade of planning has resulted in marked disparities in the growth of the economy in different parts of the Indian Union. According to this study, the Plans have tended to heighten the disparity in per capita income as well as total income between the States. This divergence in the standard of living, instead of levelling up, is likely to grow under the next Plan. In real terms, total income of the Indian Union over the fifteen-year period 1950-51 to 1965-66 is estimated to go up by 86.38 per cent. "The advance will be greatest in the Punjab at 138.56 per cent, Orissa at 114.86 per cent and Gujerat at 101.02 per cent. Bihar, Maharashtra, Rajasthan and West Bengal will nearly double their 1950-51 incomes. Comparatively slow movers will be Assam (69.12 per cent) Andhra Pradesh (70.22 per cent), Kerala (76.43 per cent) and Madras (69.95 per cent). In Uttar Pradesh the rate of rise in income generation will be in each Plan substantially less than the all-India average and, over the three Plans together, it will be only 60.32 per cent against an all-India figure of 86.38 per cent. Madhya Pradesh increases will also be of a relatively low order (total 79.81 per cent)". The percentage increases in per capita income over this period are estimated to be as follows: all-India 40.39; Andhra 28.86; Assam 14.75; Bihar 51.10; Gujerat 45.37; Kerala 21.58; Madhya Pradesh 42.94; Madras 26.79; Maharashtra 41.01; Mysore 30.82; Orissa 74.05; Punjab 72.19; Rajasthan 43.84; Uttar Pradesh 23.14; West Bengal 59.88; Delhi 51.24; Himachal Pradesh 52.17; Manipur 25.94; Tripura 15.79.

This throws in bold relief one of the greatest liabilities of Indian planning. Similar trends may be revealed by the proposed enquiry in respect of the other two aspects of the problem. If the situation is not remedied in time, it may lead to fissiparous tendencies in the Union. Priorities of planning may warrant unequal distribution of the new wealth between different States, between various income-groups and between rural and urban population to some extent, but when these inequalities tend to widen in a marked degree, the Planning Commission and the Government must pause and ponder. There is obviously need to foster the development of ancillary industries in areas where heavy industry cannot be set up due to paucity of raw materials. When and How? These are important questions, but an imperative is not killed by the undoubted difficulties that it presents.

A DELHI DIARY

ALL THE WORLD'S A STAGE

I WONDER whether William Shakespeare could, with his tremendous imagination, have been thinking of the United Nations when he wrote: "All the world's a stage, and all the men and women merely players." I doubt if there is any better description than this for the session of the United Nations which opens next week in New York. Soviet diplomacy has been more than successful in its catch of great fish in the troubled political waters of the world. As far as I could see, the greatest figure of the Afro-Asian world—I did not say fish—is likely also to be attracted to the world's stage. The Prime Minister announced this somewhat suddenly at the second day of the National Development Council meeting on Tuesday. Has there been a certain change in the approach of some of the Western Powers to the Khrushchev invitation? Rumour in Delhi has it that Mr. Macmillan has agreed to go, and it is presumed that the Prime Minister is going as part of a concerted effort really to bridge a gulf. But if the United States stands aloof, where is the gulf to be bridged? That is what in New York, no doubt, will be called a 64-dollar question.

So far as the Indian Union is concerned, it is believed that the Russians are anxious to make some constructive new proposals on disarmament, and there is a widespread feeling that Russia is making these not in fear but from strength. It is believed that in missiles the Russians have a superiority over the Free World and most Indians think—perhaps we still live in the past—that, but for this, Cuba and even the threats of interference in the Congo would not have been taken as seriously as they have been. Whether or not they are right, I think I am correct in saying that most people recognise that the Prime Minister's presence in New York would be helpful to negotiations, if negotiations take place. The question is, if negotiations do not take place what will the Prime Minister be doing in New York? If we lean too heavily at this time, there is also the possibility that we may make the situation more difficult in regard to the underwriting of India's Plans during a critical political year. Everyone knows the risks that are being run, but most people feel that the Prime Minister being, what he is, a figure of world eminence, should be in the world's councils at this time. Only one hopes Hamlet is not being staged without the Prince. For the first time Hamlet, in this case, is not an Asian figure!

THE GRAND OLD MAN OF INDIA

Yesterday, September 15, there was celebrated throughout India the centenary of Sir M. Visvesvaraya, the grand old man of India. The occasion has been taken to strike a special stamp in his honour, and I have already seen queues at the Post Office collecting First Day covers. (If one does not strike a stamp, but only a coin, what does one do in respect of a stamp?) It would not be a bad thing for friends of Sir Visvesvaraya—and I am proud to count myself as one, although half his age—to strike a coin (the Mint and currency authorities permitting) for circulation amongst his large, but nevertheless limited, circle of friends. Those of us who have known Sir Visvesvaraya over the last twenty-five years have heard many stories—not all laudatory—of his achievements in Mysore. His passion for statistics, particularly in the Malnad, produced, from some slick amildars, figures which history has shown could bear no scrutiny. But, nevertheless, his approach was scientific in administration no less than in engineering. If the Mysore Steelworks incurred heavy losses for many years, and is still a unit of inadequate size, it is nevertheless making a contribution for which India can afford to pay. It has given both pride, and avenue of employment to Mysoreans who believe that they were forging out of their home materials—Kemangundi iron ore and charcoal from the Shimoga forest—a wonderful instrument of economic prosperity. We have seen Bhadravati at its worst and perhaps now at its best—not, indeed, a monument to an optimum distribution of the resources for steel making, but nevertheless a monument to a grand old man who will live for ever in the hearts of those who have seen him over the aging years.

I see the newspapers keeping talking about the manner in which Sir Visvesvaraya has reached his hundredth year. Apparently, his sovereign remedy is eight hours work, eight hours sleep, and eight hours 'leisure', including the inevitable daily walk. But less than forty years ago, the walk used to be a run round his official Bangalore residence, and Lake View in Mysore when he was there. The work, as I can bear witness, often included four or five drafts before a letter was issued! All in all, one might say that, quite apart from the great span of his life which takes us back to the period of the American Civil War in the turmoil of which he was born — only happily on the other side of the globe! — there has been a pattern of dedication which runs like a golden thread through both his successes and his failures. Today we celebrate not his successes (or his failures) but his courage and his capacity to live tenaciously with age and failing health, but always with a supreme sense of awareness of the country's welfare.

PLANNERS ALL!

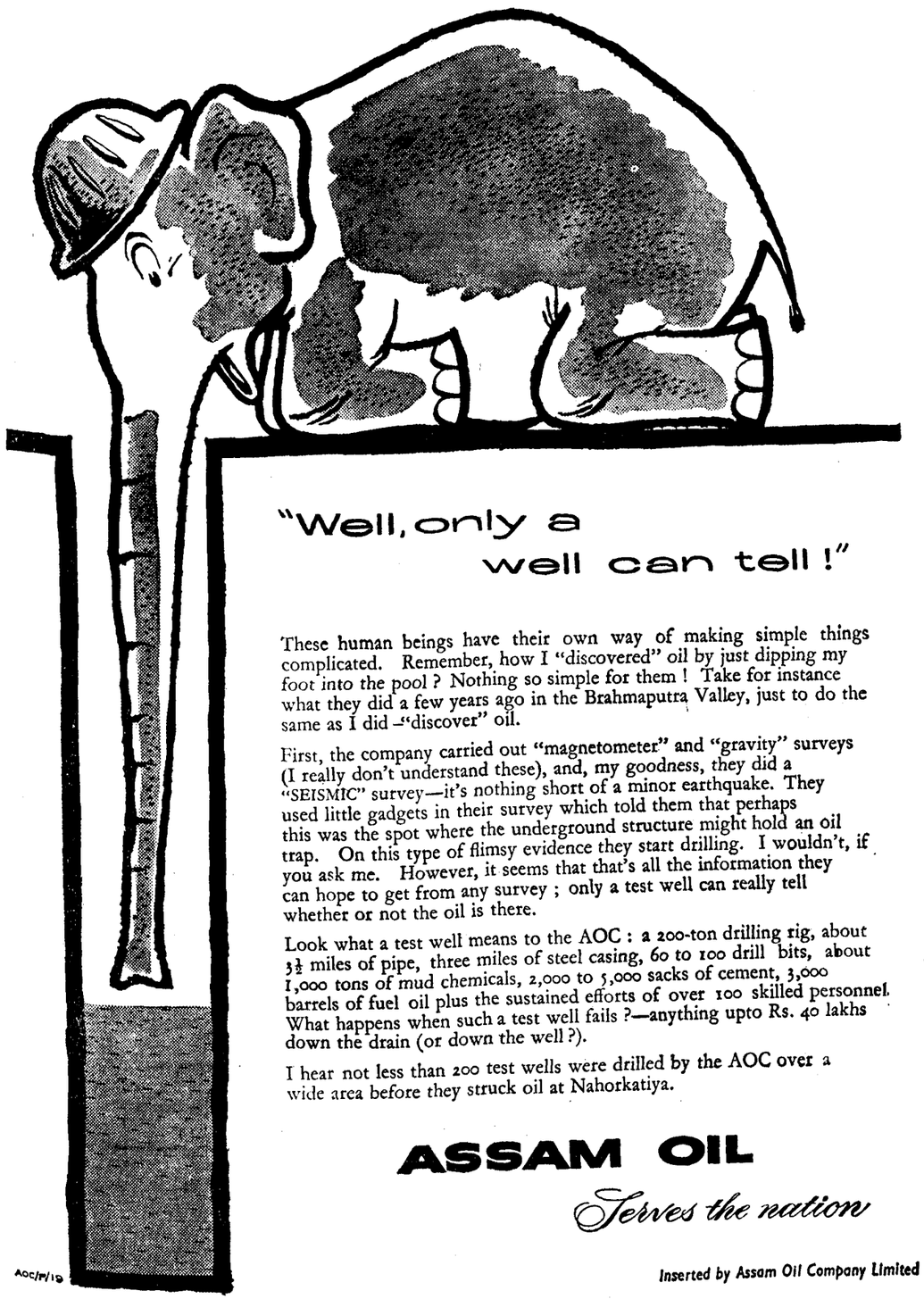
Sir M. Visvesvaraya was India's first planner, and those of us who remember the first edition of 'A Planned Economy for India' will recognise that, so far as Indian planning is concerned, he is rightly its father. This week in the National Development Council, we have had planners of various other kinds, and I doubt if being a "planner" is itself a description of a philosophy or of capacity to conceive of economic development in any coherent way. Thus the planners this week were on both sides; some for State trading in foodgrains, and some against it. The final resolution at the Price Committee seemed to be both plus and minus, which means, in effect, that Mr. S. K. Patil, like Rafi Ahmed Kidwai, gets the best of both worlds. Nobody is disposed to question his capacity to get things done and perhaps it is the best test of planning that it permits flexibility in all directions.

THE ACHARYA AND ASOKA

But what am I to say of the contrast in planning of Acharya J. B. Kripalani, who is now resigning from the Praja Socialist Party, against that of Mr Asoka Mehta who is Chairman of the Party, and also a planner? A friend of mine has put it, not too charitably, by saying that Acharya Kripalani is a "Gandhian" planner and Mr. Asoka Mehta one of the Jawaharlal Nehru kind. Since Acharya Kripalani and Asoka Mehta do not seem to be able to meet, am I to conclude that at least in planning Jawaharlal Nehru is not the disciple of Gandhiji? This is a terrible heresy, and having emitted this redherring — nothing but the truth — I shall be burnt at the stake. What, if any, are my chances of survival?

ARGUS

Memoirs of an Elephant—4



"Well, only a well can tell!"

These human beings have their own way of making simple things complicated. Remember, how I "discovered" oil by just dipping my foot into the pool? Nothing so simple for them! Take for instance what they did a few years ago in the Brahmaputra Valley, just to do the same as I did—"discover" oil.

First, the company carried out "magnetometer" and "gravity" surveys (I really don't understand these), and, my goodness, they did a "SEISMIC" survey—it's nothing short of a minor earthquake. They used little gadgets in their survey which told them that perhaps this was the spot where the underground structure might hold an oil trap. On this type of flimsy evidence they start drilling. I wouldn't, if you ask me. However, it seems that that's all the information they can hope to get from any survey; only a test well can really tell whether or not the oil is there.

Look what a test well means to the AOC: a 200-ton drilling rig, about 3½ miles of pipe, three miles of steel casing, 60 to 100 drill bits, about 1,000 tons of mud chemicals, 2,000 to 5,000 sacks of cement, 3,000 barrels of fuel oil plus the sustained efforts of over 100 skilled personnel. What happens when such a test well fails?—anything upto Rs. 40 lakhs down the drain (or down the well?).

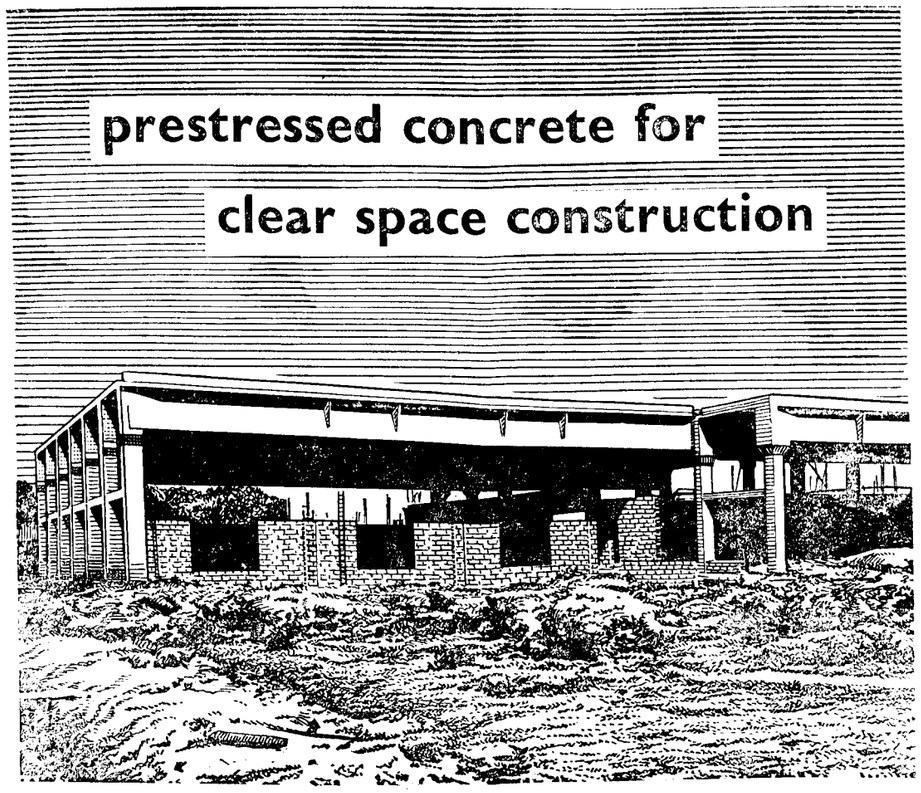
I hear not less than 200 test wells were drilled by the AOC over a wide area before they struck oil at Nahorkatiya.

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THE WEEK'S NOTES

Tibet

INDIA'S UNEASY CONSCIENCE

IT IS becoming a truism that public interest in any problem, however grave, cannot be indefinite. The rape of Hungary, when it occurred, no doubt stirred world conscience, but it has now passed into oblivion. It will be scarcely surprising if the case of Tibet also follows a similar fate. However, thanks to the Afro-Asian Convention, which met in New Delhi last April, attempts are being made to keep this issue alive. The Convention had established an Afro-Asian Council with Mr Jaya Prakash Narayan as its first president to take all necessary measures for mobilising public opinion and to give moral and political support to the unfortunate people of Tibet in their "desperate" struggle. The Convention had also resolved unanimously that the question of Tibet should be raised again at the U.N. Addressing a press conference last week, Mr Jaya Prakash Narayan expressed his appreciation of the action taken by Malaya and Thailand who had already taken the lead in this matter. He was, however, more concerned with the attitude that the Government of India should adopt on the Tibetan question.

It might be recalled here that when Tibet was brought up last before the United Nations by Ireland and Malaya, India had abstained from voting. But if the matter comes again before the United Nations, India cannot afford to maintain a non-possumus attitude. There are two aspects to be considered here. One is the question of human rights and the other how far Tibet can be allowed to remain a "domestic" affair of China. As regards the former, apart from the reports of the continuous stream of refugees from Tibet, there have been the findings of the Legal Enquiry Committee set up by the International Commission of Jurists. It has pointed out how acts of genocide had been committed in Tibet in an attempt to destroy the Tibetans as a religious group. The object of the Chinese, according to it, is not to permit adherence of the practice of Buddhism in Tibet and in pursuit of this aim, they had killed religious figures whose belief and practice was an encouragement and example to others. It is thus obvious that China has perpetrated and continues to perpetrate many crimes against the people of Tibet. On the plane of justice and humanity, this question of human rights cannot be treated as a domestic one and here India has a good precedent because she has never accepted the plea of South Africa that the treatment accorded to her citizens is her own concern. The fact, however, is as Mr Jaya Prakash Narayan pointed out, Tibet can never be considered a domestic issue of China. The Legal Enquiry Committee, which also went into the question of Tibet's status in international law has found that though Tibet surrendered its de facto independence by signing in 1951 the "Agreement on peaceful measures for the liberation of Tibet" with the Chinese Government, the repudiation of this agreement in Tibet in March 1959 restored the nation to its status of de facto independence. Tibet was justified in repudiating the agreement because the undertakings given by the Chinese under the agreement had been violated. It is also worth mentioning that from 1912 to 1950, Tibet was de facto an independent country and acted as such.

These are hard facts and when other countries come to the United Nations to demand the right of self-determination for the people of Tibet, India cannot afford to remain aloof. India's present policy seems to be guided by two factors. One is that since China is not a member of the U.N., there is no point in discussing this issue there. As Mr Jaya Prakash Narayan argued, if she does not happen to be there, there is no reason why the Chinese conduct should be considered to be beyond the purview of the U.N. particularly when it concerns international peace and justice. Secondly, it is often pleaded that no concrete results would follow by any U.N. discussion of Tibet. Here again, Mr Narayan asserted that where moral issues were concerned, it would be wrong to make such excuses for not taking a positive stand. The fact of the matter seems to be that there is a fear that India's advocacy of Tibet's case would complicate further her troubles with China. There may be some substance in this view; but for a country brought up in the Gandhian tradition, to take such an attitude would be totally unworthy, to put it very mildly.

Andhra

POWER TUSSLE

THE CONGRESS Parliamentary Board, which met this week, is reported to have decided against acceding to the request made by the Chief Minister of Andhra to permit him to reconstitute his Cabinet. It was Mr Sanjivayya's contention that three Ministers, who are members of what is called the "Unity Front" have formed a dissident group and hence he must have freedom to have a Cabinet of his own choice. Ever since Mr Sanjivayya was elected as Chief Minister in January this year, the Cabinet has not been having a smooth-sailing. It was only last June that a crisis was created by a member of the Cabinet, Mr A. C. Subba Reddi, who contrary to his understanding with the Chief Minister, contested for a seat in the Pradesh Congress Election Committee. The Chief Minister considered this as a breach of faith and demanded his resignation since he had lost his confidence. Here, he had the support of the Congress High Command, which decided that on constitutional principles, the Chief Minister must have his own way in the formation of his Cabinet. Since then, however, much has happened which has only added to the dissensions in the Congress Party. A "Unity Front" was formed by a powerful section of Congressmen as a protest against the alleged "autocratic" attitude of the official group and when elections were again held for the Pradesh Congress Election Committee, following its invalidation by the Congress President, the Unity Front won five out of the nine seats in the Committee and among those elected were Mr A. C. Subba Reddi himself. It is obvious that Mr Sanjivayya is faced with a difficult position and it is not possible for him to run a Cabinet when three Ministers are opposed to him and have formed a separate group. Apparently, based on party considerations, the Congress High Command has thought it necessary to follow a policy of masterly inactivity. But it cannot really go far in either preventing the growing dissensions or adding to the prestige of the Congress Party. Much the better course would be to give the Chief Minister freedom in reshuffling his Cabinet after seeking a vote of confidence. If he fails to muster a substantial majority, the choice is clear.

Britain

TUC AND DEFENCE

INTEREST IN last week's annual conference of the Trades Union Congress mainly centred on the question of nuclear defence. Though British trade unionism is faced with a number of other important problems connected with leadership and organisation, the debate as to whether Britain should or should not maintain her present defence policies based on NATO and the Atom and H-bombs eclipsed the others. The "official" Labour policy is committed to a defence programme favouring

the retention of American bomber and missile bases in Britain and Britain's continued reliance on the nuclear deterrent. But this is opposed by Mr Frank Cousins, Secretary of the Transport and General Workers' Union, which has already adopted a resolution supporting nuclear disarmament. It was thought that the Conference would decide one way or the other, either the official line or the Frank Cousins' motion renouncing the whole concept of a nuclear strategy though it was couched in studiously vague terms. But a very funny thing happened. The conference in fact voted both for the official resolution as also the Opposition motion. For the official resolution for retaining H-bomb, voting was 4,15,000 in favour and 3.46,000 against. On the opposition motion for unilateral renunciation voting was 4,356,000 in favour and 3.213,000 against. This egregious performance was made possible by the attitude adopted by the Amalgamated Engineering Union which cast its large vote on both sides. Apparently, the idea was that there should be no irrevocable commitment. In the process, the public has been, however, left in confusion, and this is not in the larger interest of the Labour movement. But the question is what is to happen at the Labour Party conference to be held in October at Scarborough, if a similar performance is repeated. This can perhaps avoid a split in the Labour Party, but this tactics cannot be continued for ever. If on the other hand, the Conference rejects the official policy in respect of defence, it would mean a resounding defeat for Mr Gaitskell. He has now to decide whether he should assert his independence and make the parliamentary party free from sectional pressures and face the issue squarely at the general election. All along, there has been criticism that Mr Gaitskell has been vacillating and has thus exposed himself to pressures from different sides. It is to be seen how far he would be able to give up the lukewarmness with which he has been advocating Labours' new defence policy and convince the country that the official policy is Britain's wisest course.

Rome Olympics

REVERSE IN HOCKEY

INDIA HAS lost the hockey crown which she had proudly worn for over thirty years since 1928 when hockey was first included in the Olympic games. In the final round at Rome, the better side won. Pakistan's Hamid and his men deserve felicitations for their this magnificent achievement; they at long last have been able to fulfil their country's cherished desire to beat India in this game. Opinions may differ whether India fielded the best team from amongst the talent available at hand in the Olympic Village—there have been reports that two players whose game had been considered below standard in the earlier rounds were allowed to take the field in the final—but there is no denying the fact that Pakistan with their superior forward line beat India convincingly, though by a solitary goal. Pakistanis, having secured the match-winner, may be accused of not having played the game towards the close of the fixture; they indulged in negative tactics in the last five minutes of the play. But that is scarcely surprising. India, perhaps, would have done the same in such circumstances.

It may be of some solace that the Olympic gold medal for hockey has not gone out of the sub-continent, but how long it will remain here is difficult to say. The record of Rome Olympics contains ample evidence of the fact that some of the other hockey-playing countries are coming up well. Among these the most important are Spain, Britain, Kenya, Germany, Holland and Australia. The former two gave a tough fight to Pakistan and India in the semi-finals round and proved beyond doubt that they can be better challengers at Tokyo four years hence. The same is expected of Kenya's young players who were unlucky this time in not reaching the semi-finals stage.

It is, however, not beyond India's capacity to regain the title at Tokyo, provided the house of the Indian Hockey Federation is put in order. As the l'affaire Balkishen Singh indicates, all does not appear to be well with the I.H.F. affairs. Will the Union Education Ministry institute an inquiry into this? Balkishen Singh was among the 21 players originally chosen by the I.H.F. to represent India at the Rome Olympics. Of these Keshav Dutt dropped out at the last minute. When the team left for Rome, Balkishen Singh, to the surprise of all, was left behind at the airport, his place having been filled by Haripal Kaushik whose name had not figured in the original list of 21. And then Balkishen Singh flew to Rome, reports suggest, of his own accord. But how was his name entered for an event—3000 metres steeplchase—for which he had shown no pretentions throughout his athletic career? And how was he accommodated in the Indian camp at the Olympic Village? An explanation is called for this from the Chef-de-Mission of the Indian Olympic contingent.

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SAN. 59.8

A Window on the World

I'D RATHER KEEP A COBRA

By

ODYSSEUS

WHY DO I work a 7 day, 56 hour week?

There are several answers. One is an urge to share with others, through the good offices of the "Eastern Economist" and other exceptionally perspicacious journals, ideas that I gather by a steady round of visits to business and industrial executives, Governnment officials, and other recondite authorities, and by a close perusal of four daily newspapers (these, for the benefit of those with ambitions to outdistance my attempts at self-education, are the "Hindustan Times," the "Times" of London, the "Guardian" of Manchester, and the "Financial Times" of London), five weeklies (the BBC's "Listener", the "Economist", the "Times Literary Supplement", "Time & Tide", "Sunday Times" and "Observer"—all of London), and six specialist publications (the Reviews published by Lloyds Bank, Barclays Bank, the Midland Bank, the First National City Bank of New York, the British National Institute of Economic and Social Research, and Political and Economic Planning). Many publishers are also good enough to send me books for review on economic and Indian subjects. Finally, I look in on my club to leaf through the galaxy of dailies, weeklies, and monthlies available there, and to exchange ideas with the men from varied walks of life who congregate there.

So to a sizable extent my burden is self-imposed and pleasurable. But I confess that I sometimes envy the British working man's five day week of 35 hours and an annual holiday of a month, instead of the fortnight, eked out by an occasional week-end that I allow myself. My basic sources of income are such that I ought to be able to afford that. What prevents me is: inflation.

A writer belongs to one of those professions whose productivity is limited. True, I have mechanised myself as far as possible. I have two typewriters, so that I can use one, while my secretary uses the other, which is a noiseless machine, so that she can rustle away without impinging on my intellectual work-flow. I have also provided her with a Lindicator—a contraption which passes one line to be copied at a time before her eyes, so that she skips nothing. Even my transport is streamlined: where others take taxis and arrive for appointments anything between ten and twenty minutes late, apologizing profusely for traffic delays, I arrive in good order and at leisure ten minutes early on my bicycle. But I cannot instal a piece of capital equipment which will enable me to keep pace with inflation by providing me with two or three brains or four or five pairs of hands and multiply my productivity.

There is a fortune awaiting the inventor of a computer which, in answer to questions, can put together an article or a book from the raw material stored inside the human brain, or of a machine enabling a writer to spray his thoughts on to paper as an industrial worker sprays paint on to the body of a car.

Idle fancies? When I look back on the fantastic progress that man has made in the control of nature in the last two centuries, I see no reason why some scholar of 2060 A.D. ferreting among the priceless store of wisdom laid up in the "Eastern Economist" should not be able to write an article pointing out that the wonders of science had long outdistanced my elementary imaginings.

But unless we halt inflation, I doubt that any scholar of 2060 A.D. will be in a position to write thus. Because inflation is today the greatest single barrier to the achievement of those affluent societies which all the world in general, and India in particular, are striving to attain.

DIRTY WORDS

Every country has its "dirty" words, whose dictionary meaning is smeared. Over wide areas the "profit motive" are dirty words; in the USA, "liberalism"; in the UK, "nationalization"; in Germany alone is "inflation" a dirty word. Other countries pay lip service to a stable currency, but in practice they give way to it at the slightest push. Some writers even suggest that "a little inflation" promotes progress.

But nobody would agree to "a little inflation" if they realised that even apparently a moderate increase in prices as 3 per cent a year means that the price level will double itself in 23½ years and that it will rise nearly four times over during the normal span of a man's working life (in the West). The danger that inflation will persist is not due to the minute minority who advocate it but to the difficulty of making the masses aware that its poison is far worse than that of a cobra, because whereas a cobra's ability to kill is limited to a handful of individuals, inflation can kill, and has killed, nations.

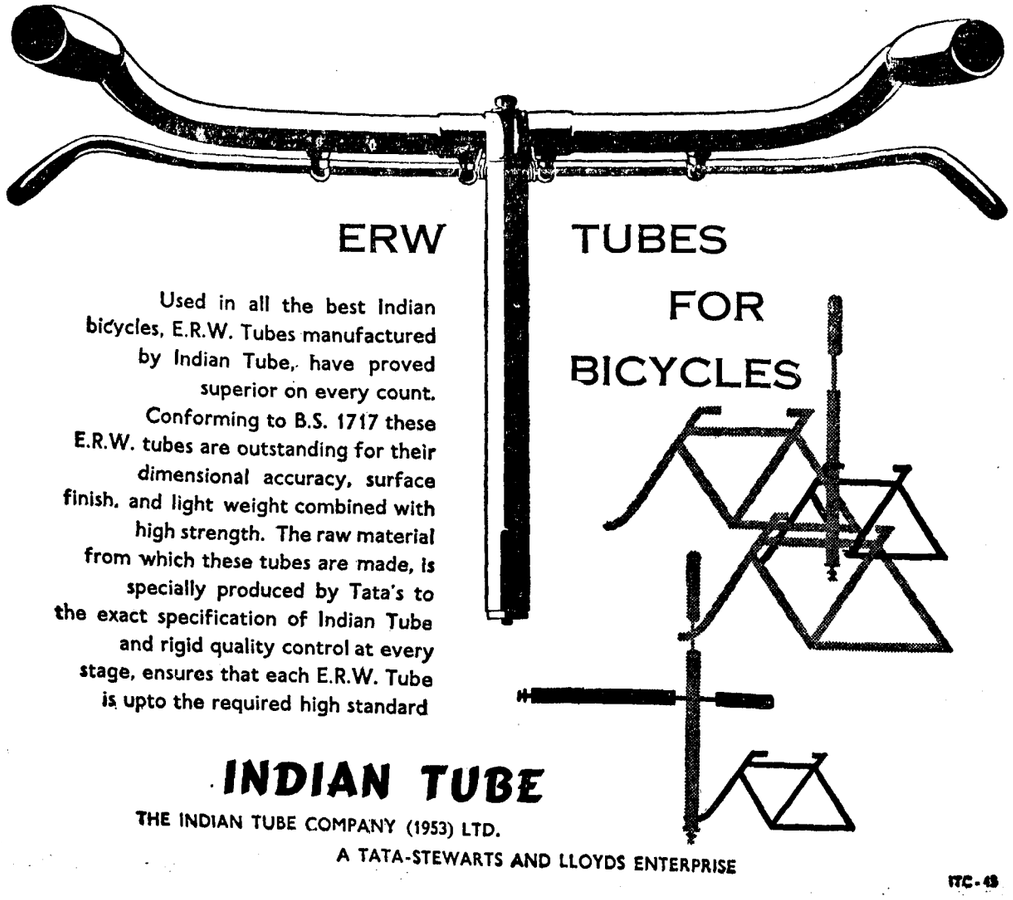
If the problem were one of spreading an understanding of an elementary point of economics, one could instruct all primary schools to teach Reading, Writing, and Inflation, and knowledge of it would keep pace with the rise in literacy. From the Indian Reference Annual, that admirable compilation issued by the Government of India's Publications Division, I see that India's literacy rate is 25 per cent among males. If one quarter of all men in India understood what in the long run it means to them that (1) the index of wholesale prices has risen from 104.6 in 1953 to 122.9 in 1960 (18.3 points, or 2.6 a year), (2) the working class consumers' index from 145 in 1952 to 168 in 1960 (23 points, or 2.8 a year), and (3) allowance is made for Rs. 550 crores of deficit financing in the Third Plan, the prospects for India's rate of economic growth would, foreign aid and other things being equal, be incalculably brighter.

TWO QUESTIONS FOR MORARJI DESAI

Will the editor of the Indian Reference Annual include in his next edition an elementary exposition of what inflation is and what it does? I doubt it because inflation is not an economic but a political problem and (doubtless being a dutiful father) he does not want to get himself the sack. Instead, he includes some question begging references to inflation in which he says that the "government continued their efforts during 1957-58 to achieve price stability which", he rightly adds, "is vital to the success of the Plan. Fiscal credit policies were further reinforced to restrain demand, particularly of a speculative character, from traders." But I suggest to the editor that (having first secured himself a job in some remote and inaccessible spot, such as Patagonia) he should look in on the Hon'ble Finance Minister and put him two questions: "Traders would not hoard goods—speculate that prices will rise—if they did not assume that prices will automatically rise. But don't prices only rise if the supply of money rises faster than the outturn of goods? Why don't you adjust the supply of money to the actual needs of trade?" After that he should take to his heels, having left himself enough time to catch the next plane out of India.

On May 6, "The Eastern Economist's" erudite leader writer, linking Mr. S. K. Patil's success in obtaining 17 million tons of food from the USA with other anti-inflationary measures concluded: "All in all one might, therefore, argue that while the Government has now in its hands ample anti-inflationary armour, a matter of fine judgment is required in regard to their actual use. Nevertheless, one can reach a conclusion that the instruments of the Government of India and the Reserve Bank have been well replenished and inflation inside the country has at last looked as though it were firmly under control." Well, since my colleague "Argus" periodically expresses his cordial disagreement with what is said in other parts of this paper, I see no reason why I should be deprived of my share of the fun, and express my distrust in our leader writer's faith in the ability of politicians to deny themselves inflation as an easy way out of their problems; he deserves an inflated reward in Hades for the tribulations that his words, endowed with all the authority of an "Eastern Economist" leader, are likely to encourage Government to impose on the rest of us during his (I hope) few remaining years on earth.

Next week, I will draw his attention to "Inflation and Society" (Allen & Unwin. July, 1960. Price 15sh.) by a leading British economist, Graham Hutton. It is written not for economists but for those capable of Reading, Writing, and Inflation. The "Times Literary Supplement" (in the only "rave notice that I have ever seen in that spectacularly unemotional journal) said on July 15: "Some public benefactor should arrange daily readings from it to Her Majesty's Ministers. No Member of Parliament should fail to study its 161 pages. A copy, suitably and respectfully inscribed, should be sent to Mr. Frank Cousins" (the secretary of the powerful British Transport and General Workers Union.) I would gladly fly to New Delhi to read it aloud daily to Mr. Nehru and Mr. Morarji Desai, but prevented by the inflated price of the air passage, I shall do the next best thing, and call their attention here to Mr. Hutton's demonstration that the basic reason why the UK's rate of economic growth has lagged behind those of the other European nations is inflation. While the real quantity of goods and services available for all purposes within the UK (after allowing for the need for additional exports) has increased by one-fifth, the amount of money in circulation has increased four times. The Macmillan government has at last faced this economic fact and has held prices since 1958. But the trouble in the UK, as in India, is that a halt to inflation automatically uncovers real values, prices, and costs—of materials, fuels, services and all kinds of labour. It unmasks economic and technical realities. This is all vital to progress and planning. But it provokes loud outcries from those now called upon to pay real prices (e.g., in rent, food, or railway travel) and from workers in occupations or firms revealed as obsolescent or inefficient by the genuine working of the laws of supply and demand, undistorted by artificially rising prices and price controls which act as additional barriers to production and to distribution. The air is rent by screams against profiteers and speculators. The resulting problems are not economic but political. They cannot be solved by politicians scrabbling after votes, but by statesmen looking to the future. In foreign affairs, Macmillan and Nehru have proved their statesmanship. They now have a chance to go down in history as statesmen in economic affairs. How you will benefit if they succeed, I will try to explain next week.



The European Scene

ATOMIC ENERGY PROGRAMMES IN THE WEST

From Our Special West European Correspondent

PARIS, September 11.

THE Indian technologists whose advice is responsible for the decision lately announced by Mr. Nehru to build a series of nuclear power stations during the Trird Plan, apparently have opinions on this subject that are not shared by their colleagues anywhere in West Europe or the USA. That does not prove that they are in error. Research into the peaceful applications of atomic energy is indeed more advanced over here (especially in the USA, Britain and France where it is connected with vast military programmes), but, after all, the essence of this problem is the competitiveness of classic and nuclear sources of energy. Competitiveness depends on a host of economic factors and can vary widely from one country to another. It is theoretically possible that nuclear energy might be regarded as too expensive throughout the West but might be seen as an economic proposition in India, provided one makes very pessimistic estimates of the future evolution of marginal costs in the classic power-generating industries there. In that case, the discussion comes down to a comparison of classic power costs in India and the West, for the Indian technologists can scarcely claim to be able to produce nuclear power that is absolutely cheaper than that available abroad. Their curve for the probable evolution of nuclear power costs must be the same as that drawn in the West, and in fact it is almost certainly higher since all industrial costs are lower in this branch in the advanced economies. So the only justification they can give for the decision to which they have invited the Indian Government is that the rising curve of classic costs will, in the Indian case, intersect the falling curve of nuclear costs much earlier than elsewhere.

If that is so, they are drawing their arguments from a field in which, as atomic scientists, they are not especially competent: namely, the economics of classic power generation, and specifically the hazardous business of forecasting marginal costs in that industry over the next five or ten years. They are thus exposed to making errors at least as serious as those made by European atomic scientists five years ago, when they forecast the intersection of the classic cost curve and the nuclear cost curve for around 1965. That date has now been pushed back to 1970 at the earliest, and to 1990 by some experts—whereupon of course it is no longer a rational calculation but just a guess, because no one can pretend to foresee the evolution of costs in four or five competitive industries for so far ahead. The point to notice is that the West European scientists went wrong in the 1950's not so much because of mistakes about the development of nuclear energy generation (though they have had grave disappointments there) as because of errors in forecasting the economic behaviour of the classic industries with which it must compete. Naturally, they could not foresee the vast expansion in coal and oil supplies that has occurred in the past few years, the fall in oil prices caused by this excess and by Russian competition, the slump of shipping freights, the development of pipelines for the transport of oil, coal and natural gas, nor the slowing up of demand for power of all sorts caused by the mild recession. Those circumstances were sufficient to invalidate all forecasts about the date at which nuclear power would become competitive, but we cannot blame the atomic technologists for not predicting them. More serious, they failed to see the effects of technological improvement, keen competition and lower raw material costs on the price of electricity generated by classic means.

The nuclear power enthusiasts have assumed that, fortunate accidents apart, there is a chronic tendency for this price to rise. The facts have shown that, quite apart from the windfall of cheaper coal and oil, there is no such secular trend. The relative price of electricity has been held steady and now, with a long period of competition in oil production just beginning, it will probably remain so. Thus the date at which atomic energy becomes economic will not be set by the intersection of a rising and a falling curve, but by the moment at which the falling curve of nuclear power costs comes down to the level of stable classic cost. Since the atomic scientists have run into technical difficulties (quite apart from economic problems such as the cost of raising money for their capital-intensive projects), their curve is falling much more slowly than they had anticipated. Hence the wave of pessimism about the near-term future of nuclear energy described on this page on February 19.

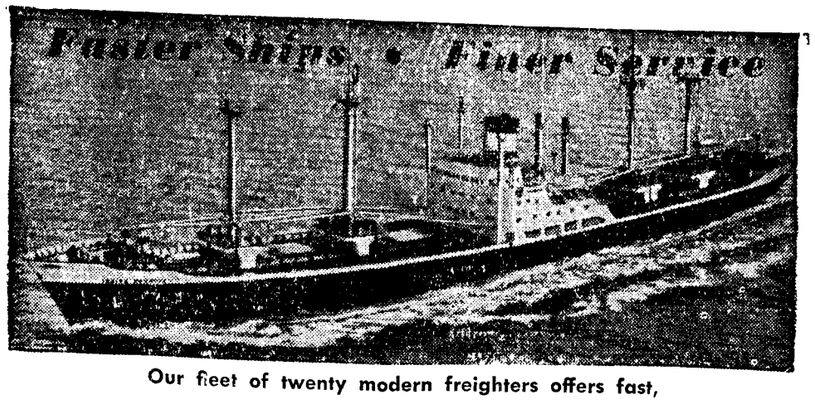
Mr. Nehru's scientific advisers might brush all this aside as relating only to economic conditions in the West, whereas the Indian situation is so radically different that a firm and near date can be set for the appearance of economic nuclear energy. Granting that claim, however dubious, there remains the stark contrast between the nuclear energy programmes of India and the advanced Western countries: India contemplates the construction of a series of nuclear power stations of the same sort, whereas no Western country would today consider such a programme. All of them are building nuclear power stations, but never two of the same kind—for the simple reason that they have realised that nuclear power generation is still very much in the experimental stage and it is too early to put many eggs in the one basket. The British, who led the way in 1955-57 with an ambitious programme that has since been drastically curtailed, express this by saying that their plan is no longer quantitative but qualitative. Instead of building a string of stations along the same lines more or less simultaneously, they have decided to spread out their projects over time so that each successive venture benefits from the lessons, not only of the previous British undertaking, but of all the experiments now being made by Western countries in this field.

There has occurred a complex division of labour among all the entrants, with the British continuing to explore the possibilities of natural uranium, the Canadians concentrating on a heavy-water reactor, the Continentals united in Euratom following certain lines of their own, and the Americans spreading their ener-

gies over no less than eight different ten-year projects mostly based on the use of enriched uranium. All of the participants in this varied research programme are confident that sooner or later nuclear energy will be produced at prices competitive with classic electricity. But none of them are bold enough to make predictions about when that will happen, nor to pretend to know in advance which of the many different avenues being explored will lead to that goal. They regard their co-operative undertaking as a series of immense experiments, and you will find no Western Government ready to write into a national development plan or economic forecast the dogmatic assertion that such-and-such a quantity of power will be generated by such-and-such means in the year so-and-so.

If the statement that India will produce one million kilowatts of nuclear power by the end of the Third Plan is a firm economic target like the objectives set for other industries, then it is of a sort that no Western Government would accept in the present state of expert opinion. If, on the contrary, it is intended that the nuclear power station at Tarapore in Maharashtra should be India's contribution to the many-sided research effort now in progress, it would of course be welcomed by the European experts—who would naturally leave it to India to judge whether she can afford to make that contribution at this stage of her economic development. The Euratom scientists concur in the recent judgment of the US Atomic Energy Commission: nuclear power is for the future and meantime all projects must be purely "qualitative" or experimental. Toward the end of this decade, a selection will be made among the various lines now being explored, according to which have shown themselves to be more economic. Then and only then will it be time to pass on to "quantitative" development, i.e., to choose the most suitable form of nuclear power generation and expand it for economic purposes.

In the second half of the 1950's the British nuclear power programme was regarded as the model by the other West European Governments, and the six-nation Euratom hastened to write an ambitious plan along the same lines. But today, both the Euratom plan and its British model have been virtually scrapped, and the European nations see the course chosen by the Americans as ideal, though they cannot afford to imitate it. The Americans have allocated credits totalling $2,500 million (complemented by private investments) to a research plan that is spread over ten years and divided among eight quite different sorts of project, of which the most serious contestants are the Pressurised Water Reactor, the Boiling Water Reactor, the Organic Moderated Reactor and the Breeder. The cost of electricity generated in a conventional power station today is about 7 mills (i.e. seven thousandths of a dollar) per kwt-hour. If nuclear power stations were to be built now using these eight different types of reactor the cost of a kwt-hour would vary between 9.3 mills at the lowest (that is, 30 per cent dearer than conventional power) and 12.5 mills. The Atomic Energy Commission has, in effect, set the eight contestants on a race to see which can get down to the figure of 7 mills first. Unable to finance similar competition, the West European nations are entering their own starters in the same race, each concentrating on one or two projects or pooling their resources for a joint project. There is a considerable difference between this approach to the future of nuclear energy, and the assumption that large sums can now be committed to investments in a series of reactors of a given type, as part of a national development plan.



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Economic Report from the U.S.

FOREIGN AID

By GUY SIMS FITCH

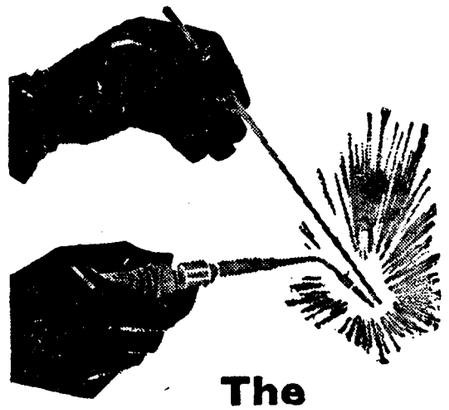
WASHINGTON, Sept. 7.

IT has become the fashion to describe last August's special session of the U.S. Congress as a sort of fore-runner to the election campaign, and as largely unproductive of major legislation. To those interested primarily in domestic developments, this latter description may have a certain validity. From the point of view of foreign economic policy, however, the situation is very different. In this field, the record made during the special Congressional session has emerged as highly productive indeed. One need look only at the appropriation voted for the Mutual Security Programme, which embraces several key elements in U.S. assistance to other countries. When the Congress recessed its regular session last July, the House of Representatives had voted $3,500 million in foreign aid, a good $600 million less than President Eisenhower had requested. When Congress returned for the brief August Session, the two chambers brought the enactment of an appropriation measure calling for well over 700 million, one of the largest aid appropriations of recent years and a full $800 million more than had been appropriated the previous year.

Throughout the August deliberations, it was clear that foreign aid opponents in Congress had little chance of success in their efforts to cut the programme back to any significant degree. As a matter of fact, in a last-minue effort, aid supporters even managed to increase the original compromise by an additional few million dollars. This alone would have been sufficient to render Congressional handling of foreign aid specially gratifying this year. There were, however, other signal achievements, in the form of special aid authorizations urgently requested by President Eisenhower. One was the $100 million aid package to help the U.N. put the Congo back on its feet. The other was the very important Latin American aid programme, for which Congress authorized the full $500 million request, plus $100 million for earthquake reconstruction in Chile. Action on the large Latin American programme is particularly significant in the light of the economic conference that began in Bogota, Colombia, on September 5, under the auspices of the Organization of American States (OAS). With the Congressional authorization in hand, U.S. Under Secretary of State C Douglas Dillon and members of the U.S. delegation, were in a position to talk frankly and concretely about the projected new approaches through which the United States plans to assist the Latin American nations in their efforts to improve the lot of their peoples.

This new Latin American programmes goes beyond the usual development aid into such realms as housing, land reform and social as well as economic improvements. Exactly how it will be administered, and what parts will be played sufficiently by such agencies as the OAS. the U.S. Development Loan Fund (DLF), and the projected inter-American Development Bank, are details that still must be decided. But the $900 million authorization provides a sound basis on which discussions can be held and joint planning can start. This programme, of course, is visualized not as a substitute for, but rather as a complement to, the economic development projects financed by such U.S. agencies as the DLF and the Export-Import Bank. It thus represents another move in the far-flung and continuing U.S. effort to accelerate economic progress around the world, while recognizing the special ties which have marked U.S. relations with its Latin neighbours — witness the long standing and constructive activities of the OAS.

A breakdown reveals that $48,000 million, has gone into economic aid and $26,000 million into military aid while $5,000 million has taken the form of capital subscriptions to such United Nations bodies as the World Bank and the International Monetary Fund. Now, the appropriation of another $3,700 million for the fiscal year ending next June 30 guarantees that there will be no lessening of the aid programme. In fact, the United States has been urging other industrial nations, themselves the past recipients of U.S. economic aid, to step up their development assistance in line with their current capabilities. The creation of the new organization for Economic Co-operation and Development (O.E.C.D.) in which the United States and Canada are associated with the free nations of Western Europe, is one important step in this direction. It is no wonder that the United Nations, in a special report made a few weeks ago credited U.S. leadership for helping the world to understand the needs of developing nations, and for helping to expand the flow of public development capital. This flow, the report noted, has been "clearly a major element in the economic development."



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WORLDGRAM

India

Exploring Oil in Rajasthan: It is now revealed that Standard Vacuum Oil Company has submitted proposals to the Government of India for exploration of oil in the Jaisalmer area of Rajasthan. This follows the official statement in the Lok Sabha recently that the Government of India was at present studying the proposals submitted by a foreign oil company for exploration in the Rajasthan area. The proposals were submitted in response to the Government of India's appeal to foreign oil concerns to engage in the research for oil in India.

*

Further Assistance to Nepal: Under agreements signed between the Government of India and Nepal, Nepal will receive a grant of Rs. 91.5 lakhs for its economic development. This amount will be available for utilisation up to March 31, 1966. The agreements were signed in Khatmandu on August 31, 1960. The fields in which the grant assistance will be utilised are: development of horiticulture, Rs. 25 lakhs; vetrinary services, Rs. 25 lakhs; forestry, Rs. 15 lakhs; Engineering school, Rs. 8.5 lakhs; and industrial estates, Rs. 18 lakhs. The present assistance is an addition to the aid of Rs. 10 crores (also a grant) already given to Nepal by the Government of India for use in various fields like construction of roads, Trisuli Hydro-electric Project, Irrigation and Water Supply Projects, Local Development Works, Establishment and Maintenance of Maternity and Child Welfare Centre and Community Projects etc.

*

Allahabad Agricultural Institute: The Allahabad Agricultural Institute has been a poineering institution in the field of agriculture. From a very humble beginning in 1910, the Institute has grown into an important centre of agricultural teaching, research and extension. It is commemorating 50 years of service this year. This includes a week of celebrations in October 1960 (23rd to 30th).

*

Electricity Output in May 1960: The total electricity produced by the public utility power stations in India in May 1960 was 1,380.7 million kwh. of which 1,119.4 million kwh. were sold to ultimate consumers. Corresponding figures for May, 1959 were 1,239.2 million kwh. and 999.4 million kwh. and for May 1951, these were 503.5 million kwh. and 404.9 million kwh. respectively. These figures indicate an annual increase of about 11 per cent in electricity production. The statistics for May, 1960 are based on 850 returns received from the public electricity supply undertakings.

*

Newspapers in India: About 7,650 newspapers and periodicals are being published in India in English and Indian languages. In 1959, there was an increase of 10 per cent in the number of newspapers and periodicals and 11.2 per cent in their circulation, as compared with the previous year. The largest number of newspapers, about 20 per cent, are published in English. About 19 per cent of the newspapers are published in Hindi, 9.2 per cent in Urdu, about 7 per cent in Gujerati, 6.6 per cent in Bengali, and 5.2 per cent in Marathi. Newspapers in other languages account for less than 5 per cent each. About 11 per cent of the newspapers are bi-lingual or multi-lingual. Hindi newspapers are published in all States except the Union Territories of Manipur, Tripura and Andamans. The number of dailies, published in different languages is 491. Their total circulation is about 47 lakhs. Nearly 2,080 monthlies with a total circulation of 56 lakhs, are also being published. In 1959, 42 newspapers had a circulation of over 50,000 each — 10 of them with a circulation of over 1 lakh. Among the latter are a Tamil daily, a Tamil tri-monthly and a Hindi monthly. There are 98 newspapers with a circulation ranging between 20,000 and 50,000 each. Per lakh of population, 2.1 newspapers are being published in India. Language-wise, the proportion is the highest in Gujerati — 3.2 newspapers per lakh of population. For every thousand persons in India, the number is the highest for Tamil, 82.2. Taking daily papers separately, for every thousand of population the distribution of their copies is 12.1. Comparable figures for some other countries are: United Kingdom 573; Sweden 462; Finland 420; Japan 409 and the United States 337. About 45 per cent of the newspapers are owned by individuals, 29 per cent by societies and associations, 7.7 per cent by Joint Stock Companies, and 8.2 per cent by firms and partnerships. The share of Government publications is 5.4. Three of the dailies are owned by co-operative societies. The first newspaper in India was published in Calcutta in 1780, called 'Bengal Gazette' or 'Calcutta General Advertiser.'

United Kingdom

Funds for Colonial Development: Britain provided the record sum of £25,500,000 in the last financial year for development and welfare schemes to benefit overseas territories. Provisional figures were announced the annual return of schemes made under the Colonial Development and Welfare Act by the Secretary of State for the Colonies. The return covers the period April 1, 1959 to March 31, 1960. Issues from funds for development projects in overseas territories made during the year by the United Kingdom Government reached the total of £24,115,000 with a further £1,470,000 for research. These figures bring the total sum issued since April 1946 to £200,604,770, of which £184,642,442 was for the development and welfare and £15,962,328 for research. Commitments undertaken during the year totalled £33,001,222 for development projects and £2,370,000 for research.

U.S.S.R.

Finland to Build Ocean Going Tankers for Soviet Union: A contract under which Finland will build 8 ocean-going tankers for the Soviet Union in 1964-65 was signed recently between the Soviet: "Sudoimport" Agency and the Finnish "Rauma Repola" joint stock company. The new order represents an extension of the contract concluded in May 1960 during the fourth Finnish Industrial Exhibition in Moscow. An understanding was reached then on the supply to the U.S.S.R. of 15 ocean-going tankers in 1961 and 1963. The contracts were concluded within the framework of the Third Five-Year Agreement signed in the autumn of 1959 in Helsinki.

*

Assistance to Syrian Region of U.A.R.: The Soviet Union will render technical assistance to the Syrian Region of the U.A.R. under the terms of a protocol signed recently. The protocol provides for technical assistance in the construction of a nearly 770-kilometre long Kamyshli-Aleppo-Latakia railway line through a pass, a nitrogen fertiliser plant with an annual output capacity of 1,10,000 tons of ammonium nitrate, a lubricacating oil plant with an annual output capacity of 25,000 tons and other projects essential to the economic development of the Syrian Region of U.A.R. The protocol also provides for an increased scope of geological prospecting for oil and other minerals.

Yugoslavia

Wheat Becoming Yugoslavia's Most Important Export: According to preliminary figures issued by the Federal Institute of Statistics, 4,27,000 wagonloads of wheat and rye have been produced in Yugoslavia this year. Out of this, 15,000 wagonloads will be available for export. According to the plan of long-term development, the production of wheat will be constantly rising in Yugoslavia, so that in the foreseeable future one of the largest passive items in Yugoslavia's balance of payments will become one of the most important figures in her foreign trade. Five years ago, wheat imported accounted for two-thirds of Yugoslavia's balance of payment deficits.

*

Work in Ship-building Industry to be Expedited: A Yugoslav scientist has constructed an instrument which makes it possible to work out the most important ship-building elements, such as displacement, stability at large inclinations, buoyancy, rolling etc. in a few hours. Experts think that the instrument will be of great significance in industry as it now takes 15 to 30 days to work out these elements. Both Yugoslavia and foreign ship-builders are greatly interested in the instrument which has been named "ship analyser." Its first prototype will be built at the Institute in co-operation with the mathematical department of the Institute for Nuclear Science.

Belgium

Belgian Locomoives for the Sudanese Republic: Following a tender in which the world's principal constructors competed, the "Societe Anonyme Cockerill-ougree" of Seraing was recently awarded a contract for the supply of 15 Diesel-electric main-line locomotives to the Sudanese railways. The locomotives under order are of the streamlined twin-cabin CC type, weighing 100 tons and developing 1,850 h.p. The electrical transmission parts are to be built by "Ateliers de Constructions Electriques de Charleroi" (A.C.E.C.). This large order is to be fulfilled within 13 months.

Malaya

New Battery Plant: Malaya's first factory for the production of batteries for radios and motor vehicles was opened on July 9, by the Minister of Commerce and Industry at Petaling Jaya, Kuala Lumpur. The new firm of Century Batteries (Malaya) Ltd. with $M1.5 million capital, is a subsidiary of the well-known Century Storage Batteries Company Ltd., of Australia, and will produce batteries of identical quality under the same trade mark as the parent company. Malayans have subscribed 45 per cent of the total and the Malayan Government has granted the company pioneer status, which gives them tax exemption for the first five years. The initial capacity of the factory is 50,000 batteries a year with a potential of 80,000, sufficient to meet the demands of Malaya, Singapore and neighbouring countries.

Israel

Exports in July: Israel's exports is July totalled $13.4 million, a rise of 25 per cent over the $10.7 million recorded during July of last year, the Central Bureau of Statistics and the Ministry of Commerce and Industry announced recently. The Ministry's spokesman added that the rise was mainly in industrial goods. In the January-July period exports totalled $134.6 million as against $113.6 million in the same period last year. Of this sum citrus fruit brought in $41.4 million compared to $40.6 million last year.

EEC

Main Agricultural Areas of the EEC: A special survey on agriculture in the Common Market countries has recently been undertaken by 2 international organizations: The Organization for European Economic Co-operation and European Economic Community. A detailed analysis is given of the agricultural areas such factors as natural conditions, density of agricultural population, farms structures, soil utilization, stockbreeding, yields, etc.

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I.F.C.

Investment in Mexico: The International Finance Corporation has announced a commitment to invest U.S. dollar 280,000 in Acero Solar, S.A. of Mexico for an expansion chiefly for the manufacture of high speed twist drills. Total cost of the project is estimated to the U.S. $640,000 equivalent. The IFC investment will be in unsecured dollar notes bearing 7% interest payable in dollars and maturing between 1964 and 1970. IFC will also receive a right to participate in profits. IFC's commitment is subject to completion of the necessary legal formalities.

FAO

Aid to Produce Vaccine to Fight Horse Sickness: An emergency allocation of $107,000 has been made by the Food and Agriculture Organization to combat the African horse sickness which is killing tens of thousands of work animals in the Near East and India. The use of contingency funds had been authorised by the United Nations Technical Assistance Board and this would enable the organization to help countries which wish to produce vaccines against the disease.

U.N.

World Industrial Output: The twenty-year period 1938-1958 was marked by profound changes in the distribution of world industrial output among the regions of the world, according to statistics compiled by the United Nations. As a consequence of World War II, Northern North America (the United States and Canada) replaced Europe as the prominent industrial region of the world, 'Patterns of Industrial Growth, 1938-58' shows. North America accounted for 39 per cent of world mining and manufacturing production in 1938, when Europe contributed 46 per cent of this output, the publication reveals. In 1958, however, Northern North America produced 47 per cent of world industrial goods while Europe produced 38 per cent of this total. The position in world industrial output of other regions—Latin America, Asia, Oceania—did not change materially during the 20-year period. Eacn of these regions accounted for a relatively small part of the world industrial product in both 1938 and 1958. The contribution of Asia to the volume of mining and manufacturing activity was about 7 per cent in 1938 and 1958. Corresponding figures for Latin America were about four per cent in 1938 and close to five per cent in 1958.

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NEWS IN BRIEF

INDIAN

Accordig to information available from the State Governments a total number of 8,873 village were electrified up to March 31, 1959. The expenditure incurred in this regard was Rs. 5,012.67 lakhs.

*

In a written reply to a question, the Deputy Minister of Agriculture said in the Lok Sabha that no subsidy as such was being given by the Government of India to the State Governments in respect of foodgrains issued from Central stocks. The issue prices fixed for issue of foodgrains from Central reserve, however, included an element of subsidy.

*

The entire sugar produced during 1959-60 was likely to be sold and despatched by factories by February, 1961 and the finalisation of accounts would take a few months thereafter. The sugarcane growers would be entitled to get the additional cane price due to them after accounts for this season have been finalised.

*

The Minister of Industry, Mr. Manubhai Shah, revealed that Messrs. Technoexport of Czechoslovakia had submitted towards the end of March 1960 for the consideration of the Government of India a preliminary project study in respect of the Heavy Machine Tools Plant.

*

The steady progress in the number of Indians employed on salaries of Rs. 1,000 and above by the foreign-owned companies in India was reviewed recently. Detailed examination had shown that the share of the Indians in the salary group of Rs. 1,000 - 1,500 had risen from 55.7 per cent in 1954 to 88.7 per cent in 1959. In the salary group of Rs. 1,501 - 3,000, the rise had been from 23.6 per cent in 1954 to 55.4 per cent in 1959

*

The Minister for Safety in Mines, U.S.S.R. and the Soviet Embassy in New Delhi, have been requested to supply particulars about the new device called 'Geophone' capable of forecasting, at least six hours in advance, a blow-out of coal and gas in mines.

*

The proposal for enacting Legislation to constitute a Manganese Labour Welfare Fund has been deferred till the export of manganese ore increases and the price of ore stabilises.

*

The Government of India have accepted the Tariff Commission's recommendation that protection to the Engineers' Steel Files Industry should be continued for a further period of three years up to December 31, 1963, on a reduced rate of protection duty of 35 per cent ad valorem.

*

At present about 56,000 workers in Delhi are covered by the Employees State Insurance Scheme. Eighteen dispensaries, 12 whole-time and 6 part-time, have been opened under the scheme. The number of factories in Delhi, which have been exempted from the operation of the scheme, is 47.

*

As a measure of export promotion, the Government of India propose to grant drawback of duty on certain varieties of tin plate products at the rate of Rs. 276.50 nP. per ton of tin plate content and on petrol pumps and gas plants on brand basis.

FOREIGN

The Japanese Ministry of Trade announced recently that it had decided to liberalise the imports of 257 minor items, effective from October 1. They came under the categories of pig iron, machinery, chemicals, ceramics, rubber articles, construction materials, sundries, textiles, paper and minerals.

*

The export of Holden cars since January 1 totals 6,200 and the figure for the full year is expected to reach 12,000 earning Australia £A6 million in overseas exchange.

*

The Benelux countries and Japan will accord each other most-favoured nation treatment and observe the principle of non-discrimination on imports, under an agreement signed in Tokyo on July 16, details of which were released recently.

*

The Tanganyika Government intends to do everything it can to expand the industrial sector of the economy and to encourage foreign investment.

*

Imperial Chemical Industries has signed a patent licence agreement with Montecatini of Milan for the exclusive production in the U.K. of staple fibres, filament yarns and textile monofilaments from polypropylene.

*

According to data furnished by the Netherlands Central Bureau of Statistics, in 1959, 80 new industrial enterprises were started employing 2,108 persons on December 31, 1959.

*

A somewhat tenuous 6 per cent increase in coal production has been brought about by Canadian collieries so far this year, thereby reversing a 10-year trend.

*

A new oilfield — Israel's second — was discovered recently when the Johnson stem test at well Negba 3 revealed a seven-foot layer of exploitable oil-saturated sand at a depth of over 5,000 ft.

*

It is reported pressure has been revived in West Germany to cheapen imports by a revision of tax procedure. The Economic Ministry would like to waive, at least temporarily, the turnover compensation tax on finished goods.

*

More German companies have announced plans to establish subsidiary production plants in Austria in the near future, in addition to the 23 companies which have recently started operations.

*

Fifteen countries including Britain, the U.S. and the Soviet Union, will exhibit at the 19th International Fair in Bulgaria. Other exhibitors would be Communist China, Czechoslovakia, India, Poland, West Germany, France and Yugoslavia.

*

During the first five months of this year, Italian exports to the U.K. increased by 40 per cent to £40.2 million. Italian imports from Britain also increased, but less markedly, to £37.5 million.

Special Article

THE FOREIGN TRADE GAP: 1958-60

DURING the first half of 1960, India's exports (including re-exports) at Rs. 301 crores registered an improvement of Rs. 35 crores only over the corresponding period of the previous year. This has no doubt resulted in narrowing the trade gap to a certain extent, but the size of the gap in trade at Rs. 158 crores for 6 months has continued to be unduly large. It has naturally caused much concern in New Delhi during the last fortnight. A scrutiny of the export figures has revealed that there are two basic reasons for this slight improvement in exports. In the first place, there has been an increased volume of trade with the communist countries which has partly assisted in raising the level of export earnings. In the second place, the terms of trade have improved in India's favour and have increased the money value of exports without any substantial increase in the volume of exports.

Table I below shows the figures of imports, exports and balance of trade for the complete years 1958 and

TABLE I

INDIA'S BALANCE OF TRADE (AREA-WISE): 1958-1960

(Rs. Crores)

Country	1958			1959			January—June 1959			January—June 1960		
	Imports	Exports*	Balance of Trade	Imports	Exports*	Balance of Trade	Imports	Exports*	Balance of Trade	Imports	Exports*	Balance of Trade
Common Market Countries	163.7	38.9	—124.8	190.5	47.8	—142.7	103.3	21.2	—82.1	92.2	23.1	—69.1
West Germany	93.9	14.8	—79.1	118.7	19.6	—99.1	62.7	8.2	—54.5	58.2	9.9	—48.3
Netherlands	9.8	6.8	—3.0	13.1	9.0	—4.1	5.8	3.9	—1.9	6.3	3.7	—2.6
France	17.0	7.2	—9.8	19.1	8.3	—10.8	9.8	4.3	—5.5	8.6	3.7	—4.9
Italy	25.6	5.5	—20.1	25.9	5.7	—20.2	16.8	2.8	—14.0	10.5	3.4	—7.1
Belgium	16.6	4.6	—12.0	13.4	5.2	—8.2	8.2	2.0	—6.2	8.5	2.4	—6.1
Luxembourg	0.8	—	—0.8	0.3	—	—0.3	—	—	—	0.1	—	—0.1
Little Free Trade Area	196.3	172.1	—24.2	197.4	178.6	—18.8	94.5	69.9	—24.6	114.5	77.5	—37.0
U. K.	168.5	166.3	—2.2	172.7	172.2	—0.5	82.2	66.7	—15.5	100.3	74.7	—25.6
Sweden	9.0	1.5	—7.5	10.7	1.4	—9.3	5.3	0.7	—4.6	6.1	0.7	—5.4
Norway	3.4	1.1	—2.3	2.0	1.3	—0.7	1.0	0.6	—0.4	1.3	0.6	—0.7
Switzerland	9.7	0.8	—8.9	7.8	0.9	—6.9	3.8	0.4	—3.4	4.3	0.3	—4.0
Denmark	3.3	2.0	—1.3	1.9	2.3	+0.4	1.1	1.3	+0.2	0.9	1.0	+0.1
Austria	2.1	0.2	—1.9	1.9	0.2	—1.7	0.9	0.1	—0.8	1.4	0.1	—1.3
Portugal	0.3	0.2	—0.1	0.4	0.3	—0.1	0.2	0.1	—0.1	0.2	0.1	—0.1
Communist Countries	38.0	33.4	—4.6	36.2	51.4	+15.2	16.9	19.7	+2.8	15.1	28.8	+13.7
U.S.S.R.	21.7	23.3	+1.6	16.7	30.4	+13.7	6.9	13.0	+6.1	5.4	15.0	+9.6
Czechoslovakia	6.5	3.9	—2.6	3.7	4.2	+0.5	1.6	2.3	+0.7	3.6	3.4	—0.2
China	5.3	3.4	—1.9	4.8	7.8	+3.0	2.2	0.8	—1.4	1.9	4.4	+2.5
Poland	2.3	0.9	—1.4	4.0	3.6	—0.4	2.7	0.5	—2.2	1.1	1.7	+0.6
Germany (East)	1.1	0.7	—0.4	3.1	2.5	—0.6	1.6	1.4	—0.2	1.3	2.9	+1.6
Hungary	0.6	0.6	—	2.4	0.7	—1.7	1.5	0.4	—1.1	0.7	0.4	—0.3
Bulgaria	0.1	0.1	—	0.2	0.2	—	0.1	0.2	+0.1	0.1	0.2	+0.1
Roumania	0.4	0.5	+0.1	1.3	2.0	+0.7	0.3	1.1	+0.8	1.0	0.8	—0.2
Commonwealth Countries	125.1	127.9	+2.8	109.2	116.1	+6.9	54.4	52.6	—1.8	55.2	49.4	—5.8
Canada	34.7	14.5	—20.2	22.2	15.1	—7.1	9.0	7.5	—1.5	5.1	8.1	+3.0
Australia	15.3	21.4	+6.1	11.8	19.2	+7.4	6.7	8.8	+2.1	7.6	8.4	+0.8
Aden	0.8	7.3	+6.5	1.1	5.6	+4.5	0.4	3.0	+2.6	0.6	2.6	+2.0
Bahrein Islands	2.9	3.0	+0.1	4.2	2.4	—1.8	1.7	1.3	—0.4	2.5	0.9	—1.6
Pakistan	6.3	7.2	+0.9	5.5	6.3	+0.8	2.4	2.7	+0.3	8.3	4.0	—4.3
Ceylon	4.3	20.1	+15.8	6.0	22.2	+16.2	2.8	10.2	+7.4	1.7	9.3	+7.6
Singapore	9.3	10.4	+1.1	9.1	7.7	—1.4	3.5	4.0	+0.5	5.9	3.4	—2.5
Federation of Malaya	10.7	4.9	—5.8	10.5	4.7	—5.8	4.2	2.5	—1.7	6.1	2.0	—4.1
Hongkong	0.9	5.4	+4.5	1.0	3.3	+2.3	0.5	1.7	+1.2	0.5	1.2	+0.7
Kenya	11.5	4.8	—6.7	11.6	4.9	—6.7	8.0	2.3	—5.7	7.9	2.4	—5.5
Tanganyika	2.9	2.4	—0.5	3.3	2.8	—0.5	1.1	1.3	+0.2	1.8	1.2	—0.6
Rest of Commonwealth	25.5	26.5	+1.0	22.9	21.9	—1.0	11.5	9.9	—1.6	7.2	5.9	—1.3
U.S.A.	161.5	93.1	—68.4	195.4	95.4	—100.0	107.7	46.5	—61.2	83.0	52.0	—31.0

* Includes Re-exports.

1959; it also sets out a comparison of the figures for the first half years of 1959 and 1960. The last column in this table indicates that except for the communist countries, the gap continues to be unfavourable to India in the case of almost all the major groups of countries. The gap with the Common Market countries at Rs. 69.1 crores was slightly lower than the gap at Rs. 82.1 crores registered in the corresponding period last year. In the case of the Little Free Trade Area, the adverse balance rose from Rs. 24.6 crores to Rs. 37.0 crores. This was also the case with the Commonwealth countries. It was only in the case of the communist countries that the balance of trade was favourable and increased from Rs. 2.8 crores to Rs. 13.7 crores. Amongst the communist countries which contributed significantly to the favourable trade gap were the U.S.S.R., Poland, China and East Germany. Amongst the Commonwealth countries, Canada, Australia, Aden and Ceylon also indicated favourable balances of trade, though the Commonwealth group of countries as a whole continued to exhibit an unfavourable balance of trade.

It may be stated that while the balance of trade continued to be unfavourable, the export earnings from the Little Free Trade Area showed improvement. This was also the case with the Common Market countries and the U.S.A. Here, the increased earnings were due, in the main, to the improved terms of trade. It means that India's exports to these countries were now fetching higher prices than a year ago. Confirmation of the improvement in India's terms of trade was obtained from 2 leading export commodities on India's export list. These two commodities were tea and hessian cloth. The average price of tea earned in the first 6 months of 1960 was Rs. 2.69 per lb. as against Rs. 2.51 per lb. in the same period last year, thus recording a rise of more than 7 per cent due to higher prices. Again in the case of hessian cloth, the gain was much higher. While the average yield per ton was Rs. 1,535 in 1959 January-June, it rose to Rs. 1,707 in 1960 (January-June) thus indicating an improvement by 11.2 per cent alone.

The overall terms of trade figures, released by the Department of Commercial Intelligence and Statistics, Calcutta, are not available till June 1960. However, the figures are available for the first quarter of the current year. Table II below compares the net terms of trade month by month for the first quarters of 1959 and 1960. In January 1960, the terms of trade showed an improvement of 11 per cent over January 1959. This advantage rose to 14 per cent in February but once again dropped to only 5 per cent in March. The average improvement in India's terms of trade over the quarter has thus worked out to be about 10 per cent per month.

It is obvious that whatever little improvement has taken place in India's foreign trade earnings has not been due to any export drive but partly because of the rupee account trade with the communist countries and partly due to the fortuitous turn of terms of trade in India's favour.

TABLE II

NET TERMS OF TRADE

	1960†	1959*
January	108	97
February	108	94
March	112	107

† Base: 1958 : 100

* Base: 1952-53 = 100

Note: The Net Terms of Trade Index for 1958 with 1952-53 as base was almost 100.

THE INDIAN BANK LTD.

H. O: NORTH BEACH ROAD, MADRAS-1

CAPITAL

Authorised Capital	**Rs. 1,00,00,000**
Subscribed Capital	**Rs. 88,60,000**
Paid-up Capital	**Rs. 82,98,990**
Reserve & other Funds	**Rs. 83,01,884**
Deposits as on 31-12-1959	**Rs. 43,92,73,211**

DEPOSITS

CURRENT ACCOUNT — SAVINGS BANK — FIXED, SHORT TERM DEPOSITS -3 YEAR CASH CERTIFICATES YIELDING 4·06% COMPOUND INTEREST

FOREIGN EXCHANGE

FOREIGN EXCHANGE OF EVERY DESCRIPTION :

London Agents : WESTMINSTER BANK LIMITED

New York Agents: FIRST NATIONAL CITY BANK OF NEW YORK

G. S. SUNDARAM, *Secretary*

ESTD-1907

UNDER SECRETARY TO G VERNMENT
2 1 SEP 1960
PUBLIC DEPART

THE BUSINESS WORLD

Haste in Steel Expansion

By CROESUS

WHEN people steeped with experience in steel for decades questioned the wisdom of fixing the target for steel production under the Third Five-Year Plan at 10 million tons, some time ago, the experts in the Planning Commission chose to differ, although, eventually, they did come down somewhat. What they seem to have failed to appreciate is that the expansion of steel capacity, which is inherently a slow business, will have to remain an essential feature of not one but several five-year plans and that the pace of expansion cannot be unduly hastened. Referring to the rapid and serious deterioration in the supply situation of coal and iron ore, Mr. J. R. D. Tata, Chairman of the Tata Iron and Steel Co. Ltd., in his statement to the shareholders released with the 53rd Annual Report of the Company (1959-60), has this to say: "....the difficulties which we must still overcome to get full production from expanded facilities...relate mainly to the deterioration in the quality of coal and of iron ore, to delays and irregularities in the transportation of raw material to Jamshedpur over a heavily strained railway system, as well as to the need for certain modifications and additions to the ore crushing and screening plant and to steel melting shop No. 3: Some of the remedies require action by us, others by Government."

Now this is a clear exposition of the position without any mental reservation. According to the Tisco Chairman, the difficulties are not only coal shortage and irregularities in transportation, but also deterioration in the quality of both coal and iron ore, besides the need for certain modifications and additions to the Company's plant. But the Union Minister of Steel, Mines and Fuel does not seem equally prepared even now to take the public fully into confidence. Material facts have been omitted from the statement which amounts to "suppressio veri." There is no mention whatsoever in the Minister's statement about the equality of coal, although the Railway Ministry has not been slow to refer to the inferior quality of coal, if only as a justification for its inability to provide all the 5,000 wagons needed to transport coal to the steel plants. Then, again, the Union Minister for Steel made no reference to the immediate prospects of a third blast furnace—the second blast furnace at Durgapur expected to be ready in October—also joining the two idle blast furnaces, one at Rourkela and another at Bhilai. What is significant is that, while the difficulty with regard to coal shortage was anticipated, no difficulty was anticipated with regard to iron ore. Yet the Union Minister for Steel stated that, in Bhilai, the production dropped in June and July because of the low stocks of the iron ore and poor receipts of coal. This shows that the powers-that-be manage to get into difficulties even where these are reasonably avoidable. Is it not fantastic that, even with our very large iron ore reserves, the first grade quality of which alone is estimated at about 21,000 million tons, we manage to become confronted with low stocks of ores in our steel plants?

There is another raw material, the difficulty in respect of which has yet to make itself felt. It is the shortage of good quality limestone particularly necessary for use in the open hearths, and all the public sector steel plants, excepting Rourkela which has also adopted the new L-D process, it be noted, have open hearth blast furnaces. In an address delivered to the students of the Defence College, Wellingdon, in June last, Sir Jehangir made a reference to this difficulty and said: "Supplies are by no means plentifully available in the vicinity of the steel plants, although the country as a whole has large reserves. At present, all the limestone for the steel plants is drawn from one area, the Sundergarh district of Orissa except for Bhilai, which obtains supply from a nearby quarry at Nandini. Reportedly, Durgapur is looking for alternative sources of supply in the Shahabad district of Bihar, but it will be some time before demand is actually diverted from Sundergarh. In the meantime, the scramble for good limestone is getting increasingly worse, because, although the ore could conceivably yield larger supplies, this depends on the availability of rail transportation from new quarries." In the context of this, it would not be surprising if, by the time the projected Ranchi and Rourkela railway line is commissioned, the steel plants were to experience difficulties in regard to supply of limestone as well. When warnings are uttered against going in for more steel plants, it is these and similar difficulties that provoke one to sound a note of caution.

After years of running their steel plant, the Tisco management, we are told, has now been confronted with the problem of improving the quality of iron ore despatched from its mines and of ensuring regular supplies of properly blended and sized ores to the plant. It has, however, lost no time in taking in hand a programme designed to provide a permanent solution of this problem, namely, by improving the performance of the ore crushing and screening plant, as a short-term measure, and by beneficiating the ore raised at the mines and storing and blending it before feeding it to the sinter plant and blast furnaces, as a long-term measure.

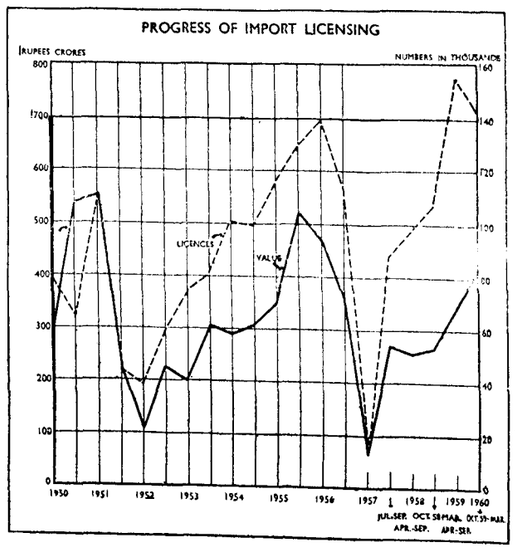
I would commend the latest annual report of the Tisco for the detailed scrutiny of Mr. Swaran Singh in order to be able to appreciate the difficulties involved in the proposed expansion of the steel plants in the public sector. By the time the expansion programmes are completed and the contemplated targets of production are achieved, there are bound to be a number of difficulties. While all would like the country's steel target to be achieved, we should bear in mind the wise words of Sir Jehangir that "the commissioning of a plant is not the same thing as bringing it to full rated production. This will take, as is borne out by the experience of steel plants all over the world, some two to three years. If everything goes well, we may expect the Second Plan target of 4.5 million tons to materialise in terms of production by the end of 1963. This is, of course, hoping for the best, but actually, it may take a year longer."

Business Notes

Foreign Trade

IMPORT LICENSING

THE FIGURES available in respect of import licensing during the Second half of 1959-60 reveal that, by and large, the object of import policy remained the same as for the first half of the fiscal year. An effort was, however, made by import control authority to adjust quotas of 93 items in a manner which would give relief and improve supplies in the case of commodities whose demand was more pressing. This was done by saving foreign exchange through the reduction of quotas of 40 items considered comparatively less essential or where indigenous production had increased. There were 53 items for which quotas were enhanced. These included asbestos packing, fractional horse power motors, garage tools, hydrosulphate of soda, gum arabic, cork manufactures, dyeing and tanning substances and bleaching powder, scientific and mathematical instruments and apparatus.



One significant feature in respect of licensing during the past two years is that the number of licenses is increasing in relation to value. This can partly be explained by the fact that the number of actual users, who account for comparatively lesser value, is on the increase. Then there are those who secure import licences against Export Promotion schemes. Apart from this, it seems that the issuing of supplementary licences too had increased. Overall, there appears to be more paper work in the licensing department than before, which does not contribute to economy in expenditure of foreign exchange. While, therefore, it is necessary that the interest of actual users and other importers are safeguarded, the department should, as far as possible, reduce complications and paper work so that delays are minimised.

INDO-NEPAL AGREEMENT

THE INDO - NEPAL trade treaty signed the other day at Khatmandu is based, as usual, on the principle of reciprocal benefits, but Nepal has reason to be satisfied that the preponderance of benefits goes to her. The treaty will come into force on November 1. Its outstanding feature is that India will import Nepalese industrial products freely, while Nepal will be free to impose customs duties on Indian manufactures. In respect of trade with countries other than India, Nepal will be free to regulate it according to her own rules and regulations. Foreign exchange which was pooled so far with India, will now be separated and Nepal's account will be maintained in the National Rashtra Bank instead of in the Reserve Bank of India. Nepal has been accorded full transit facilities for her trade through India.

It would be interesting to note that main imports into India by land consist of wood and timber, jute manufactures, mustard and rapeseed, linseed, oilcakes, rice husked, rice unhusked, pulses other than gram and gram products etc. India's main exports to Nepal are cement, kerosene, salt, sugar, tobacco, cotton piecegoods, etc. In the twelve months ending April to March 1960, India exported to Nepal 2,43,325 maunds of cement 5,81,634 maunds of salt and 32,437 maunds of sugar refined and 27,099 maunds of manufactured tobacco. In 1958-59, cement, salt, sugar refined and manufactured tobacco exported was 199,563, 830,766, 69,029 and 38,311 maunds respectively. It will be observed that in 1959-60 while the share of cement in India's exports to Nepal went up, that of salt, sugar and tobacco declined.

This treaty serves to further underline the increasing economic co-operation between the two countries. For, in addition to the aid which India is giving of Rs. 23.8 crores, Nepal will derive considerable benefits from the Kosi and Gandak projects for her irrigation and power supply.

Fibres

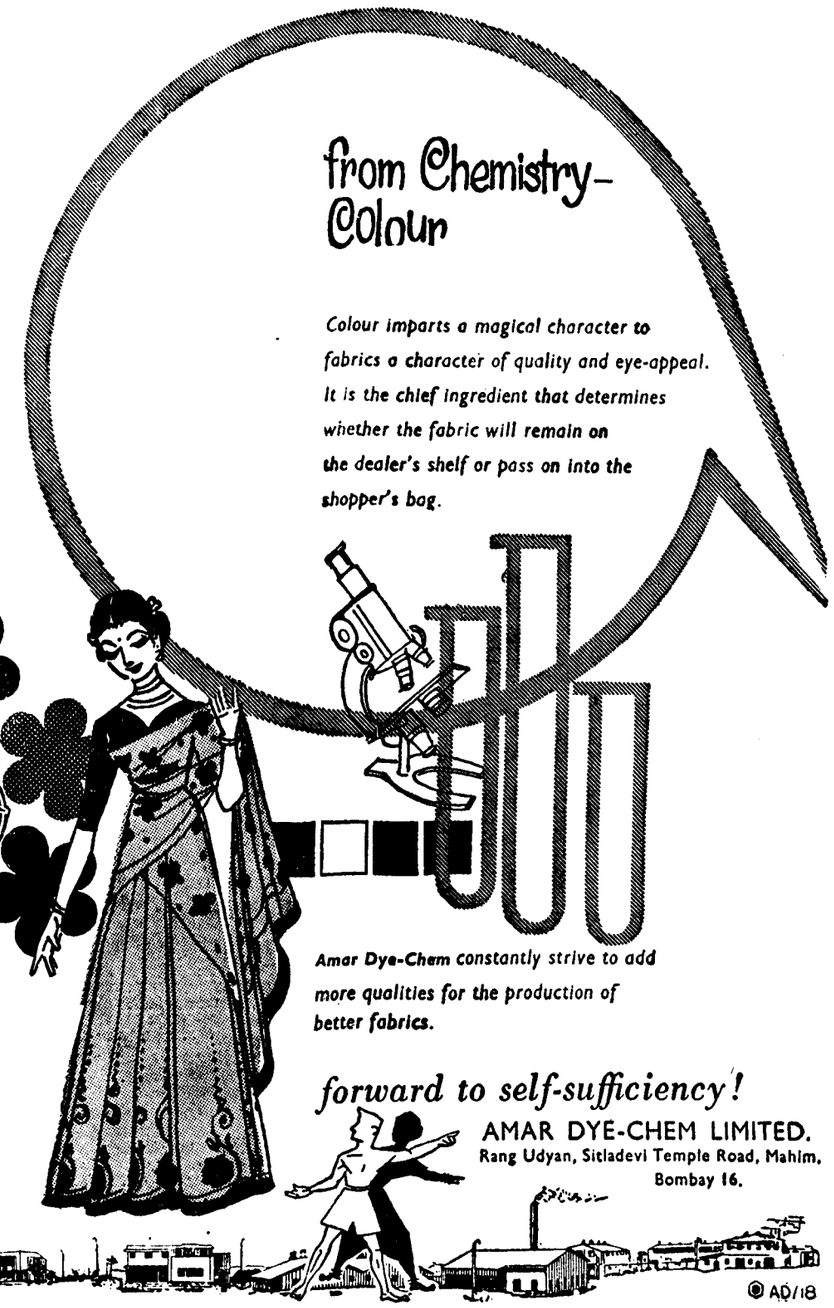
MORE FACILITIES FOR RAYON

MR. C. C. DESAI, Chairman, Association of Man-made Fibre Industry in India, has advocated in a well reasoned plea the inclusion of Viscose Rayon and Celluiose Film within the perview of Sec. 56A of the Taxation Law (Amendment) Bill, 1960. He has suggested that the item "Man-made Fibres other than Viscose Rayon" in the proposed amendment to the above mentioned Bill be changed to "Man-made Fibre including Cellulose Film." This, he stressed, is necessary because viscose rayon retains the prime position among man-made fibres and the biggest use is for tyre-cord, the output of which saves considerable amount of foreign exchange. Viscose fibre also reduces the dependence on long staple cotton, which again has to be imported in large quantities involving a lot of foreign exchange. Viscose rayon is also cheaper as compared to non-cellulose fibre and can satisfy the demand of lower and middle income groups. Moreover, even as a source of revenue to the State it is an attractive proposition because quite recently the excise duty on rayon was raised by about 60 per cent. On these grounds, Mr. Desai has stressed that the output has to be raised which would be possible only through the expansion of present units or the establishment of new units. In either case the capital in most cases has to come through foreign institutional collaboration or participation. In that case, Mr. Desai adds, the facilities granted under Sec. 56A, if extended to Viscose Rayon and Cellulose Fibre, would greatly encourage the inflow of capital. It is to be trusted, therefore, that the Government of India will give close attention to this plea.

Re-insurance

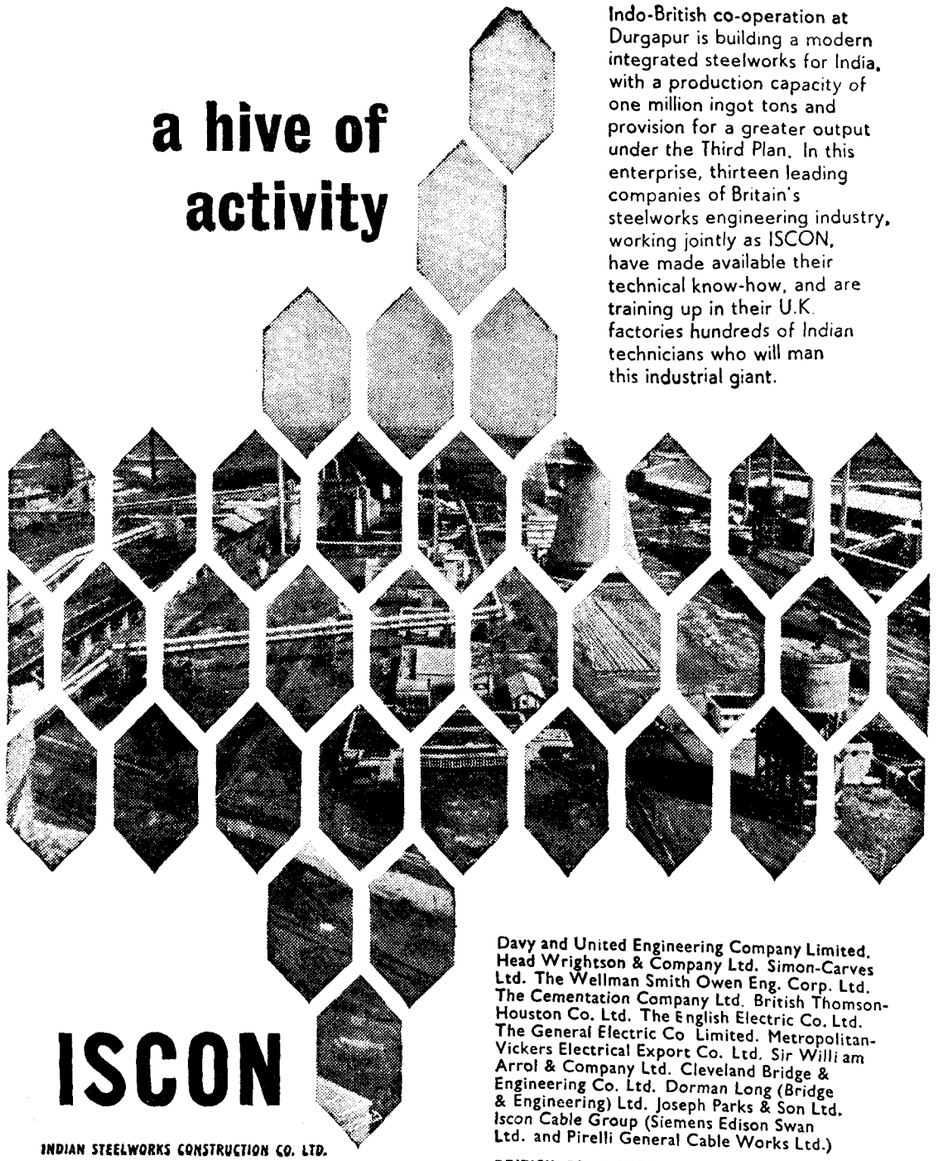
IRC's CONFIDENT RECORD

RECENTLY THE Government decided to convert the Indian Guarantee and General Insurance Co. into a professional reinsurance body and, while announcing the



a hive of activity

Indo-British co-operation at Durgapur is building a modern integrated steelworks for India, with a production capacity of one million ingot tons and provision for a greater output under the Third Plan. In this enterprise, thirteen leading companies of Britain's steelworks engineering industry, working jointly as ISCON, have made available their technical know-how, and are training up in their U.K. factories hundreds of Indian technicians who will man this industrial giant.



ISCON

INDIAN STEELWORKS CONSTRUCTION CO. LTD.

Davy and United Engineering Company Limited, Head Wrightson & Company Ltd. Simon-Carves Ltd. The Wellman Smith Owen Eng. Corp. Ltd. The Cementation Company Ltd. British Thomson-Houston Co. Ltd. The English Electric Co. Ltd. The General Electric Co Limited. Metropolitan-Vickers Electrical Export Co. Ltd. Sir William Arrol & Company Ltd. Cleveland Bridge & Engineering Co. Ltd. Dorman Long (Bridge & Engineering) Ltd. Joseph Parks & Son Ltd. Iscon Cable Group (Siemens Edison Swan Ltd. and Pirelli General Cable Works Ltd.)

BRITISH COMPANIES WORKING FOR INDIA

PSIC 18

decision, the justification given was the need to strengthen the Indian re-insurance market. In fact, it was averred that the problem of strengthening the Indian market "was not satisfactorily solved by the establishment of the India Re-Insurance Corporation" and that it was the object of the "Indian Guarantee" to create a satisfactory re-insurance market. Those connected with the India Re-insurance Corporation, which was started only four years ago and which has made steady, if not spectacular, progress, could not very well let this charge go unchallenged. Indeed, it was expected that Mr. A. D. Shroff, Chairman of the India Re-insurance Corporation, would answer this charge. This he has effectively done in the Chairman's Statement for the year 1959 circulated last week, along with the annual report and accounts of the corporation for that year to the shareholders. In this statement, Mr. Shroff has said:

"The Corporation has made re-insurance facilities available to all companies in the Indian market on the same terms and advantages as obtained elsewhere, and a number of companies have started placing a portion of their re-insurances with the Corporation and the Corporation has also enlarged the re-insurance market by starting in its office the Re-insurance Exchange. The Corporation further made efforts to handle its portfolio of business in the most advantageous manner, and, in the short period since its formation, satisfactory progress has been made."

The latest results of working of the India Reinsurance Corporation fully bear out the claim of Mr. Shroff. Thus, in 1959, the Corporation wrote a total gross premium of Rs. 3.55 crores, as against Rs. 2.84 crores in the previous year. After taking into account the amount retroceded to members in fulfilment of its obligation, as also the premium otherwise retroceded, the total net premium income of the Corporation was Rs. 1.82 crores, as against Rs. 1.20 crores in 1958. The Corporation's net accounts show that the claims cost declined from 59.46 per cent in 1958 to 53.94 per cent; the commission cost also was lower at 33 per cent, as against 33.68 per cent in the previous year; so also management expenses which fell from 2.58 per cent in 1958 to 1.91 per cent.

FORWARD POLICY

In addition to an impressive performance, the Indian Reinsurance Corporation has increased its facultative business and placed on a firm basis its re-insurance exchange. Further, it has tackled the growing demand for guarantees in connection with hire purchase transactions in motor vehicles. The I.R.C. has also made available to its members sufficient re-insurance facilities for such guarantees, and this has been especially appreciated in view of the very limited overseas re-insurance market for this class of business. As Mr. Shroff has said, the I.R.C. has tried to save the re-insurance drain not only by improving its underwriting and by granting more re-insurance facilities to the companies in India, but also by making known in the foreign market the excellent features of the Indian re-insurance business, in particular our hull business.

The efforts of the representatives of the I.R.C. at international conferences have created a climate of understanding and brought about a better appreciation of the view-point of the Indian market in the London market. One of the immediate results that is expected to stem from this is the reduction in the rates of Indian hulls, a very large portion of which is re-insured abroad. In short, the Corporation is making all efforts to realise the objectives with which it was started, namely "to make all types of re-insurance facility available in India and to reduce re-insurance drain." Well was Mr. Shroff entitled to say, therefore, that he was unable to see how the I.R.C. has failed to strengthen the Indian market by creating a re-insurance market in the country, as alleged by official spokesmen. He also wondered how the creation of a second re-insurance company could improve the position. On the contrary, as he said, in the context of the present day trend in the insurance market, one re-insurance corporation supported by the whole industry would have served the purpose better than two corporations working separately. Yet, without even suggesting to the I.R.C. any measures that it thought fit for adoption by the I.R.C. and thereby strengthening the Indian market from the re-insurance angle, the Government has hastened to set up a second re-insurance corporation of its own. In the face of this, it was undoubtedly a significant gesture that Mr. Shroff made when he offered to the Government that the I.R.C. could always be used as a medium and went on to assure the Government the I.R.C.'s fullest co-operation.

Protection

BALL BEARINGS

THE IMPORTANCE of the ball bearing industry in the context of the rapid industrialisation of the country, is almost taken for granted. Yet Mr. K. R. P. Aiyangar, Chairman, Tariff Commission, did well to underline it while opening the public enquiry into the question of extension of protection to this industry for a further period beyond 31st December, 1960, last week. At the outset, Mr. Aiyangar traced the history of tariff protection for the industry since protection was first granted to it in 1952. According to the Tariff Commission Chief, there was only one large-scale unit in India in 1950 with an annual production capacity of 0.48 million ball bearings on a single-shift basis. Two new large units have been licensed—but the factories have yet to be established—since then, one in Poona and the other in Bombay, for an aggregated production capacity of 3.1 million ball bearings on a double-shift basis. But a small unit with a capacity of 25,000 thrust bearings per year has already been commissioned at Lonavla. In addition to this, we are told, there are 14 small-scale units producing ball bearings in the Punjab. While the figures in respect of installed capacity vary from source to source, the actual production of bearings was 1.6 million in 1957, 2.1 million in 1958, 1.7 million in 1959 and 1.3 million during the first half of 1960.

As may be expected, the demand for the products of the industry has been on the increase, but, as in respect of so many other industries, the estimates of demand vary from source to source. For instance, it was estimated at the time of the last enquiry by the Tariff Commission itself, that the demand for ball bearings up to 2" bore diameter would be 1.6 million in 1956 and that it would go up to 2.5 million in 1960-61. The Development Wing estimates, prepared on the basis of the target of the Third Five-Year Plan, on the other hand, show that the current demand itself is 4 million, while by 1965-66, the demand would shoot up to 11.68 million. Once again, therefore, the question of ascertaining the precise and the projected figure of demand faces the Tariff Commission.

The quality of the product with its vast consuming industries is said to be improving, but only slowly. Deliberate efforts are being made, such as the introduction of quality control at each stage of production, to eliminate the usual complaints of noise level in the bearings, tolerance of dimensions, shorter life of indigenous product, etc. The quality of the product may therefore be expected to improve in course of time and with the increased demand.

The same old story as in the case of many other industries is repeated with regard to the availability of sufficient raw materials for the ball bearings industry as well.

FROM THE CAPITAL'S CORRIDORS

"JANTA" CAR

THE Resolution of the Government of India on the manufacture of small (Janta) car has been gazetted. As anticipated, the Government has decided to produce this car in the public sector. An Expert Committee has been set up "to consider the feasibility of manufacturing a low-cost car within a price range of Rs. 6,500." The Government feels that the aim should really be to select, if possible, a car that will, on the one hand, be sturdy and give a really long period of trouble-free service, and, on the other hand, be available around Rs. 6,500, inclusive of transport charges, distributor's commission and taxes. This would mean that the ex-works price of the car should be around Rs. 5,000.

The Resolution further lays down that "with a view to economise in foreign exchange, an important consideration in selecting the car would be the extent to which the existing engineering facilities in the country, whether in the public sector or the private sector, could be utilized in its production."

The Ministry of Defence, which is likely to be entrusted with the manufacture of this car, has asserted that the small car which should be manufactured in this country should satisfy the following considerations:

(a) It should not cost more than about Rs. 5,000 ex-works.
(b) It should have enough room to seat 4 to 5 persons.
(c) The running cost in the shape of fuel, oil and maintenance, etc., should be low.
(d) The construction should be sturdy so that driving over bad roads and other dusty conditions does not impair the life of the car. Most small cars of today will not be able to stand out to Indian conditions of roads and usages.

It adds: "That the above conditions can be met, we have no doubt. However, it will mean very careful planning of layout and the production line as well as a high initial Indian content so as to minimise the incidence of customs duty. We feel that with the rapid extension of ancillary industries, it should be possible to commence production with an indigenous content of about 75 per cent. If the level of production is designed at 20,000 per annum, the cost can be kept down to about Rs. 5,000."

POTENTIAL MARKET

Regarding the potential market for this car, the Ministry says, "Many will question the wisdom of designing a production line of 20,000, but when one stops to think that most people are now willing to pay over Rs. 3,000 for a scooter with a delivery day of 12 months hence and that the national income is gradually increasing, there should be no room for pessimism." It has quite cleverly, coinciding with the publication of the Government Resolution, staged a demonstration of five prototypes of small cars, all following the main features mentioned above, but varying slightly in the H.P. and the available space for passengers and luggage. The object of exhibiting such a variety is to allow the potential cumtomers to make a choice between what they are prepared to pay and the comfort they desire. Two prototypes have been assembled by the Japanese firm, Nissan Motor Company, one by the Hindustan Aircraft Limited, Bangalore, another by the Technical Development Establishment, Ahmednagar, and the fifth one by Lloyd Motoren Works, West Germany. The Prime Minister who has inspected these prototypes has expressed his appreciation of one Japanese model named "Blue Bird."

COMMERCE AND INDUSTRY MINISTRY'S CONCERN

According to reports current here, the Ministry of Commerce and Industry is greatly perturbed over the queering of its pitch by its sister Ministry of Defence. It has re-invoked the blessings of the Prime Minister to own the small car manufacturing unit, promising all encouragement to the Defence Ministry to manufacture the components.

The newly set-up Expert Committee is being directed to visit Russia and Czechoslovakia with a view to examine the economies of cars manufactured in these two countries. It will not surprise New Delhi if the Union Ministry for Industry, as a counterblast to the Ministry of Defence, arranged a deal with either of these two countries. One big advantage of such a deal will be the saving in foreign exchange, any of the two countries accepting payment in Indian rupees, not only for capital equipment but also for components and technical know-how.

FORD PLANS

Meanwhile, reports from New York suggest that Ford Motors have for the first time confirmed publicly that at least part of their proposed four-seater small cars might be built abroad. Replying to the United Automobile Workers' Union, which had complained about this prospect, a spokesman of the company is reported to have said: "It (the company) has given serious study and consideration to the possibilities of using its U.S. facilities and employees for at least a substantial part of the work involved in building a competitor to the Volkswagen on the American market." This clearly indicates that the small car project of Ford Motors will probably involve some manufacture overseas.

Although the spokesman has hinted that no final decision has yet been taken on this project, a number of details of the company's plans are already known. The proposed small Ford car is tentatively named "Cardinal." Its four-cylinder engine would be in front and would drive the front wheels—the same mechanism as B.M.C. adopted for the Mini-Minor. To compete with the Volkswagen, this car would be sold in the region of $1,500 (about £570), or some $400 (£143) lower than any Ford currently on the market.

If Ford Motors go ahead with their plans to manufacture their small car in Europe, in part or completely, it would mean a major departure for the American car industry which has been hitherto content with relying on its overseas subsidiaries to supply small cars to meet the demand in U.S.A. The Ford Company has already placed some orders for parts with four U.K. companies, but the quantities are too small in relation to the company's total needs to warrant an interpretation that its proposed small car will be manufactured in Britain. The present plans are believed to involve its production in West Germany. The company's above-mentioned statement does not appear to preclude the introduction of the "Cardinal" at the rumoured time in next autumn.

"AID-INDIA CLUB" MEETING

New Delhi is anxiously waiting for the outcome of the current meeting in Paris of the "Aid-India Club."

The Union Finance Minister, Mr. Morarji Desai, had indicated in his last Budget speech that India still needed foreign exchange to the tune of Rs. 140 crores to successfully implement the "hard core" of the Second Five-Year Plan. The situation during the past three months has worsened thanks to heavier imports of raw materials like cotton and jute and increased defence expenditure. How far will the Paris meeting go in authorising credit to fill the yawning gap in India's balance of payments is the question being asked here.

As already indicated in this column, external assistance in the recent past, besides not being commensurate with the growing needs of the Indian economy, has been authorised somewhat late, necessitating financing of machinery, which was supposed to be paid for through loans or grants from friendly countries, from current export earnings. It is hoped here that steps will be taken at the Paris meeting to expedite credit authorisations in future.

Out of the 950 million dollars economic aid promised by U.S.A., Canada, U.K., West Germany, Japan and the World Bank at the first meeting of this consortium for the Second Plan period, India has been so far authorised to draw upon only 734 million dollars. The following is the break-up of this assistance in million dollars:

	Promised.	Allocated.
Canada	35	35
Japan	10	10
West Germany	123	123
United Kingdom	189	189
U.S.A.	291	165
World Bank	255	212
Total	903	734

TYAGI COMMITTEE'S RECOMMENDATIONS

More than 250 recommendations, out of a total of 367, of the Tyagi Committee on Direct Taxes have been accepted by the Government of India. This was revealed in a statement placed on the table of the Lok Sabha last week by the Union Finance Minister, Mr. Morarji Desai. The three major recommendations of the Committee which have been accepted are (1) simplification of the procedure for collection of tax from small assessees, (2) retention of the Income Tax Appellate Tribunal, and (3) withdrawal of exemption of income-tax from certain types of charitable trusts.

A number of suggestions of the Committee have not found favour with the Government. Among these the most important are (1) transference of control of the Appellate Officers in the Income Tax Department to the Law Ministry, (2) prohibiting the Income Tax Officers retiring prematurely from taking up private employment, and (3) withdrawal of the enhancement powers vested in Appellate Tribunal under other direct taxes Acts. The Committee's recommendation that the Appellate Tribunal should not be granted enhancement powers under the Income Tax Act has also not been accepted by the Government.

The Government has yet to take a decision on some of the recommendations of the Committee.

The recommendation of the Committee on simplification of the procedure for collection of tax from small assessees has been accepted by the Government in principle only. The actual procedure is yet to be finalized. The Committee had suggested that the income returned by small assessees should be generally accepted after preliminary scrutiny and that the assessment should be made under Section 23(1) of the Income Tax Act without calling the assessee to the tax office; detailed examination of the accounts and other scrutiny in these cases being made only once in four years. This new approach, the Committee opined, would have a psychological effect and improve the relations between the Income Tax Department and nearly 5 lakh assessees.

CHARITABLE TRUSTS

Regarding taxation of income of charitable trusts, the Government has decided to amend the Income Tax Act on the following lines:

(1) A charitable trust carrying on a business which is not in the course of carrying out the primary object of the trust itself should not be entitled to exemption under Section 4(3)(i) of the Income Tax Act and this should be made clear in the substantive part of the Section itself.

(2) Where a trust deed contains a clause that the funds of the trust should also be utilized for the relations and family members of the donor, or that in carrying out the charitable objects of the trust priority should be given to such relations or members, exemption should not be available under Section 4(3)(i) of the Act.

(3) As regards the other incomes of the trust, they will be exempt if the conditions under Section 4(3)(i) of the Act are fulfilled, but if more than 25 per cent of such income of a trust is set apart for being spent subsequently for charitable purposes, the amount set apart in excess of 25 per cent should be taxed in the year in which it is so set apart.

EVASION OF TAX

The Committee's proposal that the abetment of evasion of tax should be made punishable under the tax laws has been accepted, subject to the modification that for the present it is not necessary to provide for prosecution for this offence. The Government has also accepted in principle the various measures for arousing public conscience against tax evasion. These include steps to convince the tax-payers that the money collected through taxes is not spent wastefully, organising of a special drive against evasion through the co-operation of leaders in various walks of life, and the various chambers of commerce, professional bodies such as the Bar and Medical Associations and education of people about the real objects of collecting direct taxes through the press, radio and films.

Among the other recommendations of the Committee accepted by the Government are:

(a) The new scheme of taxation of companies and their shareholders, as laid down in the Finance Act, 1959, is sufficiently simple and easily workable. In order to avoid any difficulty to the shareholders, the Income Tax Department should issue exemption certificates.

(b) The Department should be provided with power to grant immunity from penal proceedings or prosecutions to those who, having abetted an offence, come forward to give evidence against an assessee.

(c) The Wealth Tax and Expenditure Tax Acts should be amended to provide both for a system of provisional assessment on the lines of Section 23B of the Income Tax Act and a system of self-assessment under which assessees would pay tax along with the returns as per their wealth or expenditure declared in them.

(d) On a question of law involved in an appeal before the Appellate Tribunal, if varying judgments had been given by different Courts, the President of the Tribunal may, on a request made to him, refer the question directly to the Supreme Court for a decision.

TAX ON GRATUITY

The position regarding taxation of gratuity has been clarified by Mrs. Tarkeshwari Sinha, Deputy Minister for Finance in the Central Government. She told the Lok Sabha last week that gratuity received by exployees in the private sector was taxable in their hands under the Indian Income Tax Act under the head "income from salaries." However, if the gratuity related to past services for a period of not less than five years, certain relief was granted to the assessee under the provisions of Section 60(2) of the Indian Income Tax Act, whereby the tax is charged at a concessional rate.

Payments of death-cum-retirement gratuity received after April 16, 1960, by exployees of the Central Government under the Revised Pension Rules and also gratuity received by employees of a State Government under a scheme similar to that of the Revised Pension Rules were "exempt" from tax under the proviso to explanation 2 to Section 7(1) of the Income Tax Act, she added.

The death-cum-retirement gratuity given by Government is part of an integrated Pension Scheme which is based on the assumption that that gratuity will not be taxable. The law has specifically been amended in order to secure this result.

METHYNOL PLANT

The question of setting up a methynol plant is to be examined again. This has been necessitated by the Messrs. BASF, of Germany, informing the Government of India that it would not be possible for them to make a turn-key offer in this regard. Early this year, this German firm had submitted a project report on production of methynol in this country, based on the assessment of demand for the commodity made by a Committee of Indian and Russian Technical Experts. While the report contained an estimate of the probable cost of the equipment required to install a complete methynol plant in India, it did not contain any quotation for the execution of the work as a turn-key job.

On the basis of the Technical Experts Committee's findings, it had been decided by the Government to set up one methynol plant in the country which could be operated for six months in a year.

HEAVY MACHINE TOOLS PLANT

The task of preparing a detailed project report for the Heavy Machine Tools Plant is proposed to be entrusted to Messrs. Technoexport, of Czechoslovakia, the organisation which had submitted to the Government of India a preliminary project study on the subject in March last, envisaging a production programme of five families of machines consisting of 17 individual items of such machines. This study has been considered by a Committee of Technical Experts of the Government of India, which, in consultation with the Czech experts, has agreed on a production programme envisaging seven categories of machines consisting of 22 individual items.

EXPORT OF SUGAR

Indian sugar is unlikely to be exported to the United States before April next year, according to knowledgeable circles here. The existing U.S. law regulating sugar imports expires on March 31, 1961. A quota for Indian sugar can be assigned only in the revised legislation which the U.S. Congress has still to consider. The chances of India getting a quota under the new law are, however, rated quite high.

There are two more technical difficulties which have to be surmounted before exports of sugar from India to the United States can be effected. Firstly, India has yet to become a member of the International Sugar Agreement. Secondly, U.S.A. generally imports brown sugar which is refined there and Indian sugar is for direct consumption. But this is not likely to stand in the way of exports being effected; Indian sugar can be further refined in the United States or it can be used as raw material in various industries.

APPOINTMENT OF MANAGING AGENTS

Where the proposal for re-appointment of the managing agents has been rejected by the Company Law Administration or where the companies did not appoint their managing agents before August 15, 1960, as required under the Companies Act, the term of office of such managing agents would be deemed to have expired on August 15, 1960. This has been clarified in a statement issued by the Government last week. The statement adds that in such cases, the Boards of Directors of the companies concerned shall carry on the affairs of the company, till such time as the managing agents are either appointed again or other alternative form of management has been adopted. Where, however, it is proposed to appoint a director-in-charge, or managing or whole-time director or a director as manager or a committee of directors, the company will have to secure the approval of the Union Government to this effect.

MARINE DIESEL ENGINES PROJECT

The Marine Diesel Engines Project has been included under category (D) in the draft Third Five-Year Plan. This implies that no definite decision has yet been taken about the inclusion of this scheme in the priority list. Category (D) includes projects on which preparatory work is less advanced and for which no foreign credits have yet been arranged. These projects will be worked out in fuller detail and may, in due course, be considered for inclusion in the Plan in substitution of some other projects, or even otherwise if the necessary external and internal resources can be made available and other circumstances are favourable.

INVESTMENT CENTRE

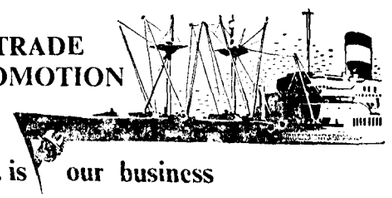
The Indian Investment Centre, proposed to be set up in New Delhi in terms of an agreement signed between the Government of India and the United States Technical Co-operation Mission on June 20 last, will be registered as a society and will have on its governing body mainly non-officials connected with banking and industry.

JOINT STEAMER COMPANIES

It has been decided, in principal, to give a loan of Rs. 2 crores to the Joint Steamer Companies, subject to certain conditions, to enable them to rehabilitate their obsolete fleet for the maintenance of essential I.W.T. services on Calcutta-Assam route.

A CORRECTION

In this column last week we published a summary of the report of the World Bank Mission which visited India in April and May last. It was erroneously mentioned that this Mission was headed by Mr. Paul G. Hoffman. The leader of this Mission was Mr. Michael Hoffman. The error is regretted.



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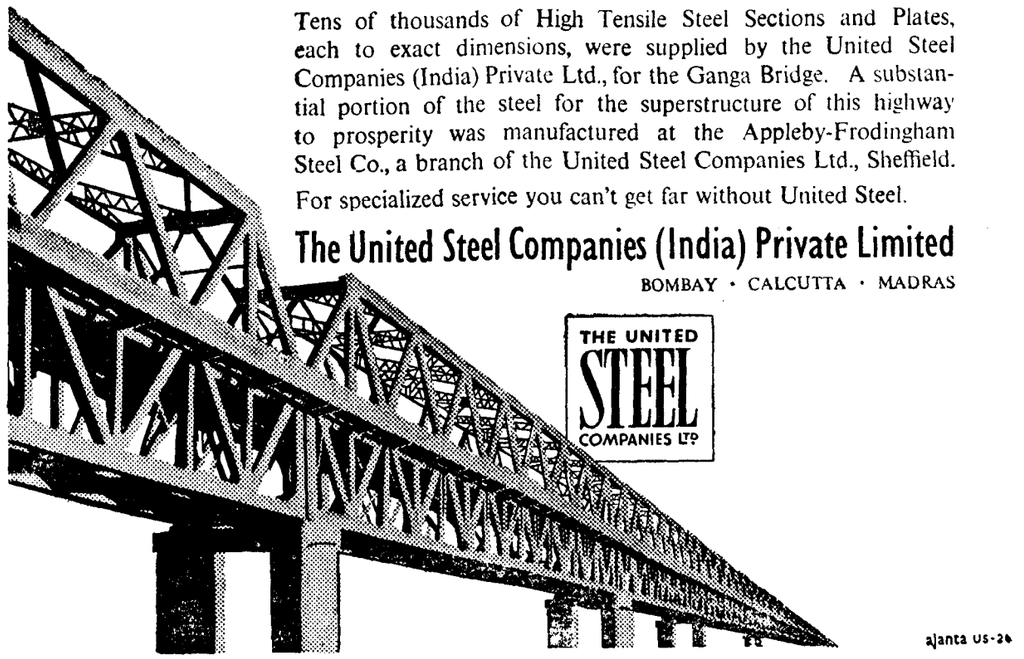
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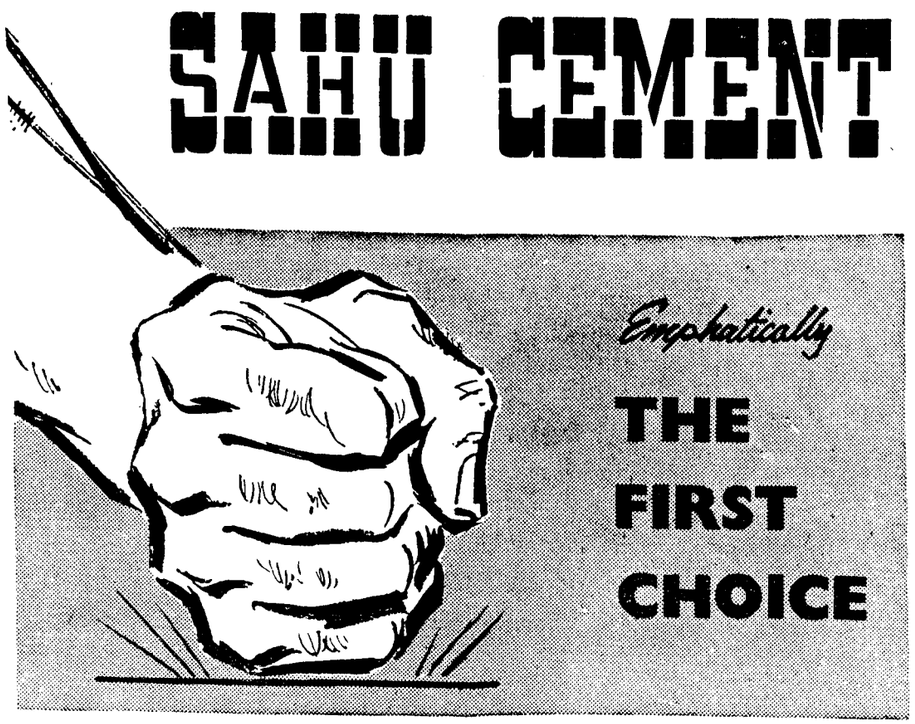
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COMPANY AFFAIRS

TEXMACO'S STEADY PROGRESS

The Directors have reported that during the year to December 31, 1959, the Textile Machinery Corporations Ltd. maintained steady progress. The textile machinery division remained fully booked and the working showed an improvement. The recession which had started in the Cotton Textile Industry in 1957 was over and the cotton mills had embarked upon extensive modernisation and replacement of their plant and machinery. During the year the company booked a good number of orders for Ring Frames and Carding Engines. Development of Drawing Frames is proceeding well. These machines are being made to the specifications of the collaborators of the Company, Messrs. Howa Machinery Ltd., Nagoya, Japan. The efforts made at exports proved successful and some ring frames were exported during the year. This is the first time that textile machinery has been exported from India.

Progress of Sugar Mill Machinery and Water Tube Boiler Divisions was also maintained at a satisfactory level. The company has got sufficient orders for these products in hand. The erection work of the Radial Crest Gates at the Panchet Hill Dam and the orders from the Bhilai Steel Project were completed during the year under review. The company secured another important order for the manufacture and erection of such gates at Rihand Dam in U.P. Efforts are being made to diversify production in the Heavy Engineering Division of the company and the manufacture of Thermic Syphons for Locomotives was tried for the first time in India. The production in Steel Foundry Division of the company has improved. The major part of production in this Division was for wagons and Sugar Mill Machinery components required by the Heavy Engineering Division.

There was however a paucity of orders for jute spinning frames. The Jute Machinery Division of the company could not work satisfactorily during the year under review. The company is, however, switching over the machines to other items of production.

During the year the company had to face an acute shortage of raw materials which affected the production and the profits of the company adversely to some extent. The position, however, is improving now. The year's working shows a profit of Rs. 86.90 lakhs. After providing for depreciation, development reserve and taxation there is an amount of Rs. 32.90 lakhs for distribution. The Directors have recommended the payment of dividend at the rate of Rs. 2 per equity share of Rs. 10 each.

MUKAND IRON MAINTAINS PROGRESS

The progress made by Mukand Iron and Steel Works Limited in the past years has been well maintained during the year to 31st March, 1960. The sales have increased by Rs. 66 lakhs to Rs. 4.22 crores. This has been achieved on account of increased output of the rolling mills and higher valued production of the steel foundry. The net profit after making provision for depreciation, taxation and development rebate has risen by Rs. 2.80 lakhs. After making an appropriation of Rs. 8 lakhs for general reserve (same as last year), dividend of Rs. 1.2 for ordinary shares, and Rs. 16.86 for deferred shares has been recommended by the Directors. The dividend on preference shares has been recommended at Rs. 5 per share. Earning per ordinary share are higher at Rs. 2.34 from Rs. 2.18.

The Company has entered into technical collaboration agreements with the National Malleable and Steel Castings Co. U.S.A. and the English Steel Castings Corporations Ltd., U.K., for the manufacture of automatic centre buffer couplers. These are being made in our country for the first time. Orders for Rs. 84 lakhs for these couplers have been secured from the railways.

The implementation of expansion programme for increasing the steel melting capacity has been delayed because of the order of the State Government for acquisition of land at Kalwa near Thana being contested in the Courts. With the development of Iron and Steel Industry envisaged under the country's Second and Third Five-Year Plans, the company expects to make further progress in the years to come.

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COMMODITY NEWS AND NOTES

IRON ORE PRODUCTION IN INDIA

The production of iron ore during June 1960, was estimated at 831,000 metric tons, according to the Indian Bureau of Mines. This brings the total output during the half year ending June 1960 to 5,300,000 metric tons which was higher by 39 per cent when compared to the output of 3,808,000 metric tons during the corresponding period of the preceding year. Orissa was the chief producing State with an output of 282,000 metric tons followed by Bihar with 239,000 metric tons. Mysore and Madhya Pradesh recorded an output of 152,000 metric tons and 103,000 metric tons while the output from Maharashtra was 14,000 metric tons. During the month despatches of iron ore for consumption in the iron and steel plants totalled 601,000 metric tons while the despatches to the export market were 142,000 metric tons.

TWO LAKH TONS OF SUGAR RELEASED

The Government of India has decided to release two lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, Bihar and Punjab except a small quantity which will be released to each factory for sale to its employees. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orrisa, Madras, Kerala, Maharashtra, Gujerat, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In case of Punjab and Jammu and Kashmir allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis. Allotments will be made at prices fixed under Notifications No. GSR 1188| Ess. Com.|Sugar dated October 25, 1959, and GSR 386| Ess. Com.|Sugar dated April 4, 1960. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

IMPORT OF FOODGRAINS

Mr. M. V. Krishnappa, Deputy Minister of Agriculture, told the Lok Sabha recently that a total quantity of about 2 million tons of foodgrains had been imported into India during April 1 to July 31, 1960. So far as future imports against the current agreements such as the recent agreement with U.S.A. under P.L. 480 were concerned, they would be decided from time to time in the light of requirements, storage capacity and other factors. Replying to a question by Mr. S. M. Banerjee and others, the Minister said that at present there were agreements for the purchase of wheat and rice from the U.S.A., rice from Burma and rice from the U.A.R. Some rice might be imported from Thailand if the present negotiations with the Thai Government were successful.

SUGAR PRODUCTION AND DISTRIBUTION

In a written reply to a question Mr. M. V. Krishnappa, Deputy Minister of Agriculture, said in the Lok Sabha that the production and despatches of sugar from February 1, 1960 to May 31, 1960 totalled 12.59 and 6.58 lakh tons respectively. In a written answer to another question Mr. Krishnappa said that the selling price of sugar varied from place to place depending upon the quality of sugar and distance from factories. The retail selling price of sugar of medium grade was Rs. 1.02 per seer in Uttar Pradesh (Kanpur), Rs. 1.06 per seer in Assam (Gauhati), Rs. 1.05 in Punjab (throughout the State), and Rs. 1.09 per seer in Maharashtra (Bombay). He further said that two State Governments — Uttar Pradesh and Assam — were levying an adminisrative charge of 25 nP and 13 nP per maund of sugar respectively. The Punjab Government had a scheme for distribution of sugar at a uniform pooled price throughout the rural and urban areas of the State, including the far-flung hilly and inaccessible areas of Simla, Kangra, Kulu, Lahaul and Spiti. Under the scheme savings were adjusted against excesses at different places. The scheme had resulted in some saving to the State Government. The Government of Maharashtra was levying a charge of Re. 1 per bag of sugar distributed through co-operative societies in the districts and 20 nP per bag on sugar distributed through the co-operatives in Greater Bombay. The State Government advanced loans to the co-operative societies through the State Co-operative Bank for purchase of sugar from factories and the levy was to recover the cost on interest on the capital invested by the State Government. Only a small quantity of sugar — less than 1,000 tons per month — was being distributed under the scheme.



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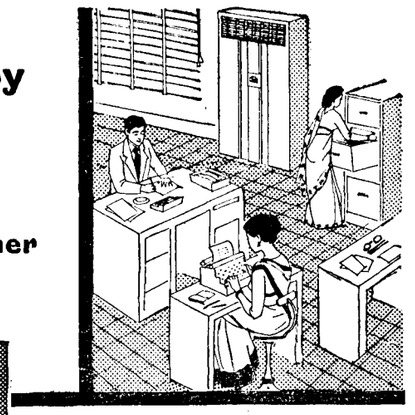


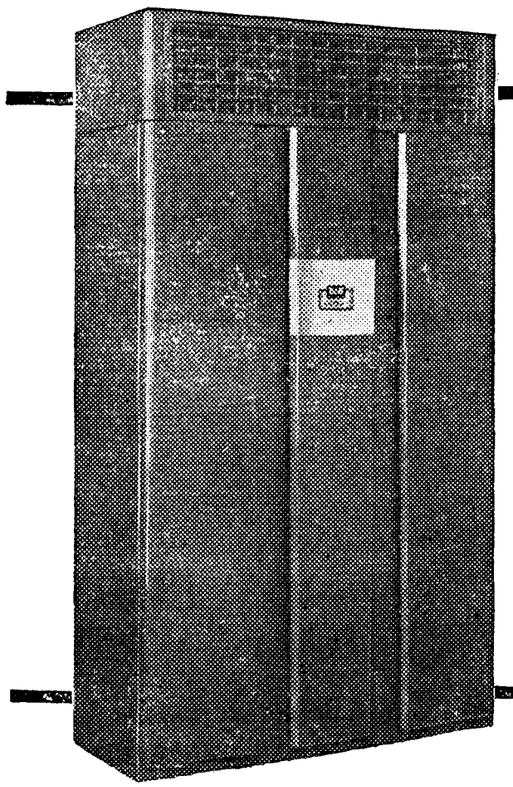
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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84 3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	109 2	108.1	108.4
1958-59 ..	115 2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119 0	99.5	116.5	123 7	113.8	111.3	111.6	117.1
June 1959 ..	118.7	97.6	115 9	120 3	108.2	109.3	109.1	115.6
July	121.0	98.0	115 6	120 2	108.5	109.3	109.2	116.8
August	121.7	98.3	115.5	119.4	109.2	109.5	109.5	117.1
June 1960 ..	120.3	109.5	118.5	139.6	127 2	118.6	119.8	122.9
July	124 0	109 6	119.5	137.2	130.4	119 4	121.0	124.7
August	123.9	106.7	119 4	137.0	130.1	121.0	122 3	125.0
6-8-1960 ..	125.0	109.0	118.1	137.7	131.3	120.6	122.1	125.6
13-8-1960 ..	124 6	108.7	118 0	136.9	129 9	120.7	120.7	125.2
20-8-1960 ..	122.4	104.7	119.5	135.9	130.0	121.1	122.4	124.0
27-8-1960 ..	123.5	104.2	119.4	137.2	129.2	121.6	122.7	124.9

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104		106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	155	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	—	154	399	460	510	165*	462	167	164*	171
July	406*	425*	—	160*	406	—	—	165*	467	169	164*	174*
August	—	—	—	—	—	—	—	—	470	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 2-9-1960 High	Low	Average	26-8-1960 High	Low	Average	19-8-1960 High	Low	Average	12-8-1960 High	Low	Average
Gold (per fine tola)	134.56	133 44	133.97	134.06	132.25	133.08	133 12	132.50	132.75	133.00	131.69	132.45
Silver (per 100 fine tolas)	225.19	222.62	223 88	223.62	221.62	222.61	224.31	222.06	222.98	223.75	221.12	222.44

EARNINGS AND EXPENSES OF INDIAN SCHEDULED BANKS: 1954-59

(Rupees Lakhs)

	1954	1955	1956	1957	1958	1959
Number of Banks	**70**	**69**	**70**	**72**	**76**	**76**
EARNINGS:						
I. Interest, dividend, commission and exchange earned on:						
(a) Bills purchased & discounted	3,39.1	3,64.5	4,67.7	6,57.7	6,49.8	7,37.9
(b) Loans and advances	17,82.4	19,50.3	23,88.6	32,68.4	36,96.0	39,93.7
(c) Investments						
(i) Government securities (Central and States)	8,09.5	9,00.9	9,38.1	9,60.9	13,79.1	20,03.3*
(ii) Others	1,07.9	1,16.0	95.8	1,14.3	1,60.4	2,06.4*
(d) Deposits with Banks	8.7	16.0	22.6	59.8	1,23.2	79.9
II. Other Sources (commission, bills for collection, T.T.s and D.D's sold and service charges)	6,59.7	7,76.0	10,02.0	11,20.5	11,71.3	12,96.0
III. Toal current operating earnings (Total of I & II)	37,07.3	41,23.7	49,14.8	61,80.7	71,79.8	83,17.2
IV. Recoveries on assets previously written down and gains from other revaluation or sale of assets	11.4	21.7	17.0	18.3	55.4	65.0
V. Total earnings (Total of III & IV)	37,18.7	41,45.4	49,31.8	61,99.0	72,35.2	83,82.2
EXPENSES:						
VI. Interest, commission and brokerage paid on:						
(a) Deposits	9,92.2	11,78.1	14,21.3	21,30.6	30,47.6	34,11.7
(b) Borrowings	90.5	62.4	1,49.0	1,37.5	44.1	1,03.7
(c) Other accounts	21.6	24.5	35.2	35.4	42.1	60.4
VII. (a) Establishment Expenses	14,09.3	16,08.4	17,20.0	19,63.9	22,84.6	25,73.5
(b) Other working expenses	4,18.1	4,43.7	4,99.6	5,62.4	6,37.7	7,13.0
VIII. Taxes and dues of the nature of operating expenses (municipal charges on land and buildings, district local board rates paid, etc., but excluding taxes on profits)	40.3	45.4	50.9	55.9	57.2	61.0
IX. Total current operating expenses (total of VI to VIII)	29,72.0	33,62.5	38,76.0	48,85.7	61,13.3	69,23.3
X. Depreciation written off and loss incurred on sale of assets	43.1	46.3	47.5	63.0	71.6	91.6
XI. Total expenses (Toal of IX and X)	30,15.1	34,08.8	39,23.5	49,48.7	61,84.9	70,14.9
Disposal of Net Profit and Accumulated Surplus						
XII. Sources of sums made available:						
(i) Balance of net profit or loss (—) before taxes	7,03.6	7,36.6	10,08.3	12,50.3	10,50.3	13,67.3
(ii) Surplus or deficit (—) brought forward from preceding year	70.0	86.6	84.7	1,05.3	98.5	1,03.3
(iii) Taken from reserves	20.5	7.6	8.1	0.2	1.6	2.7
TOTAL	7,94.1	8,30.8	11,01.1	13,55.8	11,50.4	14,73.3
XIII. Allocation of sums made available:						
(a) Provision for taxes on profits	1,75.2	1,74.6	2,96.7	4,07.4	2,35.6	3,96.5*
(b) Carried to reserves	63.3	81.7	1,43.1	1,89.0	1,56.8	1,47.8
(c) Dividend, bonuses, etc. to shareholders	2,62.0	2,74.8	2,92.6	3,17.2	3,28.6	3,89.8
(d) Employee's share (bonus) in profit	1,06.5	1,14.7	1,43.2	1,61.1	1,80.5	1,97.8
(e) Allocated to other special purposes	1,00.7	1,01.2	1,20.0	1,63.3	1,37.6	2,23.9
(f) Balance carried forward to next year's account	86.4	83.8	1,05.5	1,04.3	86.8	80.5
(g) For payment of gratuity in future years	..	..	..	13.5	24.5	37.0
TOTAL	7,94.1	8,30.8	11,01.1	13,55.8	11,50.4	14,73.3

* Figures are inclusive of taxes paid at source.

Source: Reserve Bank of India.

EARNINGS AND EXPENSES OF INDIAN NON-SCHEDULED BANKS: 1954-59

(Rupees Lakhs)

	1954	1955	1956	1957	1958	1959
Number of Banks	**57**	**59**	**55**	**51**	**41**	**37**
EARNINGS:						
I. Interest, dividend, commission and exchange earned on:						
(a) Bills purchased & discounted	11.1	11.8	15.0	11.4	9.2	7.4
(b) Loans and advances	1,18.0	1,19.3	1,41.3	1,12.5	89.8	1,03.0
(c) Investments						
(i) Government securities (Central and States)	50.1	53.4	66.5	26.1	20.1	21.0*
(ii) Others	5.4	9.0	12.0	7.5	3.0	3.6*
(d) Deposits with Banks	5.7	11.1	8.4	6.5	4.6	6.3
II. Other Sources (commission, bills for collection, T.T.s and D.D's sold and service charges)	19.3	27.2	23.7	17.6	13.8	20.4
III. Toal current operating earnings (Total of I & II)	2,09.6	2,31.8	2,66.9	1,81.6	1,40.5	1,61.7
IV. Recoveries on assets previously written down and gains from other revaluation or sale of assets	3.2	5.3	6.4	0.3	0.3	0.8
V. Total earnings (Total of III & IV)	2,12.8	2,37.1	2,73.3	1,81.9	1,40.8	1,62.5
EXPENSES:						
VI. Interest, commission and brokerage paid on:						
(a) Deposits	83.9	1,00.9	1,20.8	81.9	66.0	79.0
(b) Borrowings	3.9	3.7	4.5	6.8	4.2	1.8
(c) Other accounts	2.8	0.5	2.8	4.8	1.8	0.7
VII. (a) Establishment Expenses	52.0	58.0	65.9	45.0	35.1	40.2
(b) Other working expenses	22.3	30.7	25.4	21.1	16.8	20.1
VIII. Taxes and dues of the nature of operating expenses (municipal charges on land and buildings, district local board rates paid, etc., but excluding taxes on profits)	1.2	1.2	1.6	1.5	0.8	1.6
IX. Total current operating expenses (total of VI to VIII)	1,66.1	1,95.0	2,21.0	1,61.1	1,24.7	1,43.4
X. Depreciation written off and loss incurred on sale of assets	10.0	5.0	5.5	4.1	1.8	2.6
XI. Total expenses (Toal of IX and X)	1,76.1	2,00.0	2,26.5	1,65.2	1,26.5	1,46.0
Disposal of Net Profit and Accumulated Surplus						
XII. Sources of sums made available:						
(i) Balance of net profit or loss (—) before taxes	36.7	37.1	46.8	16.7	14.3	16.5
(ii) Surlus or deficit (—) brought forward from preceding year	—2.6	—11.5	—10.3	—17.0	—4.1	—5.8
(iii) Taken from reserves	1.3	0.7	..	..	..	..
TOTAL	35.4	26.3	36.5	—0.3	10.2	10.7
XIII. Allocation of sums made available:						
(a) Provision for taxes on profits	7.6	8.5	11.1	11.0	8.1	10.4*
(b) Carried to reserves	16.2	11.4	15.7	6.0	4.7	4.3
(c) Dividend, bonuses, etc. to shareholders	20.5	19.7	20.0	4.0	3.7	4.7
(d) Employee's share (bonus) in profit	2.8	3.4	4.4	1.6	0.9	1.1
(e) Allocated to other special purposes	2.6	3.6	3.4	1.1	0.5	1.6
(f) Balance carried forward to next year's account	—14.3	—20.4	—18.1	—24.0	—7.7	—11.4
TOTAL	35.4	26.3	36.5	—0.3	10.2	10.7

* Figures are inclusive of taxes paid at source.

Source: Reserve Bank of India.

INDIA'S TRADE WITH U.K.: 1956-60

EXPORTS

	1956	1957	1958	1959	Jan.-June 1959	Jan.-June 1960
Tea	68,879	84,344	74,121	65,127	20,708	23,219
Tobacco and tobacco manufactures	8,178	7,141	9,266	8,118	6,651	7,352
Leather, leather manufactures and dressed furs	11,475	13,343	9,675	13,662	5,755	7,519
Wool and other animal hair and tops	4,080	4,564	2,598	2,882	1,591	1,602
Crude fertilizers and crude minerals, excluding fuels	1,735	2,237	1,914	1,764	954	945
Metalliferous ores and metal scrap	2,493	4,523	2,966	2,450	1,502	1,830
Miscellaneous animal and vegetable crude materials	4,018	4,368	3,098	3,397	1,472	1,792
Animal and vegetable oils, fats, greases and derivatives	7,889	3,733	2,489	1,954	424	2,247
Cotton yarns and woven fabrics	7,467	9,964	7,585	10,669	4,864	4,938
Miscellaneous textile manufactures	11,727	12,102	11,428	11,349	6,072	5,404
TOTAL EXPORTS	141,353	157,480	139,402	142,625	61,139	70,006

IMPORTS

(£ '000)

	1956	1957	1958	1959	Jan.-June 1959	Jan.-June 1960
Machinery other than electric	45,259	45,429	45,094	54,353	25,848	23,140
Electric machinery, apparatus and appliances	21,215	21,955	18,659	20,669	9,599	8,027
Wool and other animal hair and tops	5,365	6,086	5,061	3,838	2,339	2,468
Petroleum and petroleum products	2,385	2,266	1,971	2,329	1,200	1,887
Chemicals	18,265	16,561	12,289	15,674	8,152	7,145
Iron and steel	15,907	13,261	11,673	12,732	6,081	7,487
Non-ferrous base metals	4,017	3,009	2,425	2,834	1,295	2,032
Manufactures of metals	13,493	17,464	14,217	9,852	5,388	3,282
Railway vehicles	6,441	5,581	3,224	3,745	1,883	986
Road vehicles and aircraft	11,936	21,034	26,639	26,732	13,703	11,606
Scientific instruments; photographic and optical goods; watches and clocks	2,940	2,850	2,041	2,944	1,289	1,367
TOTAL IMPORTS	167,864	176,414	160,305	171,272	82,789	78,603

IMPORTS OF MACHINERY

(£ '000)

	1956	1957	1958	1959	Jan.-June 1959	Jan.-June 1960
Boilers and boiler-house plant	2,327	2,752	4,011	1,642	847	400
Internal combustion engines	2,182	2,386	1,323	1,806	732	1,009
Machine tools (excluding portable power tools)	2,650	3,353	4,025	3,034	1,598	1,832
Pumps	1,003	836	680	1,008	455	493
Industrial and works trucks and tractor and mechanical handling equipment	2,251	3,187	3,640	5,699	2,705	1,435
Mining and well drilling machinery	567	549	893	1,512	856	609
Textile machinery	9,857	6,945	3,549	3,963	1,822	2,386
Generating sets, generators and motors	3,552	3,801	3,783	4,083	2,287	1,297
Converting machinery, transformers, switch gear and switch boards	4,804	6,416	4,882	5,146	2,355	1,543
Electric valves, and radio, television, radar and sound reproducing apparatus	1,846	1,647	1,481	3,301	1,051	1,278
Electric cables, wires, strips and strands, insulated	5,405	5,413	3,955	2,911	1,519	1,388
TOTAL MACHINERY	66,474	67,384	63,753	75,027	35,447	31,167

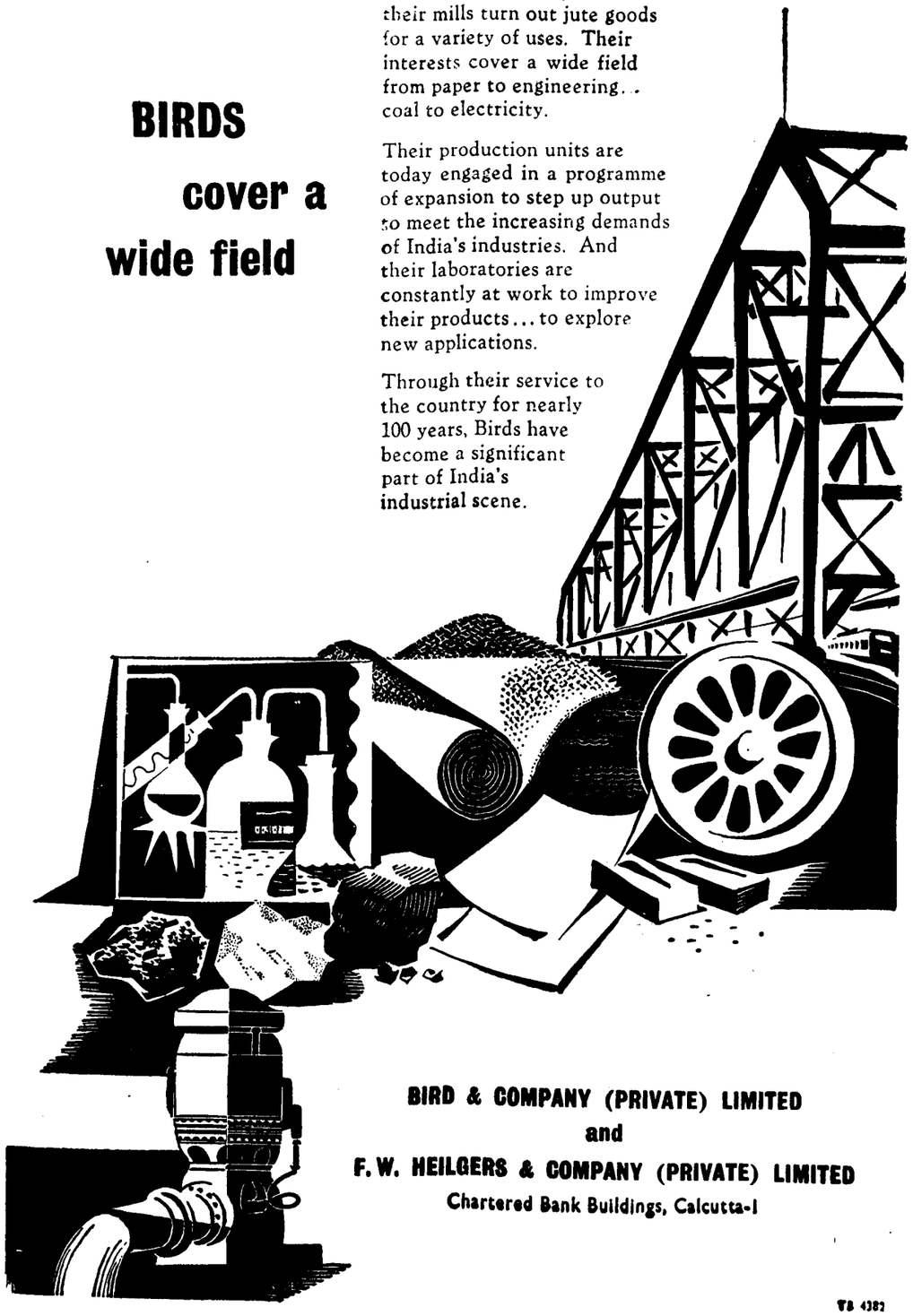
Source: Trade and navigation accounts of the U.K. (H.M.S.O.)

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UNDER SECRETARY TO GOVERNMENT
1 OCT 1960
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The Eastern Economist

SEPTEMBER 23, 1960.

The Challenge of Calcutta

THE report of the World Bank Mission, headed by Mr. Michael Hoffman, which last week broke the portals of the Secretariat and emerged in print, has attracted wide attention for its fine perspective of India's problems of development. Particularly in regard to the need for a constructive approach to problems of raw materials, such as coal, and transport, the incisive character of the Mission's recommendations is likely to drive home defects which have been allowed too long to impose upon the country. But, curiously, the observations of the World Bank Mission which have attracted most interest are not related to the Plan, but to an item which is still, for reasons undisclosed, not a major element in any of India's plans. This is no other than a daring approach to all that is involved in the challenge that is Calcutta.

For the last fifteen years, and particularly in the last ten, when the refugee problem has been nearly insoluble, observers of the Calcutta scene have pointed out that the city's population and problems could not be borne by a single State or by the State plus disconnected activities of the Centre in the Rehabilitation Ministry. There was urgent need for a concrete plan for diversion of population from the city of Calcutta, and the building up of areas of employment in proximity to Calcutta, but significantly apart so that the refugees might have access to the heart of the area they have marked out for themselves without, at all stages, producing the unbearable disorder which still marks the Corporation's area of control. Over the last ten years, when the Central Government should have taken important steps to solve the problems of Calcutta, Dr B. C. Roy has been allowed to fight a lone hand, and perhaps, a losing battle against political discontent and economic destitution. What he has achieved is a remarkable tribute to one of India's greatest administrators. But it is not a solution of the problem of Calcutta. It is censure on the Central Government, even more than on West Bengal Government, that conditions in Calcutta have been allowed to deteriorate further.

The causes are simple. They are the absence of understanding in Delhi of the strategic place of Calcutta both in Indian politics and economics, and an absence of resources in the hands of the West Bengal Government to deploy in an imaginative way. The suggestions now made by the World Bank Mission that the problem of Calcutta should be approached on a new and adventurous pattern of development of industrial estates and subsidiary towns away from the current city as well as by development of the Port (and may be a subsidiary port) have not come too soon. The suggestion that the rupee expenditure might be financed by P.L. 480 funds has not been canvassed sufficiently strongly, but at least it can be stated that there is no reason to expect, with the World Bank Mission's positive support, that there should be any opposition in the United States to an allocation of funds for this purpose. India's Finance Minister does not seem to have appreciated that, notwithstanding the fact that this is not in the Third Five-Year Plan, the challenge of Calcutta must enjoy inevitably the highest priority. The year 1961 is likely to be a critical year both politically and economically, because of the elections in 1962 and because of the intolerable strain which the poorer classes in Calcutta are beginning to experience. The Prime Minister and all others associated with the Central Government must understand that there is a breaking point in Calcutta which will soon be reached, unless substantial new expenditure takes place and desperate overcrowding is removed.

For all these reasons, a new and daring approach to Calcutta's problems cannot be delayed. *The Eastern Economist* considers that the allocation of Rs. 200 crores, whether from P.L. 480 funds or any other, for this purpose will receive, once the strategic character of Calcutta is fully understood, the approval of the country. The Indian people must recognize that they owe to the people of Bengal a heavy debt on account of the sufferings caused by partition. It is already late to make amends; but not to make a beginning now will show us unworthy of the high place we seek for ourselves in history's scroll.

Coal Crisis Resolved?

IT IS now crystal clear that repeated public protests against the recent coal crisis have not gone unheeded. They were, indeed, so well-informed and the crisis cost the nation so dearly that at long last the Government awoke to the necessity of making a probe into it. The causes leading to the crisis were spread over time, statements were made in Parliament and still a plain official investigation into it was undertaken only belatedly. How else is the delay to be interpreted except as being indicative of a lack of a sense of full urgency? Anything resembling complacency about the immediate prospect would be harmful. Even now, the Ministry for Steel, Mines and Fuel is not prepared to give an indication as to when the idle blast furnaces at Rourkela and Bhilai would be commissioned into production and whether production would go on uninterrupted. Meantime, they will be joined in October by the second blast furnace at Durgapur whose erection will then be complete. The Ministry's reticence may mean caution against an attitude of confidence, but it may also mean a real feeling of diffidence, arising out of the factor of production of coking coal.

The official report into the crisis of supply of coking coal to the steel plants is reportedly under examination by the Cabinet. It would be idle to

speculate on the contents of this document. Whether or not the gist of the report will be obtained for public information by Parliament remains to be watched. But it would appear from available scraps of information that the Ministry of Steel, Mines and Fuel, on the one hand, and the Railway Ministry, on the other, have indulged in a bickering in an attempt to disown responsibility for the grievous failure of coal supplies to the plants. Inevitably, it has involved some amount of pointing the accusing finger at the other. This attempt is edifying to neither of the Ministries. It betrays a compartmentalized outlook on an issue of fundamental importance to the economy.

A little insight into this unseemly controversy has been rendered possible to those outside the official circles on the basis of some information that has appeared in the Press. This information has not been contradicted so far. A shortfall of 500 wagons for the loading of coal is said to have persisted for several weeks until August-end. The choice which this shortfall posed was to feed the steel plants in full at the cost of other industries elsewhere in the country or starve the steel plants partially. The Ministry of Steel is reported to have opted for keeping the third furnaces at Rourkela and Bhilai idle. The Railways, in effect, have attempted to score the point that they would have supplied the full quota of wagons required to feed the steel plants, as if denial of transport capacity to other industries was a matter of little consequence and for which they bore little responsibility.

The two Ministries have now evolved a formula whereby a repetition of keeping the capacity of the blast furnaces idle will be avoided. In fact, the formula aims at providing full transport to satisfy the entire requirements of the five steel plants in both the sectors. A daily flow of 1,400 wagons from the different coal fields to the five plants, on the basis of six days' loading per week, has been assured by the Railway Ministry. When the three public sector plants begin to work to full capacity, an additional daily supply of 250 wagons will be needed for the carriage of coking coal alone. This is exclusive of demands for the carriage of limestone, iron ore etc. The railways are said to be holding themselves in readiness for this task. Frequent recurrence of bottlenecks in railway transport makes it difficult to share this optimism. The railways are relying on the makeshift of keeping worn-out wagons on the track. An immediate strain that awaits them is the day-to-day arrivals of PL 480 shipments from America. Besides, there are other calls on rail capacity imminent in the wake of the Third Plan. The strain may be eased partially to the extent it would be possible to even out gross disparities of wagon flows in the busy and slack seasons by means of coal stock-piles at convenient centres in different regions. This solution, however, is not at all so easy as it appears on the face of it and in particular as the Railway Ministry makes it out to be.

Could it be assumed that the coking coal crisis will be completely resolved in the immediate future? It would be hasty to jump to such a conclusion, however tempting it may appear. The mounting demand is rapidly outpacing the supply. The pressure will intensify unceasingly. The public sector, which is making a debut in the production of coking coal, has made practically no preparations for its self-imposed task in the Third Plan. The coal washeries are far off as before. A great injury will be inflicted on the plans by making them do with coal having a high ash content. It is advisable that the Ministry of Steel should examine the feasibility of importing, for the time being, necessary quality coking coal from Poland on rupee payment. This is to be looked upon as an emergency solution, even as coal was carried in bulk to Newcastle in 1946-47, the old adage notwithstanding.

The Aid India Meeting

AT his Press Conference after the last week's meeting of the 'Aid-India Club' in Paris, Mr. B. K. Nehru, India's Commissioner-General for Economic Affairs, was only guardedly optimistic of its outcome. While declining to reveal the conclusions of the meeting, he made a cryptic remark, "There is a big gap between everything and nothing and the thermometer goes up and down." This is liable to any interpretation. The Paris meeting was concerned primarily with two things, one, to consider the need for further external assistance during the current year which is the last year of the Second Five-Year Plan and, two, to give preliminary consideration to the requirements of the Third Plan commencing in April next year.

So far as the first is concerned, the facts are that, following the foreign exchange crisis in 1958, the members of the 'Aid-India Club' agreed to contribute $930 million to enable this country to carry through the Second Plan. Mr. B. K. Nehru calculated that by March 1961, this quantum of aid may more or less be received, but the real difficulty is since some of the countries have laid down stipulations with regard to the utilisation of the money by tying it to specified projects or programmes, the Second Plan may still require about $260 million (or Rs. 130 crores) for its implementation. This is more or less the same which the Finance Minister himself estimated when he made his statement in the Lok Sabha last year after his return from the annual conference of the World Bank and the International Monetary Fund. He pointed that though a sum of Rs. 128 crores would be carried forward beyond March 31, 1961, the country will still need foreign assistance approximately of the order of Rs. 140 crores to finance the Second Plan, since assistance has been linked to specific projects in most cases and it cannot be diverted for financing any other projects. It would be too early to presume that the Paris meeting came to an agreement on prompt assistance to India especially when there are reports the other way round. Pending a formal announcement, it would serve little purpose to speculate either on the quantum of assistance that would be forthcoming or the manner in which the payments are to be made.

So far as the Third Plan is concerned, the meeting had the benefit of the appraisal of the Draft of the Plan made by the recent World Bank Mission which had reached highly encouraging conclusions on all major issues. There had been thus an 'international endorsement' at a very high level that what the country is trying to do is 'sensible and capable of being done'. It is expected that the Club would meet again in March next to discuss further India's aid requirements. Broadly, it would appear that the assistance required from the Club may have to be of the order of Rs. 1,800 to 2,000 crores. This is because out of the total estimated requirements of 3,200 crores of foreign aid, Rs. 300 crores have already been secured from the Soviet Union and other countries like Czechoslovakia and Poland and Rs. 600 crores have been negotiated under PL 480. Taking the spill-over from the Second Plan as estimated by the Finance Minister and the prospects of World Bank assistance at Rs. 200 crores (on the basis of performance during the Second Plan), the balance comes to about Rs. 2,000 crores. Even if the Soviet Union steps up her aid, it is apparent that the assistance this country should seek from the West would not be less than of the order of Rs. 1,800 crores.

Apart from the quantum of assistance given, what is equally vital is to ensure that it is of such a nature as is calculated to lessen the burden of repayments. In the light of this factor, it is only proper that fresh assistance should be in the shape of long-term loans extending possibly over 20 years. It is also necessary that consistently with the general pattern of the policy of the aid-giving countries, these loans should be "untied" to the maximum extent possible, so as to give room for flexibility in the purchases by the recipient country. It is now generally recognised in some of the influential quarters in the West that India cannot be treated as a normal borrower and her economic expansion must be underwritten on a more liberal basis than heretofore. The World Bank Mission is also categorical that aid to India should be provided on a "generous" scale.

The U.S.A. has been impressing upon the countries of West Europe for quite some time to take an increasing share in the aid to India's development plans now that they have entered upon the phase of rapid expansion. If Marshall Aid is the major explanation of this accelerated change in post-war Europe, there is all the more reason why developing countries should receive a similar helping hand. Enlightened self-interest demands that all countries should accept responsibility in proportion to their capacity for the achievement of a rapidly expanding world economy, for it is now becoming an axiom that no single country, rich or poor, can achieve maximum economic growth except in an expanding world economy.

The Selected Districts

IN about a fortnight's time, the package programme of intensive cultivation, launched in the Tanjore District of Madras State five months ago, will be extended to six more select districts in six different States, thus setting in motion a plan for agricultural development on which great reliance has been placed in the Third Five-Year Plan for achieving the target of 105 million tons of foodgrains output by 1965-66. The programme is envisaged to be launched in eight other districts during the next kharif season; this will result in its operation being extended to one district in each of the fifteen States of the Union. Ultimately, the whole of irrigated area in the country is proposed to be covered by it.

The programme, of course, contains little that can be construed as some new recipe for increasing farm yields; it only seeks to make available to the farmer simultaneously all the factors which contribute towards increase in production. What distinguishes it from the other schemes of agricultural development is the concentration of effort in some selected areas so as to get immediate gains in agricultural, particularly food, output. The programme envisages provision of adequate and timely supplies of seeds, fertilizers, implements, pesticides etc. To enable the farmers to purchase these production requisites in full, timely credit is proposed to be made available to them through co-operative societies, which will be strengthened with assistance from the Reserve Bank of India and the State Governments, to shoulder the responsibility of making 'clean' advances based on production plans of the borrowers. The agriculturist will be imparted training and intensive education in modern farming techniques. Transport arrangements are envisaged to be strengthened to ensure the mobility of staff and supplies. The number of godowns will be increased ten-fold to provide supplies and marketing facilities within bullock-cart distance. Marketing facilities will be made available through co-operatives so that farmers can get a fuller value for their surplus produce.

There can be little doubt that in areas where natural hazards are negligible and where irrigation facilities exist — these are the areas being brought under this programme — this intensive effort will yield wholesome results. If the scheme is executed properly, the current estimates of 40 to 60 per cent increase in production in these areas over a period of five years may turn out to be too conservative. With a less concerted effort and in the face of heavy odds like shortage of fertilizers, the Bombay Pilot Paddy Scheme — which forms the basis for this package programme — has succeeded in raising the yield by as much as 35 per cent over a period of three years. If the experience of four Japanese experts, who, working on a 3.5 acres piece of land, selected at random in a village near Saharanpur, have achieved an increase of 100 per cent in yield in one year alone, is any guide, the package programme can well be expected to raise output by 100 to 150 per cent in five years. That should be reasonable expectation, taking into consideration the investment involved; the implementation of the programme in the seven districts is estimated to cost Rs. 7.95 crores in five years, besides an amount of Rs. 29 crores which will be needed to finance loans to farmers.

It is heartening to note that arrangements have been made, with assistance from Ford Foundation, which is actively co-operating in the implementation of the scheme, to import sufficient quantities of fertilizers and pesticides over and above the normal imports of the country so that meeting of the full requirements of the farmers in these districts does not necessitate curtailing of supplies of these two production requisites elsewhere. The only snag in this otherwise imaginative programme appears to be that too much reliance has been placed on its implementation by State Governments, whose record in the vital field of agricultural development has not been encouraging. Since the State Governments have been associated with this programme right from the beginning and they have been given freedom to select the districts to be covered by it, their co-operation may be forthcoming in a greater degree. The supervision by the Central Government and Ford Foundation experts may also be of some help. But there is need to devise some sanctions against the erring States.

Some defects noticed in the working of the programme in the Tanjore district also need to be attended to. There are grievances about supplies of fertilizers being of the wrong type. Also in quite a few cases there is dissatisfaction with the attitude of officials incharge of the project. There is obviously need to rectify the attitude of officials and to ensure that they are there to serve, not to govern. Only that way can confidence be inspired among the agriculturists on whose intensive endeavour and genuine co-operation depends the success of the programme.

A DELHI DIARY

THE TAKE-OFF

THE Prime Minister has been away in Pakistan from Monday and our eyes have been following him there for every one of the five days of this historic mission. Knowing well how vital this visit (and that of President Ayub Khan to India which has just been announced) could be for the future of the sub-continent, I was disappointed to find the press so inadequately represented when the Prime Minister took off for Pakistan at 7-10 a.m. on Monday. I myself cannot claim any special virtue for having seen this departure. I was taking off for Bombay at 7 a.m. when a stentorian voice announced "owing to 'very' (sic) V.I.P. movement priority, the plane for Bombay will not leave at 7 a.m. but at 7-30 a.m." This was so compelling a direction from Providence that I hastily emerged to see what the "very V.I.P." priority might possibly be. There were many Ambassadors present, and I particularly noted Mr. Malcolm Macdonald (the Doyen of the Diplomatic Corps) and Mr. Ellsworth Bunker, Ambassador of the United States; both their countries have played a splendid part in the finalisation of the Canal Waters Treaty, and it was appropriate that they should feel that this last expression of goodwill should be an essential caping stone to a five-year diplomatic effort, one of the greatest pieces of international negotiations in recent history. Perhaps we in India have not seen it in proper perspective, but both American and British newspapers clearly went to town on the event. It was a happy thought for both the candidates in the American Presidential Election to send their congratulations to both countries in a full page advertisement as well as by cables individually to the President of Pakistan and the Prime Minister of India.

THE DISCOVERY OF INDUS

While we are slowly rediscovering our bonds with Pakistan and Pakistan her bonds with India, the world as a whole has been, it seems, setting out on a voyage of discovery, not of India, but of the Indus. The World Bank's imaginative approach to the dramatisation of the event—if I mistake not, under the brilliant direction of Harold Graves, who has done the Bank's public relations for years—has recorded in every country in the world. But who would have thought that we were so ignorant of our own geography? I knew all about the length of the Indus, about its tributaries and about the essential facts (as I thought) of the sharing of the waters. But I had never troubled to find out—foolish man that I am!—how much water there was to share. It is from the World Bank that I had to discover that (a) the Indus Basin System constitutes the longest irrigation network of any river system in the world; (b) it literally races ahead (and not like the 400 metre dash at the Olympics won by a short head) leaving all its opponents gasping for breath.

The annual flow of the Indus waters is stated to be more than twice that of the Nile and three times that of the Tigris and the Euphrates combined. More surprising than both these is the fact that it is nearly ten times that of the colorado river which, in my innocence, I believed was one of the greatest irrigation wonders of the world. We have now established that the subcontinent has two—and only two—firsts. One is, of course, the Olympic hockey championship which is won either by India or Pakistan. The other is—and this, perhaps, is more enduring after the new works to be undertaken—the Indus basin. It must be gratifying to know that there is no river system—not even the Aswan Dam Project on the Nile—which can bridge the gap between the Indus and any other river system. To those that have, apparently, to them shall it be given!

Let me continue, however, with some more geographical details. The Indus waters can cover France to the depth of a foot—that is, if some power could arrange the requisite transfer of irrigable resources, the flow of the new canals proposed to be built in this basin will be ten times the flow of the Thames at Teddington. Question: What is the flow of the Thames at Teddington? Answer: Don't know. Comment: Never mind! But I can say that the Indus basin irrigates (or is it capable of irrigating?) 30 million acres. This can be raised to 100 million acres—one and a half times the size of the United Kingdom.

CHAIN REACTION: WHEN?

So much for the Indus—for geography, for irrigation and national pride. How much will it contribute to our understanding of one another? Will the people of India and Pakistan, sharing this tremendous asset, begin to feel they need one another as well? I answer fervently yes? Of course, this is my wish which is father to my thought; therefore, wishful thinking, if you like. But it is also a legitimate conclusion from the fact that, at the top most level, there is such a desire for agreement as we have never previously felt. I am well content with what has been done in the last five days. The Prime Minister of India and the President of Pakistan have shown how great can be goodwill in the face of a major difference of opinion. When goodwill is so great, it does have an overflow into the differences themselves. Perhaps this was one aspect of what Mahatmaji called soul-force, meaning generous and tolerant conviction can give not merely courage; it provides the instruments of further goodwill. More biblically—one can dream of efforts such as these becoming the instruments of peace—we shall beat our swords into ploughshares and use them for the welfare of our people on both sides of our wholly artificial lines of division. When will the chain reaction start?

WATER FOR DELHI

I cannot resist the temptation of recording the discussion in the Standing Committee of the Delhi Corporation on a 'mighty' issue which took place on the very next day of the signing of the Canal Waters Agreement in Karachi. The Corporation seems to be labouring under a nightmare as the sole source of water supply to the city — the Jamuna — has already reached the saturation point, but the growth of population refuses to recognise this fact. It has urged the Central Government to make an approach to the Punjab Government to agree to the supply of at least 100 cusecs of water from the Bhakra source during the next three years at least. But this is not all. After arrangements are made to secure the first 100 cusecs of water from Bhakra, there will be a demand for an additional 100 cusecs, again from Bhakra, and for this demand the Corporation is quoting the high authority of the Master Plan. The Committee has further urged the Central Government to move the U.P. Government in order to ensure for Delhi 200 cusecs of water from the Ramganga Scheme. If the tangled negotiations on the canal waters dispute can after all be settled at an international level, why should there be so much difficulty in the matter of securing adequate water supply for Delhi? After all, can any one deny that the Capital City has a legitimate claim on all the States? Otherwise what is the virtue in a city being the Capital?

ARGUS.

THE WEEK'S NOTES

Cotton

A FEW FACTS

WHENEVER THE question of cotton textile production comes up a reference is made to the failure to provide adequate supplies of raw material for the industry. It is to be examined how far the statement is correct. The cotton supply position has, no doubt, been deteriorating during the last one year; thus as against the cotton crop in 1958-59 of 47 lakh bales, production in 1959-60 was only 38 lakhs, showing a decline of about 9 lakhs. But in spite of it, during the first half of this year production of cotton piecegoods was nearly of the order of 2,470.2 million yards as against 2,444.7 million yards during the corresponding period last year. Again, while exports during the first half of last year were 270.14 million yards, during the first half of this year, it has gone up to 314.4 million yards. (These exports only relate to Bombay Port from which, however, about 90 per cent of the textiles exports go). During the second half of last year, however, exports picked up and they were of the order of 448 million yards and it can be presumed that during the current half of this year also, a similar performance may be repeated. This is especially feasible because of the recent reduction in cotton prices when the domestic market may not provide so attractive a field. It is also worth mentioning that exports from the countries in the Communist bloc have been recently on the decline. Thus as compared to 780.55 million square yards exported in 1958, exports in 1959 declined sharply to 511.32 million square yards, almost the level reached in 1955.

It is, however, open to question whether the record of production as well as exports could not have been bettered this year with greater supply of cotton. Looking at the figures of raw cotton consumption during Jan.-May last year, one finds that the total is 2,10,400 bales consisting of 1,939,000 bales of Indian cotton and 174,000 bales of foreign cotton; during January-May this year, the corresponding figures were 2,081,000 bales, 1,814,000 bales and 267,000 bales. Though the consumption of foreign cotton has gone up from 174,000 bales to 267,000 bales, consumption of Indian cotton has gone down only slightly, from 1,930,000 to 1,814,000 bales. What is astonishing is that mill consumption of indigenous cotton should have continued more or less unabated even while the quantity licensed of foreign cotton has not been taken full advantage of. The import quotas announced during the cotton season aggregate to 1,220,000 bales. Of this the quantity licensed and actual arrivals upto mid-May 1960 amounted to 795,560 bales and 459,985 bales respectively. The details are shown below:

(Bales of 400 lbs. each)

Variety	Quantity Licensed	Actual arrival (including part quantity licensed during the previous season)
Egyptian	170,230	167,496
Sudan	80,967	63,149
East African	123,360	94,791
Peru, Pakistan and others	113,238	46,421
U.S.A.	307,765	88,128
	795,560	459,985

It would thus appear that actual arrivals are just 58 per cent of the quantity licensed. What is the reason for this state of affairs?

Banking

ENSURING EXPANSION

IN HIS recent lectures on "Monetary Discipline and Indian Banking" delivered in Calcutta, Mr. B. K. Dutt, covered a very wide ground that is full of interest to students of Indian banking. It is now readily granted that an organisational extension of the banking system is a 'sine qua non' for the economic development of any country and more so India, on the eve of launching her Third Plan. This is because only when the flow of money is organised and channelled, through the banking system can the various measures of monetary control operate effectively. However, the fact remains that today banking money represents only 30 per cent of the functional money supply and 8 per cent of the National Income whereas the corresponding figures in the United States are 80 per cent and 32 per cent respectively. The recent Palai Bank crash and the other rumblings in the banking world have caused misgivings among many that the expansion of the banking system may suffer a setback for at least sometime to come. It will be unfortunate if this feeling is allowed to gain ground which would only have the effect of retarding economic growth.

The quickness with which the Banking Companies Act was amended during the last session of the Lok Sabha to confer more powers on the Reserve Bank shows that the authorities have lost no time in benefiting from the lessons of the failure of the Palai Bank. But as Mr. Dutt pointed out, the essential base on which banking grows is the creation of a proper atmosphere and climate conducive to generating confidence and goodwill. Here, though banking control undoubtedly makes its own contribution, there are other measures that should be taken to remove any uncertainties in the public mind that might act as inhibiting factors in the growth of banking business. Here, he referred to two measures that will go far in inspiring public confidence. One is the insurance of bank deposits and the other, following from it, the rehabilitation of weaker banks.

It would now appear that the Reserve Bank is already examining the case for insurance of bank deposits. Though the bigger banks may not get much direct advantage out of such a scheme, there can be no doubt that they are also bound to benefit inasmuch as it would result in creating a suitable climate which will facilitate a general growth in banking, including the business of the larger banks. As Mr. Dutt showed, it is therefore only "enlightened self-interest" that the major banks should also press for the scheme for deposit insurance. Once the scheme for insurance of bank deposits gains ground, any step taken for the rehabilitation of the weaker banks is bound to be easier. The recent amendment to the Banking Companies Act has provided that as far as possible, bank failures should be prevented by rehabilitating in good time banks that are found wanting in some respect or the other. The suggestion for a Bank Rehabilitation Corporation made by Mr. Dutt deserves careful examination here.

Canal Waters

KARACHI AGREEMENT

THE SIGNING of the Indus Waters Treaty this week in Karachi has finally resolved the tangled problem of the allocation of the waters of the Indus system between India and Pakistan. Under the Treaty, India will be entitled to full use of the 20 per cent of the waters of this system flowing in the three eastern rivers—Sutlej, Beas and Ravi — except for a transition period extending to 10 years from April 1, 1960, when the Treaty comes into force, during which Pakistan will continue to receive waters from these rivers at a progressively diminishing scale. During this period Pakistan will have to build her works to replace these waters. India will contribute a sum of Rs. 83.33 crores towards the cost of these works, which will be scaled down by 5 per cent if the transition period is sought to be extended by Pakistan by one year, 10 per cent if the extension is required for two years and 16 per cent if it is proposed to be three years. The transition period will not be extended beyond 1973, except when unforeseen circumstances like a world war might affect supplies of raw materials required for these works from abroad.

Pakistan will be entitled to the full use of the three western rivers — Indus, Jhelum and Chenab — except for essential uses (irrigation, domestic water uses, hydro-electric development), present or future, in their own basins while they flow in India. The present irrigated areas in Jammu and Kashmir, Punjab (I) and Himachal Pradesh, approximately one million acres, will continue to receive irrigation waters from these rivers. Another 0.7 million acres can be brought under irrigation in these areas under provision for future uses. India will also be entitled to undertake measures for flood control and draining in these basins (as long as they do not adversely affect Pakistan) and use these waters for generating hydro-electric power. Further, India will be allowed to store for various purposes a total of 2.85 M.A.F. of water on the tributaries of these western rivers.

The U.S. Government and the World Bank have agreed to lend India Rs. 15.7 crores and Rs. 11 crores respectively to meet the foreign exchange cost of a dam on the Beas so that the longer transition period agreed to by India in order to accommodate Pakistan does not result in undue postponement of the perennial supplies to the Rajasthan Canal. Pakistan will get aid from U.S.A., U.K., Canada, West Germany, Australia, New Zealand and the World Bank to the tune of Rs. 333.3 crores for financing her development work on the western rivers. The Treaty also envisages the setting up of a permanent Commission, consisting of an Indian and a Pakistani Commissioner, which will iron out the differences between the two countries over its implementation. In case of a dispute remaining unsettled, a Court of Arbitration will be set up to look into the matter. A neutral expert will be called, if necessary, to whom differences of a technical nature would be submitted for decision. The Treaty contains a provision for future co-operation with regard to specific works, such as building of dams to control floods or drainage works which may be required to be built by one party in the territory of the other. These will be built, under separate bilateral agreements, at the request and cost of the party which benefits from them.

While the signing of the Treaty is welcome — it means one dispute less with Pakistan — the fact remain that Pakistan has struck a very hard bargain. It is difficult to understand how the contribution of India towards construction of the replacement works by Pakistan has been stepped up from about Rs. 60 crores, as suggested by the World Bank a couple of years ago, to Rs. 83.33 crores. It is also intriguing why India did not insist on this payment being set off against the Partition debt which Pakistan owes to her. Equally disconcerting is the fact that the Treaty envisages payment of this huge sum in foreign exchange when India is struggling hard to find external resources for her own development plans. Could we not have insisted that we should make our contribution towards building of Pakistan's replacement works by means of export of cement and steel which Pakistan will be importing for the purpose?

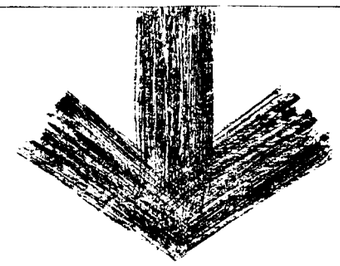
Ship-building

TECHNICAL PERSONNEL

IT IS not only in the sphere of manufacture of the main engine and components alone but also in the sphere of building cadres of technical personnel of various classes that the ship-building industry of India has a considerable leeway to make up. The difficulties in the manufacture of machinery and equipment are understandable, but it would appear amazing that the Visakh shipyard should still labour under a serious handicap of shortage of technical personnel for construction work. On the occasion of the launching of "Vishva Nidhi", Mr. G. L. Mehta, Chairman, Hindustan Shipyard, candidly stated that building of a nucleus of personnel for the designing of ships was one of the urgent and long-term tasks awaiting the yard. A good deal of preliminary work has to be gone through by way of collecting data on the classification of ships of different types before the nucleus of designers can come to grips with their regular assignment. About designing of ships, like designing of aeroplanes etc., delay in a country like India which has recently taken to the industry, is not unnatural.

But what is really a matter for surprise is the great difficulty which the yard is experiencing at the present time in obtaining the services of draughtsmen with requisite training and practical experience as also skilled tradesmen for steel fabrication and erection work which is a vital part of construction of ships. The Hindustan Shipyard has at long last started a scheme of practical training for draughtsmen, and in so far as skilled workmen are concerned, a separate training school has been set up in which a four-year apprenticeship course of theory and practice has been prescribed. The present limited requirements of the yard are expected to be satisfied in the next two years or so, as the Chairman of the Hindustan Shipyard has confidently stated. But in the meantime, expansion of output at the yard and the setting up of the second shipyard will make more demand on the supply of technical personnel.

The Indian Institute of Technology, Kharagpur, turns out graduates in naval architecture, but it will be news to many that all the training at this premier technological institute is not of adequate practical value. The graduates are not capable of being absorbed in the shipyard for the simple reason that they have no facility of intensive training in practical shipbuilding. One wonders how the practical part of higher training in naval achitecture was so grossly neglected in drawing up the curriculum for this degree course at Kharagpur. The real way out seems to be to make practical training at the shipyard for a specified period obligatory for these graduates before degrees are conferred on them. Unless some such arrangement is made in order to turn the graduates into full-fledged and readily employable technical executives, the gap in the naval architectural course at Kharagpur will not be removed.



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A Window on the World

"IT COULDN'T HAPPEN HERE?"

By

ODYSSEUS

NOW, I WANT to discuss inflation, and in hopes of preserving an atmosphere of dispassionate enquiry, and avoiding treading on the sensitive toes of contemporary Finance Ministers, and Government officials, I will describe what it did to the Roman Empire. Why Rome fell is not an academic but a highly topical question. If we can find the answer, it will throw light on our own problems.

At its zenith, the Roman Empire covered an area corresponding to modern Britain, France, Germany, Spain, Austria, Czechoslovakia, Switzerland, Yugoslavia, Rumania, Bulgaria, Albania, Greece, North Africa, and the whole of the Middle East as far as Iran, totalling some 4,300,000 sq. miles. That is nearly four times the size of India. From 31 B.C. onwards for close on a quarter of a thousand years this vast area was a single economic unit, with an initially flourishing trade based on an (initially) stable currency. Free of the burdens of war, its peoples devoted themselves to industry and agriculture. Piracy was almost unknown. Roads sped travel and trade. The blossoming of economic and cultural life which followed the establishment of the Empire sprang from the multiplication of the middle classes, given free rein to their enterprise, and of cities providing concentrated markets. As in 19th century Britain, the emerging middle classes set the pace of progress. The Emperor Augustus (27 B.C. to 14 A.D.) inaugurated a broad policy of 'laissez faire'. Private enterprise created streams of new wealth. Mr F. W. Walbank, in his readable 90 page book, "The Decline of the Roman Empire in the West," (Cobbet Press. London. 1946) describes a world knit together, as never before, by the intensive exchange of all types of primary and manufactured commodities through a communications system of an efficiency never again attained until some twelve centuries after Rome's fall. Effective police forces on land and sea protected the trader from the North Sea to the Bay of Bengal. The postal service covered 40 miles a day. After the Greek seaman, Hippalus, discovered the monsoons, a merchant could leave Puteoli (on the west coast of Italy) in an Egyptian corn ship in May, and continuing by Nile-craft and caravan to the Red Sea, could sail direct to the Malabar coast, arriving (with good winds) sixteen weeks after leaving Italy. By using the North-East monsoon the following January, he could be home inside a year. The consolation of world trade promoted travel which broke down parochialism (forerunner of nationalism).

FLOURISHING INTERNATIONAL TRADE

This great world was strikingly similar to our own in its flourishing international trade and potentialities for progress towards a universally affluent society. (It had two advantages over us; freedom from fear of war and from national barriers to trade). What went wrong? What plunged these 4,300,000 sq. miles into such miseries that they have been known as the Dark Ages ever since?

From the several causes two stand out: slavery and inflation.

Slaves formed the main labour force. This meant that those who did the basic work did not share adequately in its benefits. The slave, therefore, lacked incentives to improve the technique of the work that he did. Slaves not only did all manual work but were also teachers, doctors, architects, and professional men. It followed that the professions, and what we would call technology, were held in low esteem. The social climate was hostile to technical advance, which in all countries, in all eras, springs from the initiative and enterprise of the individual. Today, when one contemplates industrial giants like Imperial Chemical Industries one forgets that every one of them can be traced back to the enterprise of some small individual artisan, craftsman, or trader, at the beginning of the Industrial Revolution in Britain. A small man improved existing technique, or invented a new one, and because there was no income tax, let alone excess profits tax, he amassed capital with astonishing speed. It was the enthusiasm of hundreds of such small men, become bigger men, which launched England, and the world, on the path of change and prosperity.

The Roman Empire stagnated through lack of technological advance, while the need to keep up the supply of slaves broke the Roman peace by exhausting wars fought to extend the sources of supply.

WHY FEUDALISM AROSE

Secondly, inflation. In his remarkable new book, "Inflation and Society" (Allen and Unwin. London. July, 1960), Graham Hutton points out that the state expenditure of the Roman Empire became intolerably and inefficiently burdensome because private enterprise was squeezed out. Taxes had to be raised higher and higher, as trade, defence, law, finance, and civil administration became monolithic state enterprises. Urban and rural workers had to be "frozen" in the jobs allocated to them. Their jobs became hereditary, an ossification which was the precursor of the stratified, static, feudal society. Traders and merchants could only better themselves as state officials and their functions, too, became hereditary. Increasing taxation eliminated independent small traders and farmers, and compelled them to enrol, more or less as slaves, in big estates, which became self-contained economic units, forerunners of the feudal lord and his tenants. Thus was the international division of labour broken up and localised.

As international trade languished under progressive inflation, unemployment grew in the cities. As money lost value, a bewildering multiplication of economic rigidities, bureaucratic controls, and controllers sprang up. Soldiers and officials became all-powerful. The urban masses, mainly unemployed, had to be bought off by a Welfare state system of free rations of food and entertainments. As the demands of the proletarian voters grew for "bread and circuses," and of the soldiers for higher pay to meet the ever rising cost of living, taxes were driven higher, the Emperors bought the votes of the legions and of the masses by bigger depredations of the enfeebled tax-paying classes. The end was the dictatorship of the legions, which elected

and deposed Emperors at will, and eventually fought among themselves in support of rival puppet Emperors.

As the unitary economic, defensive, administrative, and legal territory of the Empire began to fall apart into self-sufficient feudal enclaves around the newly walled cities, so an entire civilisation fell apart. "It dissolved," says Graham Hutton in a memorable passage, "from the terrible third century onwards, into the dim outlines of modern European nations...." The popular belief that the Empire was destroyed by barbarian invasions is a half truth. The Empire was destroyed because no one could be found to defend its integrity, which had been inflated out of existence.

In a free enterprise state, power is widely diffused and a working balance struck between the individual and the necessary organs of government. But once citizens acquiesce in unnecessary enlargements of governmental power, the process snowballs. Professor C. N. Parkinson's assertion, that if you give an official an inch he will take an ell, has never been more convincingly illustrated than in the Roman Empire. Centralisation of the state's power snowballed from the time of Augustus until the collapse in the fifth century. Power could only be kept centralised by pampering, fiscally and financially, the power which had raised the Emperors to, kept them on, and abruptly knocked them off, the throne: the army. Heavy taxes on a minority of tax payers, plus inflation, gave the legions and the bureaucracy power over all other classes.

Most tax payers were urban. They were a tiny but economically important and productive minority. As their burdens grew, the elite of "decuriones" (senior civil servants in charge of a municipality) preferred slavery, flight, or the advent of the barbarians. This killed capital, trade, and cities. Outside the cities, in the countryside, the legionaries in their camps, and the biggest senatorial landlords in their estates, were exempt from taxes. Thus progressive inflation and the penal taxation to secure political power ended in the disintegration of the state. Power itself ultimately deserted the state and took to the smaller locality. There followed the Dark Ages of servitude and status.

Graham Hutton points out the contradictory behaviour of governments that yield to inflation. They undo as rapidly with their left hand what they are trying to do with their right. After centuries they are still attacking the symptoms rather than the disease. In 301 A.D. Diocletian issued an edict which made it a crime punishable by death to raise prices anywhere in the Empire. The edict laid down an exhaustive list of official prices of all consumption and capital goods throughout the then known civilized world—from chariots to women's underwear. Diocletian's object was to curb speculation while the state inflated the currency. Yet his edict was abandoned as impossible to enforce within two years. Not all his bureaucrats and soldiers could cut off the numbers of heads that would have had to roll.

None of this could happen today? It is true that we have abolished slavery, but inflation? After World War I inflation in Germany caused such misery to the middle classes that in their despair they welcomed Hitler. Inflation in post-World War II France paved the way to de Gaulle's return. I do not equate de Gaulle with Hitler, but it remains to be seen whether the French can reverse the process of administrative centralisation which a dictator inevitably quickens, and of which the logical ultimate outcome is a totalitarian state and the end of individual freedom.

P.S. There has actually been more inflation in more countries since 1945 than before. The popular idea that our present inflations originated in the war is mistaken.

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The European Scene

THE DEFAULTER AT THE AID INDIA MEETING

From Our Special West European Correspondent

PARIS, September 18.

THE third meeting of the Aid India Club was held here, at the European office of the World Bank, this week to consider the amount of special supplementary assistance that might be given India immediately and to study the foreign aid needs implied in the Third Plan. Little is known of its discussions, for the meeting was private and the experts attending were not empowered to take final decisions. In addition to the members who were present at the Washington meetings in August 1958 and March 1959 (Britain, the USA, West Germany, Japan and Canada), there were "observers" delegated by the IMF and the Italian Government. The fact that Italy was taking an interest and the circumstance that this meeting was held in the French capital, obliged the French Government to issue an embarrassed explanation of its failure, alone among the leading economic powers of the free world, to join the Aid India Club. Recalling that France had already granted India a number of medium-term loans for her economic development, an official statement averred that Paris was "fully aware of the need to make a useful contribution" in this matter, but was prevented from joining the Club by the burden of present French aid to other developing countries, notably in Africa.

While this explanation is quite truthful, it is also the case that there was a powerful movement in favour of France adhering to the Club and the decision to abstain was taken only at the last minute and with much regret. (This is hinted at in the official statement which says that the Government "has finally decided not to send a representative".) The ultra-cautious faction in the Finance Ministry, which is opposed to placing any new strain on the economy even though it is currently working well below capacity, had its way in the end. If the invitation had been more pressing, and if relations between Delhi and Paris (more specifically, between Messrs. Nehru and de Gaulle) were more cordial, an opposite decision could have been taken because in her present position of economic strength France is perfectly capable of making a signifiant contribution to assistance for India. This might yet be done at later meetings of the Club. Meantime, it should be remembered in India that this week's decision not to undertake the special commitment of joining the Club was taken by a narrow margin, and that France remains open—and particularly certain French industries—to appeals for assistance.

All the economic indicators show that the French economy is well placed to meet such appeals. The two years since the draconian reform of 1958 have produced a transformation whose extent is often underestimated. The economy today is quite rid of inflation, it has a comfortable and continuing trade surplus, it has amassed large and growing reserves of gold and foreign exchange, it has ample unused capacity in machinery and manpower, the capital market is well nourished and interest rates still falling, prices have not yet annulled effects of the two successive devaluations and, finally, the country is itself the recipient of substantial amounts of foreign investment, particularly American. All the forebodings and criticisms aroused by the end-1958 reform have proved unfounded, save one: the rate of expansion is not yet as high as the country can afford. Two factories out of three report that they could produce more if required. Leftist critics of the regime accuse the authorities of deliberately restraining the growth of domestic demand, and the OEEC has just presented a survey of the economy that concludes by asking the Government to abandon some of its financial rigour by giving private consumption a shot in the arm. In this situation (which contrasts totally with the popular conception of France strained to the point of inflation by the Algerian war, by de Gaulle's military programme and by hand-outs to the former African colonies), an undertaking to broaden the scope of French foreign aid would be not only possible but salutary. The hesitant refusal to give it was typical of the excessive caution that is the only justified criticism one can make of the present regime.

If all the aid offered by Paris to Africa were being availed of, France would indeed be unable to make further commitments. But this is not the case. The largest sums scheduled to be invested in Africa are devoted to the Constantine Plan for the development of Algeria. Actual investment outlays are far behind the Plan proposals, largely because it is impossible to develop a country plunged in civil war. The idea of developing a country to remove the causes of the war (or rather, some of the supposed causes) puts the cart before the horse; Algerian development cannot begin properly until the armed strife is ended. When it does, the money now being wasted in the struggle against nationalist terrorism will supply as much investment capital as that under-endowed territory can digest. Much public capital is indeed being sunk in a belated but still impressive programme directed at improving Algeria's infra-structure of roads, schools and other amenities, but that does not mortgage the capacities of French industry. It has completed the costly part of the investment in oil: Saharan petrol has been located, raised, pipelined to the coast of Tunisia and Algeria, where it is stored and transported across the Mediterranean. The only other major industrial project in the Constantine Plan, the steel works at Bone, has not yet taken shape because private industry is not convinced of its profitability. So it cannot be claimed that Algeria is tying up capital resources that might be diverted elsewhere.

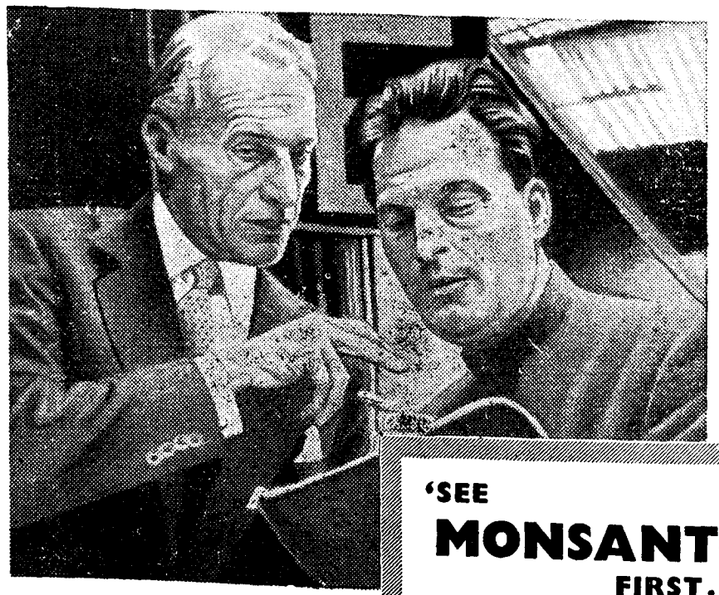
In Africa south of the Sahara, French investment effort continues to be considerable and Paris remains the largest lender to that continent. Yet the newly liberated Negro states cannot make use of all the capital that is theoretically available to them, because they have not prepared the industrial development plans that are needed to put incoming capital to work. The sort of political buffoonery to which Negro politicians in the Congo, Senegal and Sudan (ex-French Sudan) have devoted themselves immediately after independence suggests that the elaboration of such plans is not regarded as urgent. At all events, Negro African is not tying up the resources of French industry, though public aid is a substantial item in the French budget. More important, the notion prevalent in France that Africa must come before everything else is a political choice which may be already out of date. The dream of "Eurafrica", in which the Common Market Six were to dedicate themselves to the development of former French or Belgian colonies to the exclusion of other sorts of foreign aid, has already evaporated. The two territories that were so richly endowed with resources as to make this seem a profitable venture (the Guinea of Sekou Toure and the Congo of Lord knows who) have demonstrated that they are not interested in it, and they have demonstrated this so convincingly that one cannot conceive West German, Italian and Dutch investors joining with France in a vast development programme in which Negro Africa had a first and special place.

The French might cling to what remains of their African Community after the defection of North Africa

and Guinea (and perhaps soon of Sudan, the relic of the Mali Federation) as the prime claimant of their capital available for lending abroad. Yet that Community already has a much less coherent and family-like appearance than it had several years ago when Paris adopted the policy that the political rewards were so great that all capital must be reserved in priority for Africa. In other words, the belief that funds must flow to Negro Africa because that is a zone of French influence even when it has been liberated, but need not go to India because that is not a zone of French influence, is today arbitrary and will become more obviously so as the former colonies put a looser and looser interpretation on the bonds of the French Community. It was lately shown on this page that the projected tight links between the "associated African territories" and the Common Market were proving in practice to be so tenuous that they implied little or no discrimination against countries like India; much the same will prove to be true of the economic bonds of the French Community. In sum, the argument that France cannot assist India because of Africa's prior claim is based on wishful thinking about the solidity of the French-speaking group of Negro states.

The French Government will be the last to admit this, and that is why where the decision rests with the administration—e.g. whether or not to join officially the Aid India Club—supposed African claims will be given preference. On the contrary, French industry well knows that France is today generating capital surpluses, particularly when measured in industrial equipment, that cannot be absorbed by Africa and are available for diversion to India. The events of the next year or so may be relied upon to convince the French Government that free Africa is not a peculiarly French preserve willing and able to use all the industrial capital France can spare, and to which French benevolence should exclusively be directed. When that happens, the decision to abstain from joining the Aid India Club will be reversed. Well before then, private French industries—comfortably established in the Common Market, rapidly expanding and modernising, faced with plentiful money supplies, thanks to the French payments surplus, but left with idle capacity because export markets have stabilised at a high level before domestic demand has been allowed to revive—will be responsive to enquiries from India about investments and generous long-term credits.

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V. 45

Our West German Letter

TELEVISION SPREADS ITS TENTACLES

From Our West German Correspondent

BONN, September 15.

THE rapidly progressing television industry with its cleverly managed and continuous advertising campaigns has up till now provided over 4 million sets to the 55 million population of West Germany. The numerous restaurants and pubs with television performances provided for their guests, represent also a medium of sales propaganda as many onlookers are at first tempted and soon persuaded to buy a set. The good results of this comparatively new industry (new in the technical sense, but old and well-known electrical concerns are generally the producers) have caused remarkable damage to the film industry. The largest concern is the world-famous UFA (Universum Film Aktien-Gesellschaft), film producers as well as cinema owners, founded in 1917 and only temporarily closed after the Second World War by the occupation authorities. It showed in the last year a net loss of not less than 5.4 million DM. The General Manager Arno Hauke was ordered by the Board of Directors to go on leave till his contract is terminated by May 1961. As the main creditor is the Deutsche Bank the whole affair has created a stir in public. Whether there were some miscalculations on the part of the management or not, the main reason for the failure is, as already mentioned, the competition with television. It is, obviously, more comfortable to sit at home in an easy chair and see a picture than to go out in rain or snow and drive through crowded streets till you arrive exhausted at the cinema. But there is already a tiny ray of hope to be seen, thanks to a kind of co-existence between television and film industry in providing the first with products of the latter. The first film companies which started this kind of collaboration were called "traitors" by their rivals. But these quarrels have now stopped and film studios are happy to get employed by television. An interesting new undertaking in the realm of television is the "Freies Fernsehen G.m.b.H." (Free Television Ltd.) in which publishers of newspapers and periodicals, industrial firms and banks are participating. This company has already started its production and will send a three hours' day programme from 1st January 1961. But the whole situation is at present somewhat complicated or even confused.

To give a true picture we have to make a slight escape from the economic to the political arena. Up till now television is in the hands of the radio stations which are government undertakings of the various federal states. Since some years the Central Government which recognized in time the importance of this medium, was negotiating with the states to start a new company in which both, the Central Government and the states, should be partners. As Chancellor Dr. Adenauer saw no chance for an immediate result of the negotiations, he founded a new limited company, the "Deutschland-Fernsehen G.m.b.H." (the Germany Television Ltd.) on behalf of the Central Government and made the Minister of Justice, Dr. Fritz Schaeffer, a trustee for the states. Some of the states are headed by Chief Ministers of Dr. Adenauer's CDU party (Christian Democratic Union) and others by Chief Ministers of the main Opposition party in Parliament, the SPD (Social Democratic Party of Germany). This "coup" of the 84 years old Chancellor (latest joke: Dr. Adenauer is too old to retire) caused an uproar. Even his own party Chief Ministers refused to sign on the dotted line and two states headed by Socialist Chief Ministers have instituted legal proceedings against the Central Government. Some opposition newspapers accused the Chancellor even of trying to secure a "television mouth piece" for next year's elections. Before concluding the report on this remarkable "television muddle", it should be mentioned that advertising over television has started jeopardizing the advertising in illustrated weeklies. An institute for public opinion found out by scrutinizing 36 of these periodicals that the proportion of advertising pages to the entire number of pages of a single issue has gone down from 35.3 per cent in April to 34.7 in May and to 29.8 per cent in June.

* * *

It goes without saying that the position of the trade unions in view of the almost non-existing unemployment has never been stronger than today. The iron and metal trade unions reached for the coming year an increment of 8.5 per cent and, perhaps even more important, the gradual reducing of working hours which will be 40 hours to the week in 1965 with uncurtailed wages. It was only a question of time when other trade unions would follow suit. Now the miners are already negotiating with their employers' associations demanding an increment of not less than 12 per cent although their wage-agreement is still in force. The latter are not in a strong position as they quite rightly fear that their workers, if not satisfied, might switch over to other industries. This wage movement will shortly affect trade unions of various trades and its consequences might become rather serious. These additional expenses could reduce the means of the industries which otherwise would be spent in rationalization and automatization. Furthermore, the purchasing power of the workmen will—according to official and private estimates—increase by about 9—10 milliard DM a year which can easily lead to rise in prices or to inflationary trends. On the suggestion of Dr. H. J. Abs of the Deutsche Bank (one of the "Three Wise Men" who toured India on behalf of the World Bank) leading bankers and industrialists as well as the President of the Bundesbank, Dr. Blessing, met recently in Frankfurt to discuss the present economic situation. According to the press communique issued subsequently, it was the general opinion that the progressive trend of the economy demanded that the stability of the currency must be maintained under any circumstances. It was recommended that the efforts of rationalisation have to be strengthened to encounter the threatening tendency of rising prices. Also the Minister of Economics, Prof. Erhard, is well aware of the dangerous situation and intends to call an authoritative committee of 6 or 8 economists and market research workers, who would be asked to scrutinize all the factors of price stability. Dr. Paulssen, as representative of the employers, and Willi Richter, the chairman of the trade-unions head organisation, have given their consent to the appointment of such a consultative committee.

* * *

We have again to revert to the absorbing topic of aid for developing countries. A welcome and significant development is that the Foreign Office will shortly institute a special section which will be exclusively concerned with this subject. Up till now the Ministry of Economics and the Finance Ministry were also working in this line and, therefore, sometimes avoidable duplication of work might have occurred. The new arrange-

ment does not, of course, exclude the collaboration of the Aid-Section of the Foreign Office with the said Ministries, but it will be finally responsible for effective execution of the various actions of aid. In this connection a surprising proposal ought to be mentioned. The Director of the State Bank of Westphalia, Hugo Boegemann, suggests a new kind of additional income-tax, the revenue of which should be used for projects in developing countries. He arrives at a figure of not less than 4356 million DM per year. Without going into details how the spending of this amount would affect the German money market or the export of capital, it is quite interesting to note how the author of this scheme works out the above-mentioned amount. Six million, people not paying any income-tax at present, would have to pay 3 DM per month or 36 DM per year which amounts to 216 million DM. The next category would pay 5 DM per month or 60 DM per year, yielding 360 million DM. The following batch of 6 million, earning a higher income, would have to pay 25 DM per month or 300 per year, amounting to 1800 million DM. The last and highest group of 3 million income-tax payers would contribute 55 DM per month, or 660 DM per year, amounting to 1980 million DM. But the clue to this proposal is that the payers would have to spend their money in fact not as income-tax into the coffers of the government, but these amounts would be treated as long-term loans which will be granted to the developing countries. In other words, all the German income-tax payers and even those wage-earners not paying income-tax at all, would finance this aid. Since this certainly original suggestion was only made recently in one of the leading financial newspapers, one will have to wait for the reaction of the public as well as of the Government. Whether the Government would favour such a bold experiment seems doubtful. It should be remembered that the German people go to the polls next year.

* * *

West Germany has nowadays the reputation not only of being the country of the so-called "Wirtschaftswunder" but also of having become very materialistic. This latter observation might be true only to a certain extent. Whether cultural interests are dormant or again active is proved by the outstanding success of the German publishing house of Bertelsmann, in the small town of Guetersloh in Westphalia, which just celebrated its 125th anniversary. Its book society, founded 10 years ago, which is publishing only really good books, has a membership of 2.5 million! It is the largest book society in Europe. Bertelsmann overcame the usual opposition of booksellers against book clubs by appointing them as selling agents of the society. Since 1945 this publisher alone issued 140 million volumes, and his popular encyclopaedia sold 1.5 million copies. Every day 45,000 book parcels are being despatched by post and 40 tons of books by rail. Some years ago, Bertelsmann started a gramophone record society. Up till now 500 different classical records are supplied to 360,000 members through the relevant retail trade. The latest branch of this publishing house will be television production, specializing in decent features for families and young people. The origin of this unique firm was the publishing of Christian theological literature which plays also today a great part in its activity. On the occasion of the jubilee the workmen were promoted to clerks, which raised their social standing and gave them great advantages in social insurance. The additional contributions will be paid by the firm which employs 5,000 employees. For research work in the field of "bookselling in the changing society", the house of Bertelsmann made a donation of 1 million DM.

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Economic Report from the U.S.

ROLE OF AUTOMATION IN INDUSTRIAL DEVELOPMENT

By

GUY SIMS FITCH

CHICAGO, SEPT. 13.

TWO huge industrial exhibitions here are offering a glimpse into the future, and in the process, are throwing light on current trends in the U.S. economy. These are the production engineering show and the machine tool exposition, which together make up what is described as the biggest exhibit in the world. The twin displays, revealing the latest in tools and production equipment, are staged only every five years. They thus are centres of attraction for businessmen, engineers and economists not only from the United States, but from other countries as well, who come to examine—and often to purchase—the products of American research and development. In all, more than 125,000 persons from the United States and about 50 other countries are attending the 10-day exhibits which opened on September 6. By their very nature, these exhibits traditionally have marked new trends in industrial development, and this year is no exception. Already, they are being hailed rather glowingly by their sponsors and also by many who have viewed them, as harbingers of a new industrial revolution. There is a clear stress on continuing automation of industrial processes. This, after all, was to be expected. What is more significant is the distinct trend toward combining the electronic brain and the machine, on an unparalleled scale. This technique of automation is most advanced in the metal working industry. But the next big step, from all indications, will be its application to virtually all industries, in small as well as large plants.

At the heart of the new technique is a new type of control system, called "numerical control." It tells a machine exactly what to do through symbols recorded on magnetic tape, punch cards or electronic plates. This eliminates the need for often bulky and intricate mechanical equipment built into the conventional automatic controls. As a result, it is now possible to set up new machines more expeditiously and at less cost than before. They will run with greater accuracy and to exacting tolerances heretofore unattainable. They will be able to perform many different and difficult operations, shifting quickly from one to another with a change of the control card or tape, thereby providing a new flexibility in production scheduling. In the long run, all this means more and better products, turned out faster and at less expense. It is noteworthy that this gigantic demonstration of accelerated industrial progress comes at a time when American machine tool orders have been relatively slow, and when many American companies—manufacturers of durable goods in particular—seem to be reducing their scheduled outlays for new plant and equipment. The fact, then, that some 400 American companies have put on display more than 1,000 new machines and about 10,000 production components means that they are looking beyond the present temporary situation to a continuing long-term growth of U.S. industrial and economic activity.

But even with regard to the short-term future, there are business executives who believe that the machine tool industry has been passing through a rather normal summer lull, and that orders will pick up again soon, spurred by the new equipment on display here. This, they recall, is what happened after the last machine tool and engineering exhibition back in 1955, which also showed many new and improved devices. And, they point out, the five years since then have witnessed a particularly rapid advance in technology. In addition, they note that with the American production potential at an unprecedented high, the emphasis in American industry during the past few years has been on modernization rather than expansion of productive facilities. This could help sustain tool and machinery production, even if total outlays for new plant and equipment were to lag for a time.

Another bright spot is the foreign interest in American equipment. Already strong, it may pick up even further as a result of the new advances on display here. Moreover, it is reasonable to assume that expanding economies around the world — in both developed and developing lands — will continue to offer growing markets for the tools and equipment that are representative of American technological progress and production know-how.

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WORLDGRAM

India

Automobile Sparking Plug Industry: The automobile Sparking Plug Industry will continue to be under protection till December 31, 1963, with the acceptance by the Government of India of the recommendations of the Tariff Commission. The industry is under protection since 1955. The last extension of protection for five years was due to expire on 31st December, 1960. The present extension of three years will be at the existing rates of duty. The attention of the industry has been drawn to the Commission's recommendation that the industry should make efforts to tap indigenous sources for the supply of raw materials such as cement filler and high refractory cement powder.

*

Loan to ICICI: The US Government approved on September 15, 1960, a loan of $5 million (Rs. 2.38 crores) by the US Development Loan Fund to the Industrial Credit and Investment Corporation of India Ltd. Formed in 1955, ICICI seeks to stimulate India's industrial development by providing various types of long and medium term finances to private industrial enterprises. Proceeds of this loan will be used to meet the foreign exchange costs of capital equipment imported by industrial firms with the assistance of ICICI. The industrial categories to be assisted through this loan have been mutually agreed upon by ICICI and DLF.

*

Industrial Machinery: Current year's production of industrial machinery including electrical machinery and equipment is likely to be of the order of about Rs. 120 crores. This is proposed to be stepped up to Rs. 300 crores by the end of the Third Plan, the aim being to achieve self-sufficiency or near self-sufficiency, in a number of cases like paper-making machinery, cement machinery, textile machinery and boilers. Domestic demand is expected to outstrip the supply in respect of machine tools, electric transformers, and electric motors, even at the end of the Third Plan requiring considerable amount of imports.

*

New Process for Sodium Sulphate: A new process developed at the Central Salt Research Institute, Bhavnagar, will make possible production annually of about 26,000 tons of sodium sulphate from the Sambhar Lake bitterns amounting to 250,000 tons. The bitterns are obtained during the extraction of common salt from the Sambhar Lake brine in Rajasthan, the largest single salt production centre in the country. It has been estimated that an industrial plant producing 14 tons of sodium sulphate daily will require an investment of Rs. 9.6 lakhs. About 20 tons of high-grade common salt are obtained as by-product. The return on the total investment has been estimated at 31 per cent.

Japan

National Income: The gross national product of Japan in 1959 is calculated to have registered a 14.6 per cent rise in real terms over the figure of 1958. The rate of increase is said to be a post-war high compared with the previous record reached in 1951 of 13.5 per cent increase over 1950.

Brazil

Sugar Sales: Brazil which had hitherto no place in the US sugar market has now been given permission to sell 100,347 tons in the United States. Brazil got the largest share among nations which previously had held no US quota.

Ceylon

Foreign Investments: Safeguards for the security of foreign capital and the conditions on which it will be allowed to operate in the country, formed an important part of the budget speech of Mr. Felix Dias Bandaranaike, Ceylon Finance Minister when he presented the budget on September 15, 1960. In addition to the various tax and tariff concessions already available to local enterprises, the Minister stated, foreign capital would be assured that repatriation of dividends and eventually of assets, would be freely permitted.

United Kingdom

Savings: People in Britain save and invest at home and abroad about 20 per cent of their National Income. Unofficial estimates suggest that Britain has today 2,000,000 separate shareholders. Commentators of economic and financial affairs write that small investors are playing an increasing part in the stock exchange. Unit trust and investment trust movements are said to have played a big part in channelling small savings into industry.

*

Atomic Energy: At current prices, on an average, nuclear electricity is considered in UK 25 per sent more expensive than conventional electricity, while the newest conventional power stations generate power as much as 40 per cent cheaper than nuclear stations. Nuclear power, far from being considered the solution of the British economy, has now come to be regarded in some quarters as a costly white elephant. Under the current programme Britain's investment in atomic power stations is said to be around £100 million a year. Nuclear programme has been rephased considerably toning down the programme laid in 1957.

West Germany

Rising Employment: Each unemployed person in West Germany had five situations vacant for him. The number of jobs lying unfilled was 538,000 during August 1960 as against 113,000 unemployed persons at the end of August. The demand for workers from abroad is said to be increasing.

Sweden

Iron Ore: Sweden earns about Rs. 90 crores per annum, by exporting her iron ore to countries like Belgium, West Germany and Great Britain. Sweden is the second largest producer of iron ore in Europe. Mines from which iron ore is recovered for domestic use are usually owned by consumer steelworks whereas export mines are owned by Swedish companies which are in no way associated with the purchasers in Great Britain and on the continent.

Ghana

Trade with Soviet Union: A permanent showroom of the Soviet Union was opened in Accra, capital of Ghana, by Ghana's Trade Minister, Mr. F. K. D. Goka on September 17, 1960. Goods on show include cars, motor-scooters, agricultural machinery, cinema projectors and watches. Russia purchased in the first two months of this year goods worth £1,200,000 from Ghana and sold them goods worth £1,600. It is reported that co-operators of the Soviet Union and the Ghana Republic have reached agreement to start trading on a mutually beneficial basis shortly. A delegation of the co-operators of the Ghana republic, led by Labour Minister, Amuaka Robert, visited the Soviet Union in August.

Yugoslavia

Priority for Housing: 500,000 flats are to be built in Yugoslavia during the next five years. The current Five Year Plan provides for the construction of 200,000 flats. As part of the current plan, 80,000 flats are likely to be completed by the end of this year. The envisaged housing programme is expected to diminish considerably the housing crisis in that country.

*

Maize Production: With last year's production three times the average production of 1930-39, and current year's production estimated to be 6 million tons, Yugoslavia is fourth among the world's foremost producers of maize, United States, Soviet Union and Brazil occupying the first three places respectively.

Cuba

Soviet Tractors to Cuba: 'Kirovsk' Soviet diesel ship which left port Riga on September 19, 1960, is carrying, it is reported more than 300 Soviet tractors, bulldozers, and other machines for the Cuban Agrarian Reform Institute. The ship is expected to take back Cuban sugar for the Soviet Union.

*

Nationalisation: Accusing owners of cigar and cigarette firms of "open hostility" against economic development of Cuba, the Cuban Government took control of the nation's rich tobacco industry. Apart from the oil refineries, the Government of Fidel Castro has taken over American owned sugar mills, three rubber factories and a chain of American owned super markets. A decree signed by the President and the Prime Minister of Cuba was issued on September 17, 1960, ordering the nationalisation of three US banks, the First National Bank of Boston, the Chase Manhattan Bank and the National City Bank of New York. On July 6, Cuban Government got approved from the Cuban Cabinet a law authorising it to expropriate American property when deemed necessary in national interest.

*

Agreement with Hungary: Cuba and Hungary have signed a ten year agreement under which Cuba receives an $8 million credit to purchase Hungarian industrial plant. The two countries also signed a five-year commercial treaty granting each other most-favoured-nation treatment.

U.S.S.R.

Foreign Trade: Russia's total foreign trade registered a rise of more than 60 per cent between 1955 and 1959. During the same period its trade with the sterling area rose by 83 per cent. The bulk of Russia's foreign trade is still within the Communist bloc accounting for three quarters of the total. Russia has always been having a favourable balance of trade with India. The surplus dropped considerably in 1959 being only 30 million roubles as compared with 316.3 million roubles in 1958. Russia had in 1959 an unfavourable balance of trade of 503.2 million roubles with Malaya the greatest since 1955, the main item of imports being rubber.

Pakistan

Financial Assistance: A consortium of ten countries are meeting early next month to assess the possibilities of providing financial assistance to Pakistan. Pakistan's Second Five-Year Plan of Rs. 1,900 crores has a foreign exchange component of Rs. 800 crores. The broad features of the Plan have been endorsed by the World Bank. The Bank has also expressed its satisfaction of it. The foreign exchange component is expected in the form of aid loans and private investments. Finance Secretary, Mohammed Ayub is leading the three-member delegation to Washington. It is indicated that the consortium may meet annually to determine Pakistan's development requirements.

Poland

Export of Ships: The export of ships, which is playing today an important role in Polish foreign trade, will considerably increase in the coming five years period (1961-1965). The ship construction programme provides for the building in this period of 300 units of an aggregate tonnage of 1,800,000 dwt. About 150 among them (1.150 thousand dwt.) will be built for foreign shipowners. The production capacity of the Polish shipyards is nearly exhausted until the end of 1965 by orders already booked. The Soviet Union would buy half of the shipyards' production in the five year period. The flexible policy of the Polish foreign trade whereby payments in goods of the buyers are accepted, which is a boon to many countries with a shortage of convertable currency, accounts for the rush of orders on Polish shipyards. The value of the ships to be exported in the approaching five years period will amount to nearly 500 million dollars. The USSR, China, Indonesia, Switzerland, Brazil, Czechoslovakia, France and Albania are the main buyers of Polish ships.

UNDER SECRETARY TO GOVERNMENT
1 OCT 1960
PUBLIC DEPARTMENT

NEWS IN BRIEF

INDIAN

Mr. Morarji Desai went to London in connection with the two-day (Sept. 20, 21) Commonwealth Finance Ministers' Conference.

*

A new orientation is proposed to be given to the country's industrial policy in order to link industrial development with export promotion.

*

A super-thermal power station, with a capacity of 600 mw, the biggest in Asia, is to be set up by the West Bengal Government at Bandel to meet the power requirements of Calcutta.

*

High-level discussions between the Union Food Ministry and the Railway Board have revealed that the 'massive import' of PL 480 foodgrains during the next five years will not impose any excessive burden on the Railways' haulage capacity.

*

Mr. Jozef Cyrankiewicz, the Prime Minister of Poland arrived on September 21. He will stay in the country for a period of seven days. Mr. Cyrenkiewicz is on his way to Ceylon from Afghanistan.

*

India had a favourable trade balance of Rs. 8.62 crores with the USSR during the first half of 1960 against a surplus of Rs. 6.08 crores in the corresponding period of 1959.

*

To cope up with the increasing volume of work, the State Trading Corporation of India is understood to be considering the setting up of subsidiary organisations.

*

Mr. Lal Bahadur Shastri, Union Minister for Commerce and Industry laid the foundation stone recently for the Rs. 6 crores pulp and paper plant of the Sheshasayee Paper and Boards Ltd.

*

Mr. Manubhai Shah, Union Minister for Industries, recently inaugurated the New Horizon Sugar Mills, Ariyur, near Pondicherry.

*

A high official of the Reserve Bank of India will visit Kerala to hold informal talks with the banks in the State, with a view to creating strong banking units by amalgamation.

*

Maharao Madan Singhji of Kutch, Ambassador-designate of India to Chile, has been appointed envoy to Bolivia and Columbia.

FOREIGN

An agreement between India and Czechoslovakia for the operation of air services between the two countries was signed recently at Prague.

*

Indian circles in Ceylon are worried over the Finance Minister's Budget proposal to levy a tax of Rs. 400 per annum on every foreign resident visa holder, whose stay in Ceylon exceeds three months and an annual registration fee of Rs. 1,000 for every business, big or small, carried on by non-nationals.

*

The United States is likely to have a surplus in commercial exports this year to the tune of $4,000 million compared with $1,000 million last year.

*

Tanganyika achieved a £912,000 surplus instead of incurring an estimated £1.3 million deficit for 1959-60, according to Treasury accounts for the 12 months ending June 30.

*

West German trade talks with the Soviet Union will begin in the middle of October. The talks, which were to take place in September, were postponed at Russia's request.

*

A Dutch firm, N. V. Werkspoor, of Utrecht, is to supply the Hungarian railways with 380 freight trucks, worth £ 0.56 million in return of light and heavy industrial machinery. Special Dutch Government permission facilitated this barter agreement.

*

American industrial companies plan to spend $2,400 million on plants, equipment and property outside the US this year, which is about 15 per cent more than the last year.

*

Regular transmissions of television programmes have begun in Japan. The Shibaura Electric Company (Toshiba) has announced plans for mass production of colour TV receivers.

*

Soviet experts have arrived in Iraq to begin a two-year search for metallic ores.

*

The problems of the six-seven trade split are likely to be discussed in the new Organisation for Economic Co-operation and Development.



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Special Article

THE RISING PRICES OF INDIA'S TRADITIONAL EXPORTS: 1959-60

IN a Special Article in "The Eastern Economist" last week it was pointed out that the rise recorded in India's export earnings during the first half of the current year was primarily due to two reasons. In the first place, trade with the Communist countries had increased and had brought in Rs. 10 crores worth of foreign exchange in addition. In the second place, India's terms of trade had improved so as to fetch an additional Rs. 25 crores in six months. Improvement in prices had mainly taken place in India's traditional commodities. Only two examples were cited last week, namely, those of tea and hessian cloth, to demonstrate the role of rising prices in inflating our export earnings. An attempt is made this week to analyse the price behaviour of all items, with special emphasis on the twenty-two traditional commodities on India's export list, which have played a major role in yielding enhanced foreign exchange.

Table I below compares the yield from both the traditional and the non-traditional items in the first half of the current year as compared to the corresponding period in the preceding year. It will be seen that the traditional items had registered a net rise of about Rs. 28.6 crores while the non-traditional items had recorded a rise of about Rs. 6.75 crores, thus making up a total rise of about Rs. 35 crores.

TABLE I

EXPORTS OF TRADITIONAL AND NON-TRADITIONAL COMMODITIES

(Value in Rs. lakhs)

Group	Jan.-June 1959	Jan.-June 1960	Variation of (2) over (1)
	(1)	(2)	(3)
1. Traditional Items			
(a) which had a rise ..	1,59,83	1,95,66	+35,83
(b) which had a fall ..	28,40	21,15	— 7,25
2. Non-traditional items ..	77,78	84,53	+ 6,75
Total	2,66,01	3,01,34	+35,33

A special study is made of the twenty-two traditional items in Table II. This table sets out both the volume and value of exports. The per unit price realised in the two half-yearly periods is also compared and in the last column the percentage changes in prices are also presented. It will be seen that except for the unimportant and small items such as sillimanite, linseed oil, carpets and floor rugs of coir and mats and mattings of coir, etc., all the major items indicated a significant rise in export prices. Even in the case of these commodities which suffered a fall in prices, the yield did not decline. In fact, they recorded a rise of Rs. 4.76 crores in export earnings. The increase registered in the case of the items for which prices have been rising came to be around Rs. 31.07 crores.

In terms of percentage increase in export prices, pepper stands at the top of the list; the prices have in this case, more than doubled from Rs. 106.40 to Rs. 286.03 for a cwt. Substantial increases in export prices have also been recorded in the case of chillies, ginger, cashew kernels, hides and skins, leather and leather manufactures, and new sacking bags.

Tea stands out as one of the major earners of foreign exchange. There has been a decline both in terms of volume as well as value, though prices have risen by about 7.2 per cent. Whereas during the first half of the last year 146.9 million lbs. of tea were exported, the volume was substantially reduced to 132.8 million lbs. during the first half of the current year. It is well-known that widespread drought in northern India brought down the volume of the crop this year. The unforeseen calamity has thus reduced the total exports of tea to the outside markets, though the main international market — London — has not been under-supplied. A part of the fall in volume was made up by an increase of about 7 per cent in prices. The export earnings in tea, therefore, recorded only a marginal fall of Rs. 1.2 crores from Rs. 36.71 crores in the first half of the last year to Rs. 35.54 crores during the first half of the current year.

In the case of unmanufactured tobacco, there was increase both in volume as well as value realised, though there was a negligible drop in prices. A substantial rise in prices was, however, recorded in the case of leather and leather manufactures. In this case there was a fall in volume from 249.8 to 208.5 ('000 cwts.) but the value realised was higher by nearly Rs. 1.5 crores because of the 35 per cent increase in prices. In other words, the rise in prices more than compensated for the decline in volume. In the case of jute goods, the overall picture shows a rise in volume as well as value, accompanied by a rise in prices as a whole. Total enhancement in yield from jute goods alone during the period under consideration was of the order of Rs. 8.7 crores. The higher increase was registered in the new sacking bags at about 26 per cent, followed by sacking cloth at nearly 13.3 per cent, hessian cloth at 11.2 per cent and hessian bags at 6.5 per cent.

It is patent, therefore, that whatever improvement in export earnings has been recorded during the first half of the current year is mostly accidental and not due to any extension in the Indian export markets. Any small down-turn in international prices may bring down the yield from export earnings to the previous year's level. The moral of this analysis is that unless concerted efforts are made to extend the field of the export markets for Indian commodities, the problem will remain unsolved. Fortuitous turns in prices, from time to time, can hardly ease the pressure on India's foreign exchange resources.

TABLE II.

EXPORTS OF TRADITIONAL COMMODITIES, 1959 - 60

(Rs. lakhs)

Commodity	Jan. - June 1959			Jan. - June 1960			
	Qty.	Value	Price per Unit	Qty.	Value	Price per Unit	Percentage change of (6) over (3)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Tea (million lbs.)	146.9	3671.4	2.50	132.8	3554.3	2.68	+ 7.20
2. Cashew Kernels ('000 cwt)	366.6	709.5	193.54	405.6	932.6	229.93	+18.80
3. Pepper ('000 cwts.)	84.4	89.8	106.40	237.6	679.6	286.03	+168.83
4. Chillies ('000 cwts.)	15.1	12.1	80.3	44.7	49.1	109.84	+37.08
5. Ginger ('000 cwts.)	35.7	23.1	64.71	39.7	35.3	88.92	+37.41
6. Shell Lac and Seed Lac ('000 cwts)	238.7	274.4	114.96	270.6	349.6	129.19	+12.38
7. Onions ('000 cwts)	846.1	94.6	11.18	1065.2	126.6	11.89	+ 6.35
8. Iron ore and concentrates ('000 tons)	1270.3	647.3	50.96	1891.5	957.3	50.61	— 0.69
9. Sillimanite ('000 cwts.)	43.4	7.1	16.36	89.2	14.4	16.14	— 1.34
10. Castor oil (crude, refined or purified) ('000 cwts.)	225.9	158.0	69.94	653.7	495.0	75.72	+ 8.26
11. Linseed oil (crude refined or purified) ('000 cwts.)	60.7	43.1	71.00	96.4	65.8	68.26	— 3.86
12. Hides and skins raw, undressed ('000 cwts.)	132.6	504.7	380.62	118.0	616.7	522.63	+37.31
13. Fur skins undressed ('000 cwts)	0.9	16.1	1788.78	1.1	23.5	2136.36	+19.43
14. Tobacco (unmanufactured) (million lbs.)	50.1	1029.5	2.05	58.2	1184.7	2.04	— 0.49
15. Oilseeds, Oil nuts and Oil kernels ('000 tons)	23.4	206.2	881.20	28.0	271.5	969.64	+10.04
16. Oilseed cake and meal and other vegetable oil residues ('000 tons)	205.1	725.1	353.53	236.8	887.8	374.92	+ 6.05
17. Iron and Steel scraps ('000 tons)	114.2	182.4	159.72	170.8	309.5	181.21	+13.45
18. Leather and Leather manufactures ('000 cwts.)	249.8	1241.0	496.80	208.5	1393.4	668.30	+34.52
19. Mats and Matting of Coir ('000 cwts.)	137.8	113.9	82.66	138.0	111.6	80.87	— 2.17
20. Carpets and floor rugs of Coir ('000 cwts.)	30.9	30.0	97.09	14.8	12.6	85.14	—12.31
21. **Jute Goods**							
Hessian cloth ('000 tons)	198.2	3044.6	1536.13	197.8	3377.8	1707.68	+11.17
Sacking cloth ('000 tons)	7.9	74.4	941.77	8.7	92.8	1066.67	+13.26
Hessian Bags (new) ('000 tons)	18.2	275.7	1514.84	25.8	416.2	1613.18	+ 6.49
Sacking Bags (new) ('000 tons)	94.6	914.2	966.38	105.9	1288.0	1216.24	+25.86
22. **Cotton piecegoods***							
Grey cotton (mil. yds.)	154.6	998.1	0.65	197.0	1389.6	0.71	+ 9.23
White cotton (mil. yds.)	53.2	387.7	0.73	55.2	404.1	0.73	Nil
Coloured cotton (mil. yds.)	62.3	509.2	0.82	62.2	526.5	0.85	+ 3.66
Total of (a, b & c) (mil. yds.)	270.1	1895.0	0.70	314.4	2320.2	0.74	+ 5.71
Total	—	15983.2	—	—	19565.9	—	

* From Bombay Port only.

THE BUSINESS WORLD

The Happy Warrior

By CROESUS

OF all the things that have been said or written on the occasion of the birthday centenary celebrations of Dr. Visvesvaraya—15th September, 1960—nothing has appealed to me more than this one sentence in the neat tribute paid to him by Mr. C. Rajagopalachari: "A pure soul and a great heart and a passionately patriotic citizen of India enters on his 100th Year." For that is Sir Mokshagundam Visvesvaraya, every inch of him. It is also the central theme of all that has been said this week throughout the length and breadth of the country and, more particularly, in Bombay and Bangalore where more than half of his wholly useful and purposeful life has been spent. He is truly the embodiment of integrity. What could be more appropriate for me than to devote my column this week to add my humble quota to the country-wide chorus of tributes to the grand old man whose whole life has been spent in the dedicated service of the motherland?

What is Dr. Visvesvaraya, a well-known writer has asked in a pretty pen-sketch of the great man—the man or the legend—and he has himself answered the question by ruling out the dichotomy as being inapplicable in this case. The man is what he is and any legend that may have been woven round his eventful life must or should be true, even if it be only a legend. In his case, the only thing that counts is work, good and honest work. Even whilst living in the midst of a people known for their interminable petty differences, parochial outlook, linguistic or religious fanaticism, he has remained uninhibited by any of these considerations even remotely. No sacrifice has been considered as too great by Dr. Visvesvaraya when it came to a question of having to compromise talent or merit for one or other of such considerations. It may not be knows to many that he resigned from the Mysore Service when he found himself confronted with such a situation on one occasion. It was the question of assisting the backward communities. Dr. Visvesvaraya went all out to encourage them by providing educational and other facilities, but when it came to making appointments, he insisted, the only thing that mattered was merit. This is clearly brought out by the first important appointments he made to the Mysore University—Dr. Radhakrishnan, Prof. K. T. Shah and Dr. A. R. Wadia, none of whom, incidentally belonged to Mysore of those days.

Mr. H. V. R. Iengar, speaking to the members of the National Kannada Education Society, Bombay, last week, recalled a few episodes in the life of Dr. M. V. which have their invaluable lessons not only for his but for generations to come. The "I told you so" mentality, he said, has not even once sullied the several technical reports he had to make, some times is respect of matters where his expert advice had been sought earlier and rejected.

An interesting revelation was made by Mr. Iengar. I had been under the impression that Dr. M. V.'s first reference to planning came only when he published his "Reconstructing India", but the Governor of the Reserve Bank recalled a lecture which he had attended uninvited—a privilege of the student community, he added—in 1916, at the Bangalore Engineering School, wherein Dr. M. V. had adumbrated his outline of a plan for the economic development of the country. This means, as Mr. Iengar rightly said, that he was not only ahead of all modern planners but also of the Russians. I must hasten to add here that although Dr. M. V. is for economic planning, he is certainly not for the overcentralised, highly bureaucratised plan such as we have today.

It was from Mr. M. A. Master's address to a distinguished audience of Mysoreans in Bombay that I learned that we owe our shipping today as much to Dr. M. V. as to the pioneering efforts of the Scindias. He called Dr. M. V. his "guru" in shipping and related how it was from Dr. M. V. that he first received a very useful book on shipping. Pleasantly surprising even as this was, I was not prepared—notwithstanding Dr. M. V's range of knowledge—to put him on a par with so eminent a British shipping magnate as Lord Catto in matters relating to the subject. Yet the fact was that Lord Catto found himself irrisistably and wholeheartedly endorsing a suggestion of Dr. M. V. which, by the way, some Directors of the Scindias, before hearing from Lord Catto, were not prepared to accept either as sound enough or as workable. The suggestion related to combining trading with shipping. Mr. Master also revealed, to the same audience, Dr. M. V's complete understanding of the textile industry when it fell to his proud lot to discuss the possibility of starting the first textile mill in Mysore in 1917.

As Rajaji has put it in his inimitable way, "Sir M.V.'s one passion in life has been — it still is the same when he is entering his 100th year — the desire to see India industrially developed." In wishing and working for this, he has been solely motivated by two considerations, namely (1) that, unless India becomes industrialised, she will not become a great power and (2) that the only way to relieve the unduly heavy pressure on land in India is to shift from the villages those who either have no work or only very little work to the towns where industries are located or are to be located. Because of this burning passion of his for industrialisation, he has been misunderstood or at any rate, made to appear, as minimising the importance of agriculture, but only 'pundits' with little or no knowledge of Dr. M. V. and his work could be guilty of such unwarranted misunderstanding.

Whenever Dr. M. V. went to foreign countries — and he has done this umpteen times — he could not help observing the contrast between the living conditions of people in the advanced countries of the West and those of our people. Of the few great Indians who have consciously and selflessly striven all their life to raise the living standards of their countrymen, Dr. M V. is perhaps the greatest. The criminally slow

pace of our economic development despite over half a century of missionery sloganising — industrialise or perish — by men like Dr. M. V. is a tell-tale commentary on the tempo of our dynamism.

Fortunate is this country which can pride on having produced at least a few great souls like Dr. M. V. whose one passion is not their own individual advancement or self-aggrandisement but the country's and its entire peoples' advancement. Today a grateful nation salutes this happy warrior for his venerable age, his merited rank, his splendid qualities and, lastly, his remarkable achievements. 'Warrior? Yes, has he not been fighting his incessant battle against poverty and ignorance? May the Almighty spare him for many more years to come to inspire us all.

Business Notes

Sugar

WHY EXPORT?

THOSE WHO assailed the Food Minister's move to explore the possibilities of exporting sugar to America and read politics in a genuine trade deal where none actually existed or exists, will have second and sober thoughts on the precise position. It is the pressure exerted by our foreign exchange tight situation which is impelling us to seize every opportunity to mitigate that pressure. The truth about the exports to America is that a gap exists in that country in the supply of sugar and since this gap is to be met outside the quota sugar at controlled price fixed in terms of the International Sugar Agreement, India has reasonable ground to find by negotiations if she can fill the gap partially only to remove fractionally the gap in her own foreign exchange. The fact that political developments in Cuba have been accidentally responsible for this gap, is irrelevant for this purpose. Apparently, these critics have taken a cue from the Chinese malicious comment that India is taking advantage of the difficulties of Cuba. The Government's latest decision to allow a quota of 50,000 tons for export of sugar at some loss where Cuba is not concerned should serve as an eye-opener to them.

One of the specific conditions of this quota for export is that it will be directed to other markets than America. The markets where Indian sugar would be readily acceptable seem to be Malaya and the Middle East, among other possible ones. There our sugar is likely to be paid a price of about £40 per ton which is above £38 per ton as fixed currently in the International Sugar Agreement. But since these regions are not signatories to the Agreement, it has become possible to procure the higher price. On the basis of £40 per ton, it is estimated that India would incur a loss of about Rs. 2.85 crores considering the present domestic price ruling at about Rs. 1,100 per ton. The loss would accrue from two reasons, one, the sacrifice of excise duty and the cane cess which would be about Rs. 1.14 crores, and two, Rs. 1.71 crores representing the gap between the ruling domestic price (minus the excise duty and cane cess) and the above-mentioned export price which we are likely to fetch.

These exports are to be channelled exclusively through the agency of the Indian Sugar Mills' Association. How the loss resulting from export is to be absorbed is a tough question to which the Association is unlikely to find a ready and easy solution, unless the domestic prices is raised. The small margin of profit from the past exports is totally insufficient to cover it. The 'raison d'etre' of permitting this export quota is that, in view of the comfortable supply position which allows a surplus to be shipped abroad, the opportunity should be seized to acquire the much-needed foreign exchange, which has become all the more valuable in consequence of our latest acute tightness. This is a matter with which politics has not even the remotest connection. Even in the case of the projected export to America, the dominating consideration is the possibility of getting fertilizers on something analogous to a barter deal, although it may not be precisely of that nature.

Chemicals

METTUR'S STEADY PROGRESS

AT THE annual general meeting of the Mettur Chemical and Industrial Corporation Limited held recently, Mr. Narayanaswamy, who presided in the absence of the Chairman, Dr. P. S. Lokanathan, pointed out that the company was progressing well towards its expansion scheme to double the production of caustic soda. The first stage of the expansion has been fulfilled and the production of caustic soda has been stepped up to 20 tons per day and stable bleaching powder to 30 tons per day. In this connection he pointed out that the first instalment of loan of Rs. 15 lakhs from the Industrial Finance Corporation of India has been drawn out of the total sanctioned amount of Rs. 33 lakhs. The expansion programme is fairly costly and consequent on increase in the cost of plant and equipment the directors have, it is revealed, proposed to supplement the financial requirements by the issue of two lakhs equity shares of Rs. 10 each at par against the unsubscribed capital of Rs. 20 lakhs.

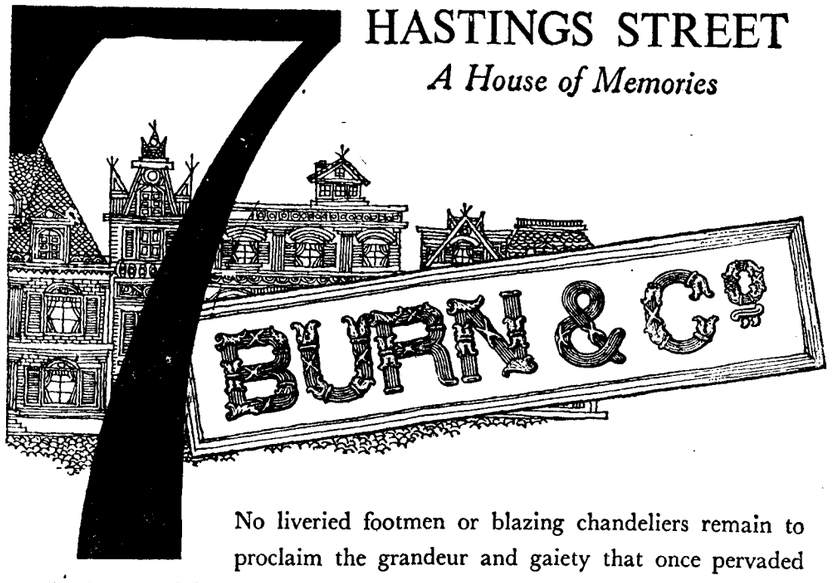
The Company has to go ahead with the expansion programme in view of the fact that there still is a big gap in the output and demand of caustic soda in the country. As against 77,555 tons produced in the country in 1959-60 the consumption was estimated at around 200,000 tons at the end of the Second Plan. This gap at the moment is being filled by imports which are released to the market by the State Trading Corporation. The proposed additions to the capacity of caustic soda and bleaching powder are sure to save a considerable amount of foreign exchange.

The Company has also put up an electrolytic potassium chlorate plant with a capacity of two tons per day. On account of the non-availability of power the commencement of production was delayed till quite recently, when the plant was inaugurated by the Chief Minister of Madras on August 30, 1960. Potassium chlorate is bound to be helpful to the matches industry which flourishes on a cottage scale in South India.

Cement

INDIA CEMENT PLANS FOR EXPANSION

MR. P. SURYANARAYANA, Chairman, the India Cements Limited, pointed out at the annual general meeting held recently at Madras that in line with the rising output in the country, the company too had registered an increase. During 1959, there was an increase in the country's output to the extent of 6.8 million tons, which means a 13 per cent rise over the previous year as against 8 per cent during 1958. The sales of cement companies have been higher. A slowing down in the offtake which was experienced during 1958 was not witnessed in 1959 and there has been a considerable upsurge in demand. The offtake by both



HASTINGS STREET

A House of Memories

No liveried footmen or blazing chandeliers remain to proclaim the grandeur and gaiety that once pervaded the large red brick mansion that still stands in Calcutta's Hastings Street and which Warren Hastings, India's first Governor-General, built for his charming wife as her town house. For many years this fine residence was the scene of glittering assemblies and balls, the entrée to which was considered a high social privilege.

In 1827, No. 7 was acquired for the purpose of its business by the old established engineering firm of Burn & Company which occupied it for almost a century. By reason of its expanding business, Burn & Company found this historic building with its cobbled carriage drive and spacious rooms too small, and in 1925, the Company was forced to sever its link with this house of memories and moved to larger premises in Clive Street, where it joined hands with Martin & Co.



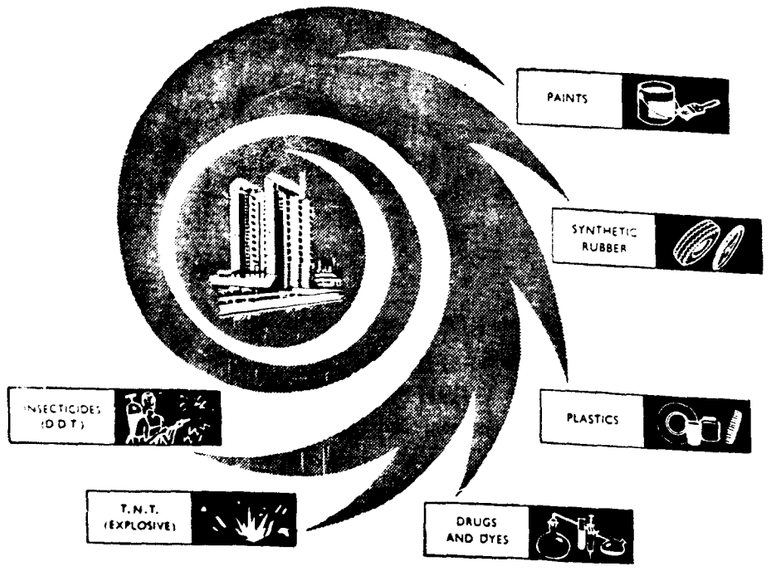
Today, the activities of Martin Burn Ltd. cover a wide range of engineering interests including those brought to it by the renowned firm of Burn & Company all of which are vital to the rapid development of India's industrialisation.

MARTIN BURN LIMITED

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Branches: NEW DELHI BOMBAY KANPUR MBGC-11

A SIDELINE OF STEEL
...By-product Coal Chemicals



A steel plant is a many-sided affair. Various iron and steel products are, of course, the main items and their effects on the economy are there for all to see. Billets from Bhilai, for instance, have already toned up an important industry in the country—the Re-rolling Mill

But the steel plants at Rourkela, Bhilai and Durgapur have another way—somewhat indirect, but no less important—of influencing the country's economy. What may be called a sideline of steelworks, the By-product Plants attached to the coke ovens, produce a variety of coal chemicals from the coke oven gas and crude coal tar obtained during the carbonisation of coal into coke. When they go into full production, these By-product Plants, set up at a cost of Rs. 20 crores, will be the biggest chemical production complex of their kind in the country.

Producing eleven different varieties of chemicals, worth Rs. 5 crores a year, the By-product Plants will stimulate a wide range of manufacturing activities. Benzene will, for instance, go into the manufacture of plastics and insecticides like DDT and will feed the proposed synthetic rubber project in Uttar Pradesh. Increased supply of creosote oil, now in short supply, will enable the Railways to treat more wooden sleepers for railway lines. The proposed intermediate dye project and the synthetic drug manufacturing projects are primarily based on by-product coal chemicals from Hindustan Steel. Other industries to be served by these chemicals are paints, disinfectants, aluminium smelting and explosives

The coal chemicals from three plants :

BENZOL PRODUCTS	ESTIMATED ANNUAL OUTPUT
Benzol/Benzene	6 million gallons
Toluene	1½ million gallons
Xylene	500,000 gallons
Solvent Naphthas	500,000 gallons
TAR DISTILLATION PRODUCTS	
Naphthalene (Hot Pressed)	2,000 tons
Anthracene (Crude)	3,000 tons
Phenol – Pure	1,000 tons
Cresol – Pure	500 tons
Xylenol – Pure	150 tons
Creosote Oils	50,000 tons
Road Tars and Pitches	75,000 tons

HINDUSTAN STEEL LIMITED

Works : ROURKELA • BHILAI • DURGAPUR
Headquarters : Ranchi
Sales Office : 2, Fairlie Place, Calcutta

PSHS / 60

the Government as well as other consumers has been growing so rapidly that some shortage of cement was felt in certain regions of the country. Apart from this, the country could export cement to the extent of 155,000 tons in 1959 as compared to 41,000 tons in 1958 which is of considerable significance because it will earn much-needed foreign exchange at the present critical moment. Thus there is the possibility of additional production capacity coming into existence.

Considering the rising demand for cement, the India Cements Limited plan to expand their capacity. Orders sanctioning the requisite mining rights for a branch factory in Vishakhapatnam district in Andhra Pradesh are expected from the State Government. Machinery, electrical and other, for the plant has already been ordered. The directors are also exploring the possibility of setting up another cement factory at Salem in Madras State. The Chairman pointed out that their preliminary investigations have shown that adequate raw materials are available for the starting of the factory. In view of the fact that construction activity during the Third Plan is bound to increase, the rising installed capacity of India Cements Limited will only be in tune with the requirements of the country.

Planning

RESOURCES SCHEME SCRUTINISED

SOME IMPORTANT features of the Third Five-Year Plan formed the main theme of the address of the President of the Indian Merchants' Chamber, Bombay, at the second quarterly general meeting of the Chamber last week. This is as it should be, now that the Draft Third Five-Year Plan has been thrown open for public criticism and comment. Mr. Pratapsinh Mathuradas, the President, who dwelt at length on the resource aspect of the Plan, maintained that, without tapping the internal resources of the economy, it would be difficult to step up the rate of investment from 11 per cent at the end of the second Plan to 14 per cent at the end of the Third Plan, as contemplated by the planners. Considering the bottlenecks prevailing in the Indian economy, such as the low level of foreign exchange resources, the 20 per cent increase in the level of prices and other factors, he said, the view held by certain sections of the community, that it is feasible to raise the rate of saving to 45 per cent, was unwarranted, as this would involve untold hardships and undue privations to large masses of the people.

Mr. Pratapsinh next referred to the Planning Commission's proposal to raise additional taxation to the tune of Rs. 1,650 crores. Pointing out this worked out to 22.7 per cent of the total investment in the public sector, he expressed serious doubts about raising the present level, additional taxation, as it meant raising the present level, which is already 8.5 per cent of the national income, to 11 per cent. He, however, conceded that there was some scope for increasing indirect taxation on selected commodities "not quite essential in the present need for restraining consumption."

As regards foreign assistance of the order of Rs. 2,600 crores or 30.7 per cent of the public investment for the Third Plan period, the I.M.C. Chief said that it was too early to postulate the possibilities of obtaining external resources of this magnitude.

Protection

COTTON TEXTILE MACHINERY

THE OPENING speeches of the Chairman of the Tariff Commission inaugurating the public inquiries into the claims of different industries for protection are important for the reason that they give a bird's-eye-view of the progress recorded by each. It is from this angle that Mr. K. R. P. Aiyangar's opening speech at the start of the enquiry into the continuance of protection to the cotton texile machinery industry is of interest.

The scope of the present enquiry is to cover, in terms of Government's reference to the Tariff Commission, spinning ring frames, spindles, spinning rings, fluted rollers and automatic looms. There are requests from manufacturers for extending the scope of enquiry to a few more items, but a decision on these requests has not been taken so far. At present there are 13 units which manufacture protected items of textile machinery and they are situated as follows: Maharashtra 6, Gujarat 3, Madras 2, Bengal 1; and Madhya Pradesh 1. The Madhya Pradesh unit produces automatic looms and it is soon to be joined by two more units to whom licences for manufacture have been granted.

The expansion in the Third Plan and the backlog of rehabilitation have pushed up the domestic demand for various items of textile machinery. The Textile Commissioner has estimated that the annual domestic demand during the Third Plan period would be 1,800 for spinning ring frames, 0.85 million for spindles, 1 million for spinning rings, 0.31 million for fluted rollers and 6,000 for automatic looms. The Mill Owners' Association, Bombay, has estimated the demand for spinning ring frames at 2,000 and for automatic looms 9,500. Besides these, there are other estimates, which the Commission will consider.

The progress in rated capacity (single shift) and in the total production of the items is tabulated below broadly for 1957 and 1959:

	Installed Capacity		Production	
Item	**1957**	**1959**	**1957**	**1959**
1. Spinning ring frames	804	1,020	1,364	1,077
2. Spindles	0.78m.	1.18m.	0.69m.	0.54m.
3. Spinning rings	0.75m.	1.08m.	0.74m.	0.67m.
4. Fluted rollers	0.26m.	0.33m.	0.15m.	0.15m.
5. Automatic looms	1,560	1,560	311	356

The production of automatic looms was severely restricted by the fluctuations of demand, but in the first quarter of 1960 it recorded an upward trend at 157.

The raw materials required by this industry are pig iron of No. (i) and (ii) grades, mild steel, free cutting steel, alloy and tool steel, hard drawn bright steel, tin plate and coke. Out of these pig iron and coke are domestically available in toto, while mild steel and tin plates are partially available from indigenous sources. The other items are imported. But even as regards indigenous raw materials there are difficulties of adequate and timely supplies in respect of different items. In so far as the quality of the home products is concerned, protection has been justified by the industry. The Textile Commissioner has informed the Commission that the quality is satisfactory. The automatic loom-producing unit is battling against difficulties and with the technical collaboration of a Japanese firm it is making a determined effort to turn out products of improved quality. The cotton textile machinery industry has been included under the special export scheme for engineering goods, efforts are being made to explore the markets in the neighbouring countries and actually a beginning has been made in exports with ring frames, spindles and spinning rings to Ceylon and Ethiopia.

FROM THE CAPITAL'S CORRIDORS

FERTILIZER DELEGATION'S INTERIM REPORT

THE Government of India has received an interim report from the six-man Fertilizer Delegation, headed by Mr. C. R. Ranganathan, which it sponsored in April last "to collect data about the performance of nitrophosphate fertilizers (manufactured by different processes like PEC—carbo-nitric process—and ODDA—refrigeration, crystallisation and centrifuging process) in West European countries." The submission of this report, it is learnt, has been expedited due to the fact that two large factories are being set up in the public sector for the production of urea and nitrophosphate, one at Trombay and the other at Kothagudem (Andhra Pradesh). The Government is anxious to find out which of these two fertilizers will be more useful for Indian soils and consequently what changes should be effected in their proposed production at these two plants. The Trombay factory has been designed to produce 97,500 tons of urea and 2,54,000 tons of nitrophosphate by making use of refinery gases and rock phosphate which will have to be imported. The proposed capacity of the Kothagudem factory is 97,200 tons of urea and 1,83,000 tons of nitrophosphate. This plant will use slack coal from Singareni instead of refinery gases.

MAIN FINDINGS

The following are main findings of this Delegation:

(1) The decision to utilise part of the ammonia produced in the projected factories for the manufacture of nitrophosphate is in keeping with the world trend towards the production of high analysis complex fertilizers which would lead to economies in fertilizer costs as well as in bagging, transport and labour costs.

(2) Manufacture of nitrophosphate has two advantages. Firstly, use the nitric acid, instead of sulphuric acid, to process rock phosphate will help cutting down imports of sulphur; nitric acid can be produced from indigenous materials in quite substantial quantities. Secondly, rock phosphate when attacked with nitric acid yields a product which has nitrogen in larger quantities.

(3) Through acidulation with nitric acid followed by neutralisation with ammonia, nitrogen in the product occurs in both ammoniacal and nitrate forms. Although paddy can take up ammoniacal nitrogen directly, for most other crops the presence of both forms of nitrogen in the fertiliser has the effect of providing both immediate nitrate and deferred ammoniacal supplies of the nutrient.

(4) When rock phosphate (phosphorite) is dissolved in nitric acid, the resulting solution consists of PO4, NO3, fluorine, hydrogen and calcium ions. This may, for the sake of simplicity, be regarded as a mixture of phosphoric acid, nitric acid and calcium nitrate. When this mixture is neutralised with ammonia, dicalcium phosphate, ammonium nitrate and calcium nitrate are formed. It is not possible to produce a free flowing granulated fertiliser with good keeping qualities out of this mixture unless calcium nitrate, which is a highly hygroscopic salt, is eliminated. The Delegation has reported on various methods evolved in West European countries to eliminate calcium nitrate from the resulting product.

(5) About the suitability of applying dicalcium phosphate, especially in the form of granulated complex fertilizers, to nearly neutral or calcareous soils—the types of soil in Andhra and Maharashtra which are contemplated to be fed by the fertilizers produced at the Trombay and Kothagudem factories—the delegation has found that the experience of West European countries in this regard is not of much help, because it is confined mainly to acid soils and to crops other than paddy (experience of these countries in regard to paddy is only limited).

The Delegation quoting the opinion of some authorities on the subject, with whom it had discussions, observes: "For short duration crops, especially for those of limited root range such as paddy, it is essential that some water soluble phosphate should be applied in order to ensure its quick availability." It adds: "The European experts consulted said that, although they had no experience of paddy cultivation, they believed, on the basis of their experience with other cereals, the nitrophosphate applied to paddy should contain between 30 and 50 per cent of water-soluble phosphate. The Delegation accepts this view and considers it a safe approach to the problem, until such time as agronomic experiments in India give a specific indication of the value of citrate-soluble phosphate to paddy." The Delegation has recommended that properly planned experiments be conducted to assess the relative fertiliser values of citrate-soluble and water-soluble phosphates in paddy cultivation. The nitrophosphates which are to be produced at Trombay and Kothagudem should be used in these experiments. Storage trials to assess the keeping qualities of the nitrophosphates under different climatic conditions should also be undertaken at the same time. It would be desirable to introduce and popularise among the cultivators who will be served by the two proposed factories the types of nitrophosphate which it is decided they should produce. The fertilisers should be imported in substantial quantities and distributed among the cultivators during the three years or so that will be required to set up the factories.

TROMBAY PLANT

Some of the other important points made by the Delegation are:

"The Delegation has taken note of the fact that for Trombay tenders stipulating the production of nitrophosphate of the PEC type have been invited and that the last date for the submission of the tenders was June 30, 1960. The Delegation sees no reason to disturb this arrangement, since the PEC plant (with such minor modifications as may be required) is versatile enough to produce nitrophosphate containing an adequate amount of water-soluble P2 O5 (phosphorus pentoxide). This can be done by using a mixture of nitric and sulphuric acids in suitable proportions for the decomposition of rock phosphate followed by ammoniation, or, alternatively, by adding appropriate quantities of single or triple superphosphate or ammonium phosphate to the slurry in the carbo-nitric process before granulation. Such an arrangement would allow of the cheaper standard product of the carbo-nitric process (16-14-0), containing no water soluble P2 O5, being produced in the quantities required for long-term crops, such as sugarcane."

"Admittedly, the sulpho-nitric process involves the use of sulphuric acid, but the quantity required will be considerably less than that required for a corresponding amount of superphospate. The Delegation does not consider the partial use of sulphuric acid as a serious disadvantage, because the position as regards the availability and price of sulphur has radically changed during the last four years. Sulphur is now available from many sources in the world in almost unlimited quantities and its c.i.f. price at Indian ports has come down sharply from about Rs. 275 to Rs. 150 per ton. Further, there are projects in India for producing sulphuric acid as well as sulphur from indigenous pyrites. Mention may also be made of the possibility of producing sulphuric acid from hydrogen sulphide recovered from middle fractions at the Trombay refinery.

KOTHAGUDEM FACTORY

"As regards the factory in Andhra Pradesh, it is understood that tenders have been invited for the production of nitrophosphate by the PEC as well as by the ODDA process. In this case, the Delegation would recommend that consideration be given to the possibility of adopting the Kampka Nitrophosphate process which is a modification and improvement of the original ODDA process. In the Kampka Nitrophosphate process, calcium nitrate which is a by-product in the original ODDA process is first separated and then treated with ammonia and carbon dioxide. From the resulting mixture, ammonium nitrate solution is separated from the precipitated calcium carbonite by filtration and is re-cycled to the mother liquid left after the separation of calcium nitrate, so as to produce a nitrophosphate containing 24 per cent N (nitrogen) and 16 per cent P2 O5. This process would eliminate the use of the objectionable calcium nitrate fertiliser and would, at the same time, yield a complex fertiliser with a higher nutrient content and a more satisfactory N: P ratio than the PEC product for Indian conditions. The by-product calcium carbonate being in a finely divided form, should find ready industrial use, including use as a vehicle for insecticidal or pesticidal formulations."

SECOND THOUGHTS ON IMPORT PLANS?

The Government of India, it is understood, is having second thoughts on the import programme for the half-year ending March next. This presumably has been necessitated by the disappointment caused by the last week's Paris deliberations of the "Aid-India Club." The Government of India had hoped that the Club would make available for immediate use credits to the tune of Rs. 70 crores and another Rs. 10 crores by March 31, 1961. These expectations have not materialised.

The joining of Netherlands in this Club has been welcomed here. It is hoped that France and Italy will follow suit in the near future.

What repercussions Mr. Khrushchev's visit to the UN had on the Paris meeting of the "Aid-India Club" is not yet known. A feeling has been expressed in certain circles here that any attempt by India at the present juncture, which results in enhancing Mr. Khrushchev's hold on the new African nations or on Asia may not have a healthy effect on aid prospects from Western countries. What repercussions, if any, the announcement of setting up a small car manufacturing unit in the public sector had on the Paris conference is also not yet known.

NDC MEETING

The National Development Council met last week and dispersed without laying down any clear-cut policy or taking any decision on the three major problems discussed by it. The Council failed to settle the issue of State trading in food grains on which, reports suggest, there has arisen difference of opinion between the Prime Minister and the Union Food and Agriculture Minister. Mr S. K. Patil is reported to be of the view that State trading in foodgrains can be usefully employed during periods of crisis, but in the present agricultural situation, there is hardly any need for it. Controls, he feels, are cumbersome and expensive and create uncertainty. The Prime Minister, on the other hand, is said to be holding the view that "State trading provides a useful apparatus of strategic control in the pursuit of price stability."

On the question of holding the price line, the Council is reported to have agreed that all measures necessary to keep the prices spiral under control should be taken. No clear picture, however, has emerged about the steps that are envisaged to be taken.

The third important problem which came up for discussion—and on which the Council was supposed to have taken a decision—was the fitting in of the State Plans into the overall Third Five-Year Plan for the country. The Council's deliberations in this regard remained inconclusive. The matter will be again taken up in December.

EXPORT OF SUGAR

The Government of India has announced its decision to release 50,000 tons of sugar for export. Exports will be effected through the Indian Sugar Mills' Association.

A Press note issued on Saturday by the Union Ministry of Food and Agriculture said that the Government had taken this decision "after taking note of the trend of production, consumption and the supply position of sugar."

In addition to the quantity now released for export, the Government of India is separately exploring the possibilities of exporting sugar to the United States.

MANUFACTURE OF INDUSTRIAL MACHINERY

Industrial machinery worth about Rs. 300 crores is expected to be manufactured in India by the end of the Third Plan period, as against the current year's production of Rs. 120 crores.

Though substantial increases in indigenous output have been planned in almost all cases, imports will still be inevitable in the case of machine tools, electric transformers and motors because of the ever-increasing demand for them. For the first time during the Third Plan period, production of heavy machinery will commence in the country on a large scale. India will also become self-sufficient in the machinery requirements of cement, sugar and textile mills.

The estimated production of various types of machinery in 1965 compared to the output during the current year is as follows:

(Rs. lakhs)

Type of Machinery	Estimated Output in 1960	Expected Production in 1965
1. Paper-making Machinery	80	650
2. Tea Machinery	100	150
3. Cement Machinery	60	475
4. Sugar Mill Machinery	500	1020
5. Solvent Extraction Plant	48	250
6. Mining Machinery	15	1600
7. Construction Machinery	88	250
8. Weighing Machinery	60	165
9. Machine Tools	600	2300
10. Small Tools	400	1500
11. Electric Transformers	700	3000/3500
12. Electric Motors	600	3000
13. Diesel Engines	630	1188
14. Power-driven Pumps	240	412
15. Jute Mill Machinery	175	230
16. Printing Machinery	5	350
17. Chemical Machinery	210	2000
18. Boilers	50	1000
19. Heavy Electrical Equipment	—*	2500
20. Heavy Machinery	—*	100

*Production just started.

ELECTRICAL GOODS

The Heavy Electrical Industries Development Council has recommended that the following installed capacity targets should be fixed for the manufacture of electrical goods in India under the Third Five-Year Plan.

(1) **Transformers:** Taking into consideration that the increase in power generation during the Third Plan period would be of the order of 6 million KW (one million KW each in 1961-62 and 1962-63, 1.2 million KW in 1963-64, 1.3 million KW in 1964-65 and 1.5 million KW in 1965-66) and assuming (a) a power factor of 85, (b) 1.5 times the step-up transformer capacity for arriving at step-down transformer capacity and (c) twice the step-up transformer capacity for arriving at demand for distribution transformers, the anticipated demand for step-up, step-down and distribution transformers and the

capacities proposed to be established are:

Year	Step-up and step-down transformers		Million K.V.A. Distribution transformers	
	Demand	Target capacity	Demand	Target capacity
1961-62	2.9	3.3	2.35	2.75
1962-63	2.9	3.3	2.35	2.75
1963-64	3.5	4.0	2.8	3.25
1964-65	3.8	4.5	3.0	3.5
1965-66	4.4	5.0	3.5	4.0

2. **Electric Motors Up to 300 H.P.:** Assuming that 50 per cent of the energy generated would be available for industries using electric motors and taking load factor at 40 per cent, the anticipated demand for electric motors up to 300 h.p. and the proposed capacity for their manufacture are:

Year	Demand	(Million H.P.) Target capacity
1961-62	1.6	1.9
1962-63	1.6	1.9
1963-64	2.0	2.35
1964-65	2.2	2.6
1965-66	2.5	3.0

3. **Switchgear and Control-gear:** Anticipated demand and target capacities proposed are:

Year	11 KV circuit breakers and switch-boards incorporating the same		(Thousand numbers) L.T. circuit breakers and switch-boards incorporating the same	
	Demand	Target capacity	Demand	Target capacity
1961-62	1.50	1.80	12.00	14.50
1963-64	1.80	2.20	14.40	17.50
1964-65	1.95	2.50	15.50	18.00
1965-66	2.25	2.65	18.00	21.00

Year	Iron clad switches		(Lakh numbers) Motor starters	
	Demand	Target capacity	Demand	Target capacity
1961-62	24	29	1.50	1.80
1962-63	24	29	1.50	1.80
1963-64	28	34	1.80	2.15
1964-65	30	35	1.95	2.25
1965-66	36	42	2.25	2.65

4. **Light Electrical Industries:** Production targets recommended for 1965-66, compared to 1960-61 targets, are:

Industry	1960-61 target	1965-66 target
Electric Fans	1,000,000 Nos.	2,500,000 Nos. (inclusive of export provision)
Radio Receivers	350,000 Nos.	1,000,000 Nos. (plus 20-30 per cent extra for small scale sector. This includes provision for exports)
Electricity Meters		
(a) AC single-phase meters	1,000,000 Nos.	1,500,000 Nos.
(b) Polyphase meters	115,000 Nos.	150,000 Nos.
Dry Batteries	205/210 million cells	350 million cells
Storage batteries		
(a) Motor vehicle batteries	600,000 Nos.	800,000 Nos.
(b) Train lighting cells	84,000 Nos.	Nil.
Electric Lamps		
(a) GLS lamps	35.5 million Nos.	58 million Nos. (Plus 10 per cent extra for exports)
(b) Other similar lamps	5 million Nos.	10 million Nos. (Plus 10 per cent extra for exports)
(c) Miniature Lamps	22 million Nos.	45 million Nos. (Plus 10 per cent extra for exports)
(d) Fluorescent Tubes	2 million Nos.	6 million Nos. (Plus 10 per cent extra for exports)
(e) Vapour Discharge lamps including mercury vapour lamps	100,000 Nos.	300,000 Nos. (Plus 10 per cent extra for exports)
(f) Photo Flash lamps		(To be assessed later on by the Panel)
Refrigerators		
(a) Domestic	20,000 Nos.	50,000 Nos.
(b) Commercial (including ice cream cabinets, bottle coolers, display and walk-in type, etc.)	—	6,000 Nos.
Room Air conditioners	25,000 Nos.	50,000 Nos.
Water Coolers	3,000 Nos.	20,000 Nos.

The Council feels that there is some shortage of fluorescent tubes and has recommended that increased production should be arranged early by allowing extra shift working in the existing units. Owing to difficulties of foreign exchange, the Council is of the view that implementation of some of the projects contemplated during the Second Five-Year Plan is being delayed.

MANUFACTURE OF TRACTORS

A new licence has been issued to David Brown/ Mahindra Tractors (Private) Ltd., under which the company can step up its output of David Brown tractors to 3500 units per year—nearly three times the production permitted under the initial manufacturing licence granted last year. The new licence also allows the manufacture of the David Brown 850-D and 950-D implematic tractors of 35 h.p. and 42.5 h.p. respectively. The previous licence authorised production of only 2-D tractors of 14 h.p.

The company is currently setting up a factory near Bombay to undertake production of these three types of tractors and implements. Until these premises are ready, part of the existing Mahindra and Mahindra plant will be utilised for assembling semi-knocked-down (SKD) tractors, the first consignment of which was shipped from the United Kingdom last month. Plans are to manufacture in course of time upto 66 per cent of the components is India. A higher percentage of indigenous manufacture may be feasible ultimately, provided the local industrial development reaches the stage envisaged under India's current development plans.

In preparation for the official inauguration of the scheme next month, a training school conducted by David Brown technicians from the United Kingdom is being established in Bombay, where service engineers and demonstrators nominated by Mahindra and Mahindra Ltd., and their branches in Delhi, Calcutta, and Madras will be trained in tractor servicing and operational techniques. The newly trained Indian technicians will then be formed into field units which, under the supervision of the British instructors, will subsequently undertake a series of country-wide demonstration tours. En route they will also conduct training courses for dealers' representatives in selected centres.

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COMPANY AFFAIRS

STANDARD-VACUUM: NO DIVIDENDS

During 1959 no dividends were paid on ordinary shares. The volume of crude oil processed and product sales by the Standard-Vacuum Refining Company of India Limited was slightly less than in 1958. The refinery was shut down twice during the year—once for normal inspection and the second time because new equipment installed in the Combination Unit was not meeting the Company's own quality specifications. An average of 33,812 barrels per day was processed during 1959 compared to 33,890 barrels per day for the previous year, resulting in a total production for the year of 4,111 lakhs of imperial gallons. The total sales of all refined products during 1959 amounted to 39.75 crore imperial gallons of which 35.17 crore imperial gallons were sold in India. The remainder, totalling 4.58 crore imperial gallons consisting of motor gasoline was surplus to the requirements of the country and was exported to Australia and New Zealand resulting in foreign exchange earning for India to the tune of Rs. 249 lakhs. Since the refinery went into operation in 1954 total foreign exchange earnings, including export earnings, are estimated at Rs. 792 lakhs.

Gross income increased from Rs. 28.17 crores in 1958 to Rs. 30.07 crores in 1959. At the same time net income increased from Rs. 1.10 crores to Rs. 1.33 crores. The 1959 profits represent a return of 4.44% on gross income and 6.58% on the average capital employed as compared to 3.90% and 5.69% respectively for the year 1958. However, the excise demands would have an effect of reducing the profit percentage to 2.66 on gross income and 3.99 on the average capital employed.

As anticipated, all phases of the refinery expansion programme have been completed in 1959 resulting in a capital expenditure of Rs. 102 lakhs and the Company has started supplying asphalt and other additional products required in India, thus resulting in additional foreign exchange savings to India.

THE BIRLA COTTON RECOVERS

During the year to March 31, 1960 there was further increase in the price of cotton, coal, dyes and chemicals etc. The dearness allowance paid to the employees had also to be increased. Further from 1st January, 1960, wages had to be increased in accordance with the recommendation of the Textile Wage Board. All these factors contributed to an increase in the cost of production. There was, however, an improvement in the prices of coarse and medium quality cloth manufactured by the Birla Cotton Spinning & Weaving Mills Ltd. In the circumstances the working results for the year to March 31, 1960 are considered satisfactory.

After adjusting the debit balance brought forward from the previous year and transferring a sum of Rs. 1.45 lakhs from general reserve there is a net balance of Rs. 21.59 lakhs. A sum of Rs. 6.50 lakhs has been separated towards depreciation, Rs. 4.75 lakhs to development rebate and Rs. 6 lakhs to taxation. The Directors have recommended the payments of dividend subject to deduction of income-tax under the income-tax act at the rate of Re. 1/- per ordinary share of Rs. 10/- each.

The Ginning and Pressing Factory at Malout worked satisfactorily while the Tent Factory worked only to a partial capacity on account of paucity of orders received from the Government. Steps were taken for the amalgamation of Merchandise & Stores Ltd. and Rajputana General Dealers Ltd. with the company. During the current year sanction of the Punjab High Court, Circuit Bench, Delhi, was obtained for the amalgamation of the two companies with the Company and both the companies have, therefore, been amalgamated with this Company. Necessary steps in this connection are being taken.

SIMPLEX CARRIES OUT RENOVATION

During the year to March 31, 1960 the Simplex Mills Co. Ltd., carried out heavy repairs and replacements of the plant and machinery. As a result, after providing normal depreciation etc., the year's working shows a comparatively small profit. As the expansion and rehabilitation work has been completed and finer qualities of cloth are being produced, the Directors of the Company hope that the working results in the coming years will be better. During the year the profit was Rs. 11.69 lakhs. After adjustment in respect of depreciation and taxation there was a net profit of Rs. 1.65 lakhs. Taking into account the loss carried forward from the previous year to the extent of Rs. 5.14 lakhs, there was a debit balance of Rs. 3.49 lakhs which is proposed to be carried forward. A sum of Rs. 7.56 lakhs has been transferred from General Reserve No. 1 and the Directors have recommended the payment of a dividend at the rate of Rs. 7.50 per fully paid and consolidated share of Rs. 50 each subject to deductions of income which will absorb Rs. 7.56 lakhs.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch
Cooper Allen Branch
New Egerton Woollen Mills Branch
North West Tannery Branch

BEGG SUTHERLAND DIVISION

SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd.
Cawnpore Sugar Works Ltd.
Cawnpore Textiles Ltd.
Champaran Sugar Co. Ltd.
Brushware Limited
Saran Engineering Co. Ltd.

Secretaries for: Beta Picker & Co. Private Ltd.
Agents for: Royal Exchange Assurance.

COMMODITY NEWS AND NOTES

JUTE OUTPUT AND INDUSTRY

The Indian Jute Mills Association is embarking on a jute development programme to supplement the work at present being done in this direction by the Central and State Governments. While the general trend of jute production in India has been upward, there is considerable scope for both increasing the acreage yield and improving the quality of the jute. It is essential, therefore, that urgent steps be taken to create conditions under which the growers will earn more from the land put under jute, through rationalisation of their methods of production, and the manufacturing industry will have guaranteed supplies of good quality jute at reasonable and stable prices. For this purpose, the I.J.M.A. proposes as a first step to set up Demonstration Blocks in selected districts in West Bengal to educate the cultivator in the use of modern farming techniques and demonstrate what these can achieve. This pilot project will be extended to other States in due course. At the same time, surveys of seed and fertilizer requirements will be carried out by the Association in each of the jute growing States and the machinery for their distribution reviewed. Consideration will also be given to a seed multiplication project for the complete saturation of all the jute growing areas over the next few years. Another important aspect from the point of view of fibre quality is the retting process, and the Association proposes to undertake a survey of the retting facilities in each area with a view to bringing these up to the required standard where necessary.

With regard to the current season's crop, it is as yet too early to make a firm estimate of the quantity of jute that will be available, but the I.J.M.A. hopes that the Government of India's recent policy decision with regard to the import of cuttings from Pakistan will provide a welcome addition to the indigenous production.

HIGHER RECOVERY OF SUGAR

Higher quantity of sugar from cane juice can be secured if interfering 'non-sugars' are removed out of it. This can be better achieved with the help of Ion-Exchange resin. These findings have been confirmed by the National Sugar Institute, Kanpur, as a result of large-scale experiments carried out in the pilot plant fabricated and installed for this purpose in the Institute. Cane juice contains, besides sugar, many soluble mineral salts and organic substances which are broadly termed as 'non-sugars'. Cane juice is first purified by the conventional liming and sulphuring method (Sulphitation) and then filtered to remove all the suspend impurities. Nearly 200 gallons of filtered and purified juice is then treated by the Ion-Exchange process to remove the non-sugar impurities. The demineralised juice is then concentrated and crystallised repeatedly to obtain the maximum amount of sugar. Finally, waste-molasses is obtained which generally contains 30 to 35 per cent sugar. As a result of this process, an appreciable increase in the recovery of sugar as compared to usual purification system is obtained. Besides, due to the removal of impurities, the waste-molasses so produced from demineralised juice has much better edible characteristics.

PRODUCTION AND CONSUMPTION OF RUBBER

Preliminary figures issued by the International Rubber Study Group reveal that consumption of natural rubber was still running ahead of production in June. In the case of synthetic rubber, the position was the reverse. World production of natural rubber during the month was estimated at 160,000 tons, and consumption at 177,500 tons (including estimated imports into Russia of 15,250 tons and into China of 13,500 tons). Production for the first half of 1960 was put at 960,000 tons, and consumption at 1,015,000 tons. Natural-rubber stocks at the end of June were estimated at 677,500 tons, a fall of 7,500 tons since the beginning of the year. The Study Group estimated synthetic production during June at 160,000 tons, and consumption at 152,500 tons. Stocks at the end of June amounted to 337,500 tons, representing a rise of 27,500 tons since January.

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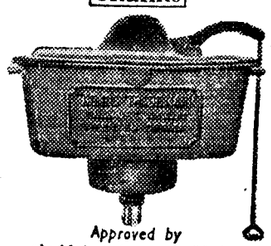
HEAD OFFICE : CALCUTTA
14, India Exchange Place,

Authorised Capital	Rs.	1,00,00,000
Subscribed Capital	Rs.	60,00,000
Paid-up Capital	Rs.	45,50,000
Reserve Fund	Rs.	1,08,00,000

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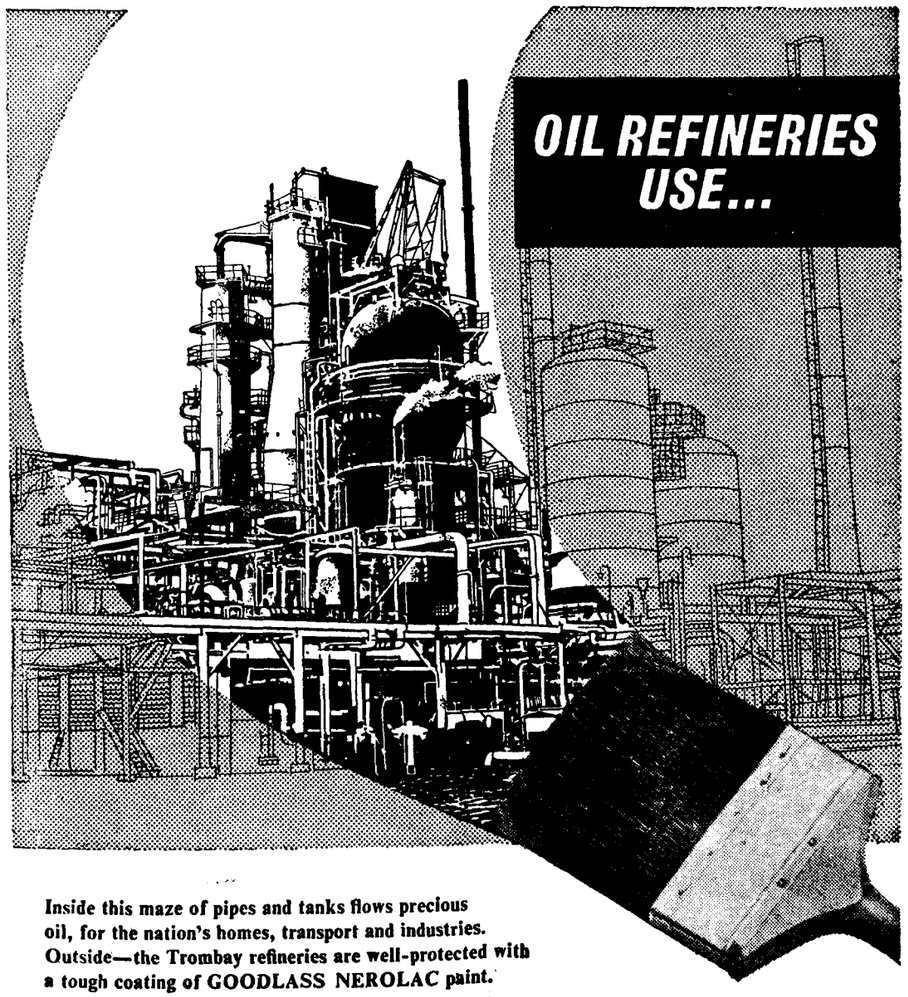


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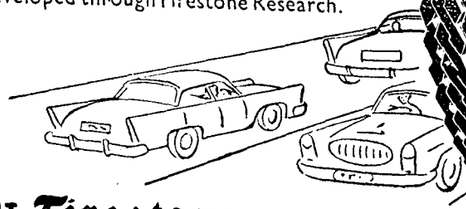
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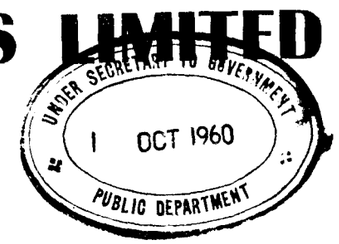


FIT Firestone BEST IN RUBBER

Company Meetings

THE INDIA CEMENTS LIMITED

MADRAS



Speech delivered by Sri P. Suryanarayana at the 14th Annual General Meeting of the Company held on Friday the 2nd September 1960.

GENTLEMEN,

It gives me very great pleasure in welcoming you to the 14th Annual General Meeting of your Company. The Report of the Directors and the Audited Statement of Accounts for the year ended the 31st March, 1960 have been in your hands for sometime now, and with your kind permission, I will take it as read.

It is needless for me to offer any detailed explanation regarding the financial position and the other aspects of the Company, as the figures in the Balance Sheet bear ample testimony to the continued strong and stable position of your Company.

The working of the factory during the year has been quite satisfactory and was not hampered by any power cut which was till now an annual feature. The factory is functioning with both economy and efficiency. The production has been above rated capacity. The 750 tons plant in Talaiyuthu went into production in August 1959 well ahead of the schedule as envisaged by me during the last General Body Meeting. But for some minor teething troubles, the new plant is working satisfactorily.

The infant Indian Republic completed the first decade of its existence 10 years of stress and strain but also of solid progress in many fields. The country has embarked upon successive Five Year Plans for converting an essentially agrarian economy into an industrial one, with the avowed object of making available to the teeming millions of this country the fruits of the present day scientific and technological advance that tend to raise the living standards. The economic climate has almost been revitalised, so much so that today an investment of Rs. 10 thousand crores for the Third Five Year Plan or a rise of 5% in the national income which would have been considered fantastic in 1951-52, apart from the misgivings of the economic plans as instruments of realisation of certain basic social and economic activities, is now in the realm of possibility of achievement and it is deemed inevitable to sustain a minimum rate of growth. Grave doubts were entertained about the contribution of private enterprise towards the welfare of the nation. They now stand dispelled. The part played by the private sector towards the development of the nation has been realised and the Government are planning financial and technical assistance to industries in the private sector.

The pace of industrial production which was slowed down in 1957-58 showed a marked increase in 1959. The rate of increase of general index of industrial production at 151.1 showed an increase of 8.2 per cent as compared to 1.7 in 1958, 3.5 in 1957 and 7 to 8 per cent in the three years 1954 to 1956. The cement industry also registered an impressive rise in production in 1959. The production of 6.8 million tons showed a rise of 13% as compared to 8% in 1958 due to the completion of many expansion schemes. Your Directors have always given serious thoughts about the possibilities of expansion of production in your factory and contribute their humble part in serving the expanding economy of your country. It is as a result of such constant endeavours the capacity of your factory has been increased from one lakh tons to 5 lakh tons.

Due to circumstances entirely beyond the control of the management the starting of the branch factory in Visakhapatnam District in Andhra Pradesh has been delayed. Orders sanctioning the requisite mining rights are still expected from the Andhra Pradesh Government. In the meantime, remittances have already been made towards the first instalment to the suppliers of both the main machinery and electric motors for the expansion scheme. Your Directors are at present also exploring the possibilities of starting a cement factory at Salem in Madras State. Our preliminary invesigations have shown that adequate raw materials are available near Salem for the starting of a Cement Factory.

I am glad to say that the sales of cement of your factory have been extremely good, and the temporary slowing down in the off-take which we experienced during the last year no longer exists, and as envisaged by me in my speech during the last year, there has been a revival of demand and the off-take by Government and all forms of consumers has been growing considerably, and we are today experiencing an acute shortage of cement in certain provinces in the country.

I have also referred last year to the necessity of developing the export market for the cement industry to augment the much needed foreign exchange to carry out our national development programme. It is gratifying to note that the exports of cement in 1959 were subsantially higher at 1,55,000 as compared to 41,000 tons in 1958. The exports of your factory are of the order of 25,000 tons during last year and it would have

been much more but for the fact that 20,000/25,000 tons have been diverted to Bombay and Calcutta markets to meet the acute shortage of cement in those areas.

Mention has been made in the Directors' Report regarding the repayment of the loans obtained from the Industrial Finance Corporation of India. I am pleased to confirm that the Company has completely repaid the entire loan outstanding to the Indusrial Finance Corporation of India.

As the shareholders are aware, the Preference Shares of your Company carry a dividend of 7½ per cent per annum subject to deduction of Indian Income tax paid by the Company in respect thereof. It has been contended that where the Articles of Association or the terms of the issue of Preference Shares stipulate that dividends are subject to tax, tax under Sec. 18(3D) only is to be deducted. The position has been examined by your Company. The management are inclined to agree, in all fairness to the Preference shareholders, that tax under Sec. 18(3D) only should be deducted in respect of the Preference shares of your Company and a voucher for the tax deducted at source be given to the shareholders. This view of the management is, however, subject to any further clarification by judicial decision or otherwise and is not to be regarded as any undertaking by the Company by itself creating any rights or making any representations as to the correct legal position or as any kind of estoppel. The steps to be taken to overcome the difficulties in the way of the Preference shareholders, as they now confront your Company, with a view to equitable adjustment of the rights of the Preference shareholders in the matter of entitlement to dividend are engaging the earnest attention of your Directors.

I had occasion, last year, to refer to the setting up of a Wage Board for the Cement Industry by the Government of India. After examination of the points of view of both the labour and the management, the Wage Board have submitted their recommendations to the Central Government and they have been accepted by the Government of India with some modifications, in February this year. The recommendations were varied and diversified. According to the recommendations, effective from 1st January, 1960, the basic emoluments of the workers have almost been doubled. As mentioned in the Directors' Report, no provision has been made in the Balance Sheet for the additional expenditure to be incurred for the implementation of the Wage Board recommendations. The Government of India have noted the view of the Wage Board that prima facie, the industry does not have the capacity to pay the wages recommended on the exising retention price, and they are now engaged in investigating into the question of additional burden on the industry on this account, which we expect the Government to fully pay. I am happy to inform you that your Company has the distinction of being the first to implement the recommendations of the Wage Board.

The industry is faced with an increase in the cost of packing materials and coal and increased cost of transport and labour necessitating a revision in the retention price allowed to each unit. I earnestly hope that the Government of India would give their utmost consideration to this matter.

Alive as they are, to the needs and welfare of the employees, your Directors have programmed to put up tenements for the workers under the Subsidized Industrial Housing Scheme. Labour occupies a very important place in the development of any nation, and more particularly in a relatively under-developed country like ours. It has, definitely, a responsibility to bear and a contribution to make, in solving the problems facing the country. If it exercises some control over its demands, it will help keep under check the rising trend of prices, which is the only disquieting feature in spite of the increase in industrial production. It is high time that labour realises that insistence on excessive demand will ruin the chances of building up industrial prosperity and unless it is prepared to modify its demands in the light of the capacity of the industry to pay, it will be faced with the stark reality of a structure of high industrial costs, with the inevitable consequences of lower-turnover and lower profits, leading to complete closure in the case of marginal units.

I am indeed happy to report that our relations with labour continue to be very cordial as usual. I congratulate them for their sense of realism and increased awareness of responsibility in our joint venture. Before I conclude, I should both on your behalf and on my own behalf like to tender our thanks to all employees of the Company for their unstinted co-operation and hard work. The Company looks forward to their continued loyal and devoted service in the years to come.

Before moving for the adoption of the Directors' Report and Audited statements of account, I shall be glad to answer any questions that may be raised by the shareholders.

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

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Manager

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CAPITAL

Authorised Capital	Rs. 1,00,00,000
Subscribed Capital	Rs. 88,60,000
Paid-up Capital	Rs. 82,98,990
Reserve & other Funds	Rs. 83,01,884
Deposits as on 31-12-1959	Rs. 43,92,73,211

DEPOSITS

CURRENT ACCOUNT — SAVINGS BANK — FIXED, SHORT TERM DEPOSITS -3 YEAR CASH CERTIFICATES YIELDING 4·06% COMPOUND INTEREST

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FOREIGN EXCHANGE OF EVERY DESCRIPTION :
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G. S. SUNDARAM, *Secretary*

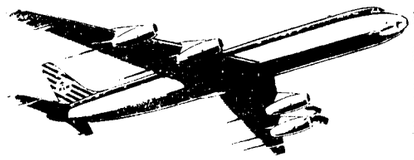
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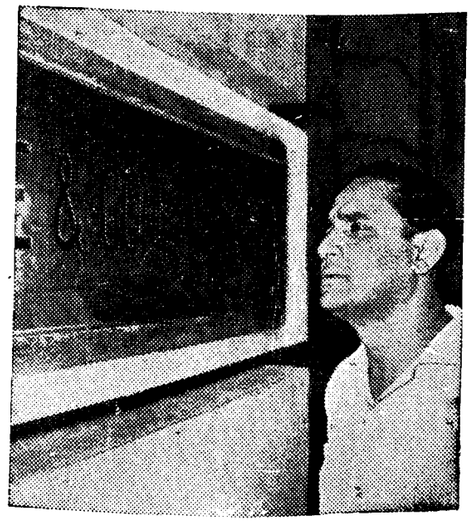
Paid-up Capital	**Rs.**	**15,00,000**
Reserve Fund	**Rs.**	**12,00,000**
Working Funds as on 30-6-1960 ..	**Rs.**	**7,47,95,066**

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Mettur Dam R. S.

Twenty-Third Annual General Meeting held on 12-9-1960

CHAIRMAN'S SPEECH

In the absence of the Chairman, Dr. P. S. Lokanathan, Mr. S. Narayanaswamy presided over the Meeting and read the Chairman's speech. He said:

Gentlemen,

Once again I have great pleasure in welcoming you all to the 23rd Annual Meeting of the Company.

With your permission, I will take the Annual Report and Accounts as read since they have been with you for some time. The past year has recorded better results than the previous year in spite of several handicaps in regard to maintaining continuous and full production. The first stage of our expansion was fulfilled successfully, the production of Caustic Soda having been stepped up to 20 tons per day and Stable Bleaching Powder to 30 tons.

Now that we have commenced production of bleaching powder at a daily rate which should take care of the current consumption in India, it is our earnest hope that the Government of India will take steps to ban the imports of bleaching powder into India.

We have also put up an Electrolytic Potassium Chlorate Plant with a capacity of 2 tons per day, fabricated and designed mostly by the staff of our research department; but due to non-availability of power we had to defer the commencement of production till the other day when the plant was inaugurated by the Chief Minister of Madras on 30th August, 1960. This will meet the growing demand in the country for this chemical which finds the largest application in the manufacture of matches on a cottage industry basis — a large cottage industry in South India.

As mentioned in the Directors' Report, we are considerably affected by the low price fixed by the Government of India for our stable bleaching powder. However, we hope that our efforts to get a revision in price will soon bear fruit.

I am glad to inform you that our expansion scheme to double our caustic soda production is making good progress. We have just drawn the first instalment of our loan of Rs. 15 lakhs from the Industrial Finance Corporation of India, who have sanctioned us a loan of Rs. 33 lakhs. To supplement our financial requirements consequent on increase in the cost of plant and equipment as well as other additions, your directors have decided to issue from out of the unsubscribed capital of Rs. 20 lakhs in the form of 2 lakhs of equity shares of Rs. 10 each at par, which issue I feel sure will meet with an overwhelming response as before from you.

Your Directors have once before, after the commencement of the Companies Act 1956, with the unanimous approval of the shareholders of the Company, recommended the issue of equity shares to the holders of preference shares as well. The present issue of Rs. 20 lakhs face value equity shares represents one-fourth of the existing paid up capital of the Company which includes Rs. 20 lakhs face value preference shares. our Directors have thought it fair to ask for and obtain your sanction as on the previous occasion for extending the rights to the new issue, to preference shareholders also, being in conformity with what we have done before

Another interesting point to which I would like to draw the attention of this meeting in this context, is that out of a total of 770 preference shareholers on the Company's rolls today, 553 such shareholders are also holders of equity shares of the Company. These 553 preference shareholders, hold among themselves 13,561 shares or approximately 2/3rd of the Company's preference capital. Only 217 preference share holders do not happen to hold equity shares and they hold 1/3rd of the preference share capital of the Company. The Directors have thought it appropriate that the new issue of equity shares should be offered both to equity and preference shareholders and seek your sanction for making the new issue in this manner.

Orders for the entire plant and machinery for the expansion have already been placed and the first shipments have also started arriving.

Production of Caustic Soda in the country during 1959-60 at 77,555 tons was nearly 30 per cent higher than 1958-59 production which was 60,316 tons. Consumption of caustic soda, which was estimated at 200,000 tons by the end of the Second Plan period is expected to increase to 340,000 tons by the end of the Third Plan period i.e. 1965-66. Government are taking steps to licence necessary additional capacity, consistent with the availability of foreign exchange. Meanwhile, the country is still importing large quantities of caustic soda to meet the gap between demand and production. Imports during 1959 stood at about 147,000 tons, being over double the 62,000 tons imported in 1958. Large releases of Caustic Soda to the market by the State Trading Corporation of India, through whom all imports are canalised, also created serious distribution problems to indigenous manufacturers on account of sudden gluts in the supply position. The matter was discussed by the industry with the State Trading Corporation of India who took a helpful attitude by stopping releases for some time and later agreeing to offer regular but restricted quantities periodically which would be sufficient to fill the gap. The distribution position has now considerably improved as a result. It is inevitable when external agencies are relied on to make supplies of caustic soda for purposes of rectifying shortages within the country, that shipments of caustic soda should arrive in the country at spasmodic intervals and

in such quantities as to have no relation to the requirements of the Indian consumer and cause imbalance in distribution. This naturally results in distress sales by the indigenous producers at a time when the ceiling prices fixed by the Tariff Commission leave a bare margin of profit to the producer, and more particularly at a time when the prices of the plant and machinery are going up day by day and consequential depreciation provisions call for a greater allocation out of gross earnings.

The power supply position also has shown an improvement during the year by the bringing into commission of the Madras Government's Kundah Hydro-electric Scheme. However, with the rapid industrialisation which is taking place and the increasing demands for agricultural operations, the problem of over-all power shortage still continues to exist. In this context, the Madras Government's Mettur Hydro-electric Tunnel Scheme which was recently inaugurated by the Chief Minister of Madras is a most welcome development and with the commencement of operations by the Neyveli Thermal Power Scheme, it is hoped that the power supply position will show further improvement. The Madras Government has also been impressing on the Centre the need for atomic power development in the State having regard to the restricted possibilities for further power development and it is hoped that the Centre will consider favourably the claims of Madras State in this respect.

I should like to make reference also to the steadily increasing food prices as a result of which there has been a steady and progressive increase in the Cost of Living Index, so that the monthly dearness allowance paid to workers and staff rose to Rs. 65-25nP. at the end of the year from Rs. 58-87 nP. at the beginning. The Index is still mounting and this must be regarded as a disquieting phenomenon.

You will have observed from the Report of the Directors, the manner of computation of the net dividend distributable to the preference shareholders. The Board has endeavoured to do justice to the holders of preference shares, while conforming to the changed taxation law relating to "tax free" preference shares. While in effect the net dividend receivable by the preference shareholders is lower than what it was in previous years before the law was changed, it was inevitable that the computation should be made in this manner, after the change in Income Tax Law was made.

I am, however, happy that the Central Government has introduced legislation to change the Income Tax Act in such a manner as to lay down clearly the procedure to be followed by companies that "tax free" perference shares in their capital structure and which I expect will mitigate the injustice to the holders of "tax free" preference shares. I hope this bill will be passed in the current session of Parliament.

There have been enquiries from some shareholders as to whether the benefit of exemption availed of by the Company under Section 15(c) could not be passed on to them in the form of a direct reduction in the rate of tax that is deducted from the equity dividend. It is true that under Section 18(3F) of the Income-tax Act, an authority rests with the Company to ascertain the total relief under Section 15c and to determine with the help of the Income-tax Officer the amount of tax that can be deducted after adjusting the relief provided under Section 15c. However, such a procedure in actual practice will take time as this will involve a reference of the audited accounts, after they are got ready, to the Income-tax Officer and in getting a ruling from him as to the actual quantum of income-tax which can be deducted from the 30 per cent statutory deduction under sub-section 3D. This would entail delay in payment of dividend.

The Company adopted the procedure of ascertaining the approximate relief available to them under Section 15c and deducted this amount from the total of tax provision that is made from out of the year's profits. You will appreciate that this resulted in increasing the amount available for distribution, which enabled us to decide upon a larger percentage of gross dividend than would have been possible if the approximate abatement under Section 15c had not been taken credit for in computing tax provision. This has resulted in the Board being able to recommend a rate of net dividend approximately equal to the net dividend paid in the previous year.

I must in conclusion express my warm appreciation of the very cordial relations subsisting between labour and management and the great care and drive exercised by the management to maintain a high level of production in which all the workers and staff have given their unstinted co-operation.

I would move that the Directors' Report and Audited Accounts for the year ended 31st March, 1960 be adopted.

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

THE UNITED COMMERCIAL BANK LIMITED

Head Office: CALCUTTA

Authorised Capital	..	**Rs. 8,00,00,000**
Subscribed Capital	..	**Rs. 4,00,00,000**
Paid-up Capital	..	**Rs. 2,00,00,000**
Reserve Fund	..	**Rs. 1,75,00,000**
Working Funds (13.12.59) over	..	**Rs. 145,00,00,000**

- **BRANCHES ALL OVER INDIA AND ABROAD.**
- **AGENTS THROUGHOUT THE WORLD.**
- **PROVIDES EVERY BANKING FACILITY.**

G. D. Birla — Chairman

S. T. Sadasivan — General Manager

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months / Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	94.6	90.8	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
June 1959	118.7	97.6	115.9	120.3	108.2	109.3	109.1	115.6
July ..	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
August ..	121.7	98.3	115.5	119.4	109.2	109.5	109.5	117.1
June 1960	120.3	109.5	118.5	139.6	127.2	118.6	119.8	122.9
July ..	124.0	109.6	119.5	137.2	130.4	119.4	121.0	124.7
August ..	123.9	106.7	119.4	137.0	130.1	121.0	122.3	125.0
13-8-1960	124.6	108.7	118.0	136.9	129.9	120.7	120.7	125.2
20-8-1960	122.4	104.7	119.6	135.9	130.0	121.1	122.4	124.0
27-8-1960	123.5	104.2	119.6	137.2	129.2	121.6	122.7	124.9
3-9-1960	124.1	103.7	119.6	137.0	128.7	121.8	122.8	125.2

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104		106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	248	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	16	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	—	154	399	460	510	165*	462	167	164*	171
July	406*	425*	—	160	406	—	—	165*	467	169	164*	174*
August	—	—	—	160	—	—	—	—	470	—	—	—

Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 16-9-1960 High	16-9-1960 Low	16-9-1960 Average	9-9-1960 High	9-9-1960 Low	9-9-1960 Average	2-9-1960 High	2-9-1960 Low	2-9-1960 Average	26-8-1960 High	26-8-1960 Low	26-8-1960 Average
Gold (per fine tola)	136 34	134.37	135.32	134 62	133.44	134.43	134.56	133.44	133.97	134.06	132.25	133.08
Silver (per 100 fine tolas	226 62	225.12	225.86	225.87	223 94	224.84	225.19	222.62	223 88	223.62	221.62	222.61

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56* ..	1,339,39	17,08	1,356,47	40.02	656,52	696,53	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40 02 (117,76)	454,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117.76	329,65	447,41	28.79	1,30,06	975,06	1,552,73
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333,83	1,750,77
Average of Fridays										
June 1959 ..	1,740,14	25,24	1,765,39	117,76	178,01	295,77	16.75	128.87	1,340,75	1,76[illegible],39
July „ ..	1,698,91	23,54	1,722,45	117,76	172,01	289,77	16.82	131,85	1,360.83	1,722,45
August „ ..	1,670,76	23,63	1,694,39	117,76	163,01	280,77	16.57	134,95	1,278,68	1,694,39
June „ ..	1,860,95	26.56	1,887,51	117,76	149,26	267,02	14.15	125,34	1,495,15	1,887,51
July „ ..	1,827,14	25,64	1,852,77	117,76	140,01	257,77	13,91	128,54	1,466.47	1,852,77
August „ ..	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
Week-Ending										
12-8-1960 ..	1,812,13	14,99	1,827,12	117,76	1,23,01	240,77	13.18	129,78	1,456,57	1,827,12
19-8-1960 ..	1,796,39	21,98	1,818,37	117,76	123,01	240,77	13.24	130,96	1,446,65	1,818,37
26-8-1960 ..	1,776,59	27,99	1,804,58	117,76	123,01	240,77	13.34	132,15	1,431,65	1,804,58
2-9-1960 ..	1,795,33	8,51	1,803,85	117,76	123,01	240,77	13.35	131,42	1,431,66	1,803,85
9-9-1960 ..	1,808,22	14,73	1,822,94	117,76	123,01	240,77	13.21	130,52	1,451,66	1,822,94

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,79	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51.82	13,60
1957-58* ..	54,61	11,28	81,90	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,81	25,57	28,23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
June 1959 ..	51,47	14,50	81,48	119,90	267,35	95,58	452,93	25,29	93	17,02	28,59	62,37	305,15	13,56
July „ ..	57,01	23,49	81,19	161,83	323,52	54,05	468,18	23,61	5,56	11,57	24,46	69,14	320,74	13,10
August „ ..	57,38	37,65	84,17	155,45	334,65	63,80	488,44	23,70	3,88	15,23	21,44	74,08	340,57	9,55
June 1960 ..	73,15	13,28	107,89	90,72	285,05	111,02	481,08	26,63	28,14	13,57	45,94	122,56	228,03	16,21
July „ ..	63,54	20,24	120,31	132,35	336,44	73,49	494,93	25,70	13,72	21,02	32,81	125,06	260,19	16,48
August „ ..	60,44	23,00	118,40	120,40	322,25	76,19	483,44	19,92	23,55	21,65	37,69	117,00	251,73	11,90
Week-Ending														
12-8-1960 ..	55,99	16,18	117,25	140,08	329,49	75,92	490,41	15,07	28,05	21,48	41,76	116,39	255,44	12,23
19-8-1960 ..	65,73	29,51	122,17	101,20	318,62	78,18	481,80	22,05	24,90	21,74	35,39	118,58	247,62	11,53
26-8-1960 ..	62,67	28,46	115,74	100,98	307,75	80,75	473,60	28,06	17,64	23,52	36,54	110,99	245,25	11,60
2-9-1960 ..	52,90	46,68	110,40	101,73	311,72	77,11	473,83	8,59	5,82	20,34	28,60	150,97	247,64	11,87
9-9-1960 ..	62,63	27,25	115,68	89,85	295,41	76,84	457,25	14,81	27,26	22,67	29,18	148,57	202,77	11,99

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES: Demand	Time	Total (2+3)	Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55 ..	559,62	351,86	911,55	32,66	53.91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155.56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167.32†	66.77	385.54
1958-59 ..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133.27†	56.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144.49†	53.87	725,20
Average of Fridays										
March 1960 ..	768,84	1154,11	1,922,96	56,88	79,67	7.10	930,20	166 32†	57.02	740,40
April „ ..	800,17	1162,83	1,963.01	51,40	89,55	7.18	950,14	177,77†	57.46	729,23
May „ ..	785,27	1193,71	1,978,98	48,84	90,72	7,05	964.21	167.88†	57.21	744,91
June „ ..	790.17	1202,95	1,993,12	47,38	102,55	7.52	975,63	155.82†	56.77	743,94
July „ ..	792,72	1215,71	2,008,43	48,19	112,01	7.98	979.13	147.95†	56.12	735.74
August „ ..	792,95	1212.04	2,004,98	46,35	110,46	7.82	966,68	149,15†	55.65	739,09
Week Ending										
12-8-1960 ..	778,75	1226,92	2,005,67	44,93	110.25	7.74	968 75	150,65†	55 81	733,29
19-8-1960 ..	794,60	1215.39	2,009 99	46,93	113,38	7.98	961,15	149.88†	55.28	729 64
26-8-1960 ..	801,55	1212,08	2,013,63	45,50	110 62	7.75	955,23	148.41†	54 81	744,93
2-9-1960 ..	796,89	1193,75	1,990,64	48,04	107,60	7.82	981,59	147.67†	56.73	748.49
9-9-1960 ..	774 91	1193,65	1,968,56	46,86	111,79	8.06	979,44	146 81†	57.21	736,05

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public: Total	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variatione in money supply
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+203,44*
February 1960 ..	2,620,36	1,826,19	794,16	778,57	15,59	+30,25
March „ ..	2,703,13	1,862,72	840,41	818,62	21,79	+82,77
April „ ..	2,746,34	1,912,94	833 40	812.81	20 58	+43,21
May „ ..	2,724,89	1,895,82	829,07	809,97	19,11	—21,45
June „ ..	2,703,26*	1,869,02*	834,24*	811,33*	22 92	—21,63*
July „ ..	2,670,38*	1,826,20*	844,18*	814,00	30,18	—32,88*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1952-53=100)

Average of weeks ended Saturday	Govt. & Semi-Govt.	Debentures	Preference shares	Variable Dividend Industrial Securities							
				Total	Tea	Coal	Sugar	Cotton Textiles	Jute Textiles	Cement	Paper
1957-58†	98.3	99.6	88.0	125.4	143.5	89.1	159.7	119.9	63.4	125.2	159.6
1958-59	99.9	100.1	87.2	137.3	145.2	107.1	163.9	113.6	80.2	129.0	184.8
1959-60	101.2	101.8	92.2	155.3	160.1	113.7	178.6	129.2	96.6	136.0	208.9
June 1959	100.8	101.8	92.1	149.8	160.5	115.7	168.7	118.7	94.6	135.6	196.8
July „	101.0	101.8	92.1	154.1	159.7	118.5	176.6	121.1	98.7	139.9	204.2
August „	101.2	102.1	93.2	153.9	157.7	116.2	176.7	123.9	98.9	137.3	207.1
Sept. „	101.4	102.1	93.6	153.1	150.8	113.0	177.3	125.0	97.7	135.5	212.2
October „	101.7	102.1	93.4	156.1	148.5	111.7	184.0	131.9	98.8	135.9	214.2
Nov. „	101.6	101.9	92.6	157.2	162.1	109.6	186.7	133.6	99.8	134.7	223.4
Dec. „	101.5	101.7	91.7	157.6	166.0	105.4	185.0	134.6	95.1	132.1	213.0
January 1960	101.5	101.7	91.3	158.7	167.4	107.5	183.2	141.5	94.5	135.1	209.2
February „	101.4	101.7	91.2	158.3	165.7	111.2	178.9	139.9	92.9	134.7	206.9
March „	101.3	101.5	91.1	165.0	169.9	117.4	182.9	144.6	96.0	141.9	215.2
April „	101.3	101.3	90.8	166.5	168.4	119.5	184.9	144.5	95.1	142.8	222.6
May „	101.2	101.1	90.1	173.4	169.4	124.0	190.1	148.4	94.0	146.2	233.5
June „	101.1	101.0	89.4	175.3	172.8	122.9	195.3	152.2	94.7	146.1	234.6
July „	101.2	101.0	87.3	178.1	170.6	122.9	194.2	159.5	92.4	148.9	233.5
August „	101.2	100.9	86.9	179.8	170.9	123.3	193.3	161.3	96.8	149.6	236.1
6-8-1960	101.2	101.0	86.9	180.5	172.5	122.0	193.7	162.3	94.8	150.8	236.4
13-8-1960	101.2	100.9	86.9	180.2	171.6	123.4	192.7	161.2	98.4	149.9	236.6
20-8-1960	101.2	100.9	87.0	179.3	170.4	124.2	192.5	160.7	97.9	149.1	235.5
27-8-1960	101.2	100.8	86.9	179.1	169.0	123.7	194.4	160.8	96.1	148.6	235.9
3-9-1960	101.2	100.8	86.9	178.8	166.6	123.7	195.3	160.3	95.0	148.2	234.4
10-9-1960	101.2	100.8	87.0	174.3	163.9	121.5	192.4	155.6	93.4	145.0	230.7

†Average of 40 weeks.

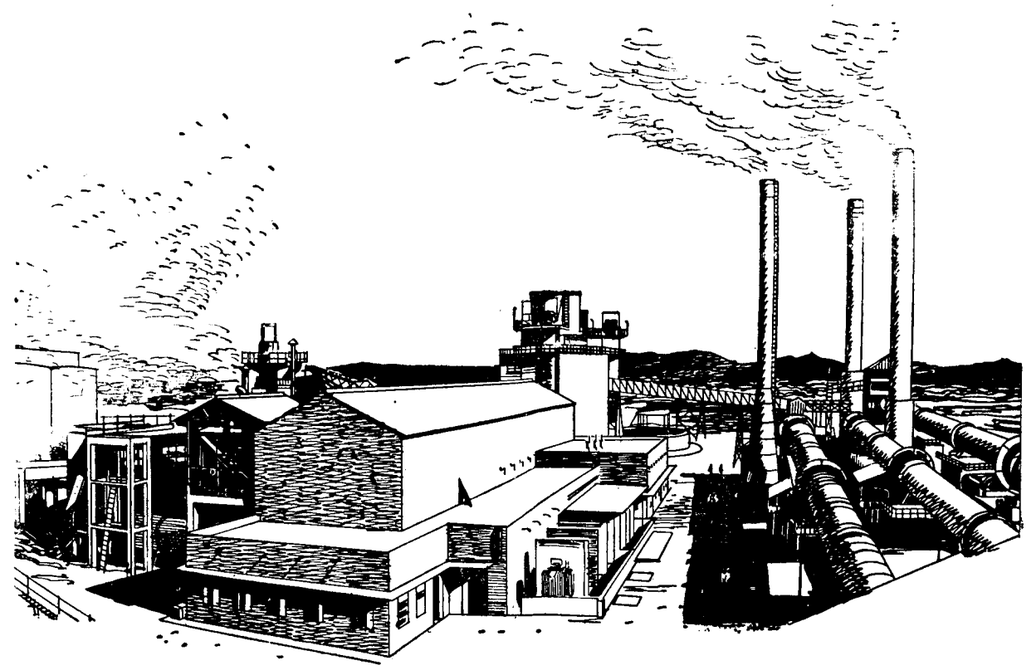
Treasury Bills

GOVERNMENT OF INDIA TREASURY BILLS

(In lakhs of rupees)

Period	Transactions with the Public: Amt. offered	Amt. tendered	Total Sales (4+5+6)	Amt. sold by tender: Against maturing Treasury Bills	Amt. sold by tender: Against Cash	Sales of Intermediate Treasury Bills	Amt. discharged	Sold in favour of Reserve Bank	Total Amount outstanding*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951-52	—	—	—	—	—		—	1,335,50	314,34
1952-53	42,00	65,60	42,00	1,17	40,83		30,00	1.233,09	315,29
1953-54	56,50	91,38	56,50	3,46	53,04		56,50	1,309,06	334,95
1954-55	23,50	37,97	23,50	38	23,12		23,50	1,523,81	471,87
1955-56	55,50	86,25	55,50	2,60	52,91		54,50	1,994,09	595,25
1956-57	1,00	1,03	1,00	—	1,00		14,00	2,737,58	835,70
1957-58	—	—	—	—	—		—	4,236,65	1,295,12
1958-59	81,00	122,06	86,79	4,01	76,99	5,79	61,29	4,644,56	1,225,32
1959-60	102,00	122,40	139,25	32	101,68	37,25	138,52	5,011,87	1,297,60
March 1959	8,00	8,10	8,00	—	8,00	—	9,65	383,69	1,225,32
April „	8,00	8,00	8,00	—	8,00	—	7,00	490,91	1,273,62
May „	10,00	10,85	10,00	—	10,00	—	10,50	417.28	1,317,88
June „	8,00	9,33	8,24	—	8,00	24	8,00	396,28	1,330,71
July „	9,00	13,90	18,20	—	9,00	9,20	10,00	726,44	1,305,32
August „	8,00	9,05	10,36	—	8,00	2,36	8,00	241,38	1,330,28
Sept. „	9,00	10,19	14,14	—	9,00	5,14	8,24	329,97	1,325,14
Oct. „	10,00	13,66	20,30	—	10,00	10,30	18,20	666,92	1,283,08
Nov. „	8,00	14,95	15,50	—	8,00	7,50	10,36	273,40	1,320,23
Dec. „	8,00	8,40	8,28	32	7,68	28	16,14	193,92	1,176,13
Jan. 1960	8,00	8,07	10,06	—	8,00	2,06	18,30	727,72	1,228,87
Feb. „	8,00	8,00	8,12	—	8.00	12	15,50	247,42	1,195,51
March „	8,00	8,00	8,05	—	8,00	5	8,28	300,24	1,297,60
April „	10,00	10,79	12,01	—	10,00	2,01	10.06	686,24	1,262,08
May „	8,00	9,12	9,30	—	8,00	1,30	3,00	277,72	1,293,56
June „	8,00	8,27	13,34	—	8,00	5,34	8,00	277,27	1,275,83
July „	8,00	8,02	8,00	—	8,00	—	10,00	617,42	1,181,52

* At the end of the period.



Construction and installations carried out by E.C.C. at this Cement Factory include a slurry basin, slurry pumphouse, kiln foundations for the 750-tons-a-day clinker kiln, smoke Chamber, 200-foot high RCC chimney, clinker conveyor bridge, four cement silos, packing house, elevator, crane gantry and overhead tank

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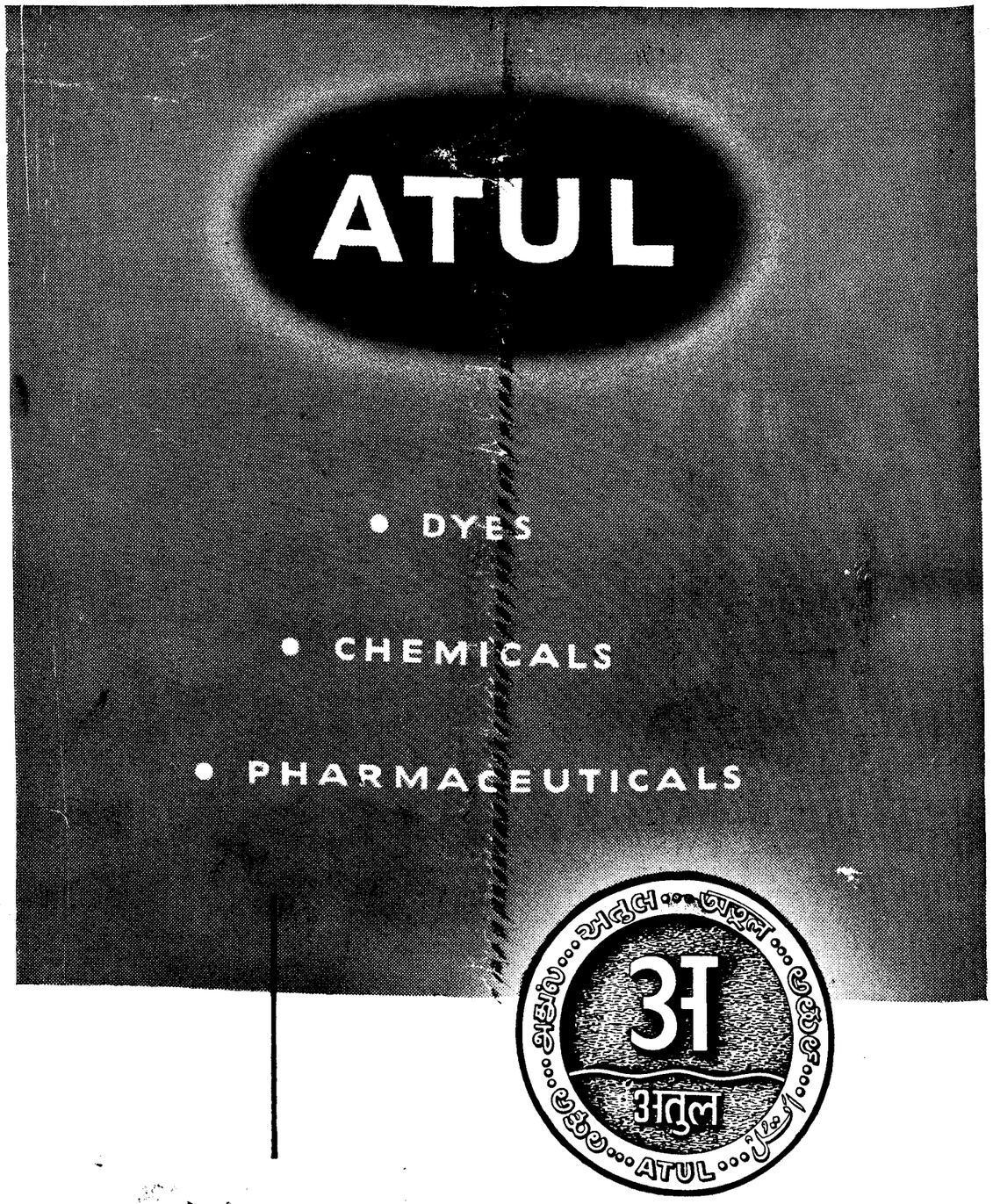
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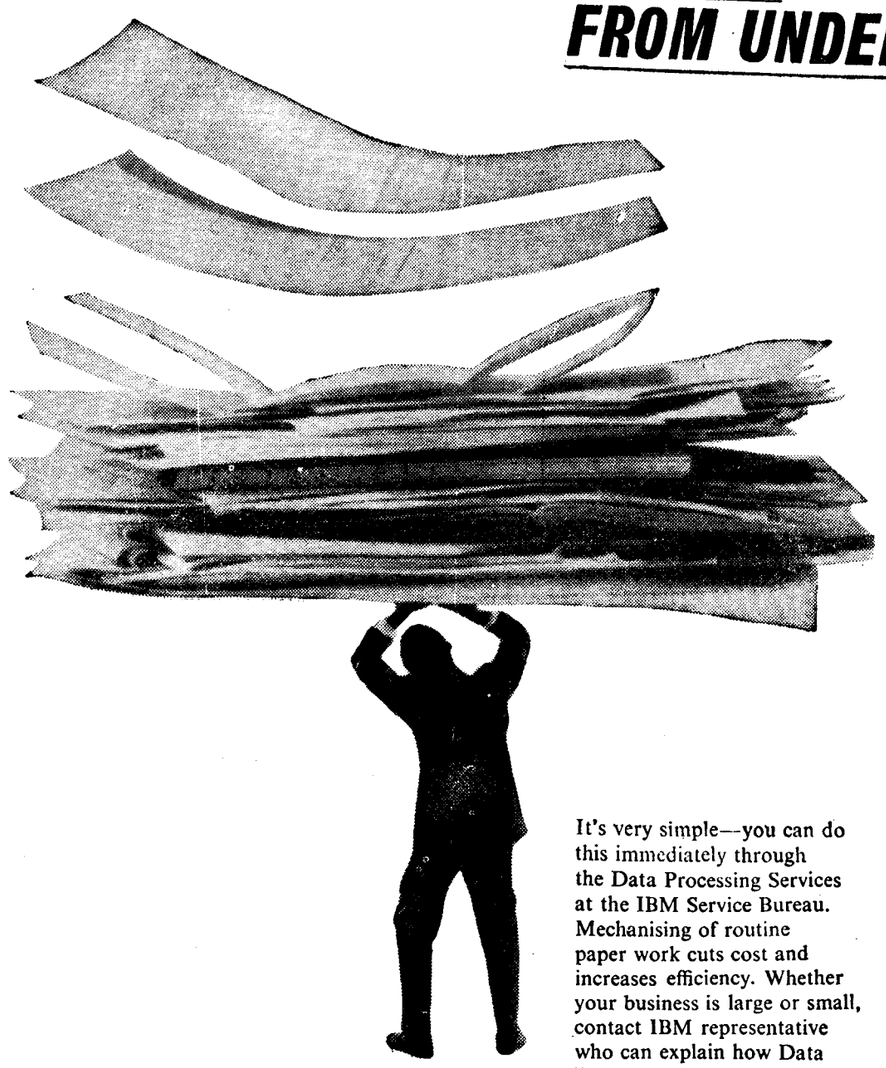
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The Eastern Economist

SEPTEMBER 30, 1960.

Crisis in the United Nations

SLOWLY, but with every sense of mounting drama, the battles of the Cold War are being enacted in the heart of the United Nations. Not, indeed, in the traditional manner in which either from General Assembly or from Security Council, the major exponents of the two blocs express themselves in hot, and often violent, debates. On this occasion, the battle has been joined by the giants themselves, both President Eisenhower and Mr. Nikita S. Khrushchev having spoken in the Assembly last week. The Russian Premier, leading a galaxy of leaders from practically all Communist countries, is playing the greatest role in his life in the field of open diplomacy. Never, one might say, in the history of international relations has so much been done openly by so few in the presence of so many.

This new point, namely, that in the year 1960, the practice of diplomacy — an instrument for the hidden exchange of views — has turned violently into an open performance for all who are not merely welcome but are forced to attend, is to be recognised. The open diplomacy of Mr. Khrushchev is, undoubtedly, a powerful weapon in the creation of world political consciousness. No longer is it necessary to talk of diplomacy, as with all other propaganda and advertisement, as the arena of hidden persuaders. The attack is direct, and mounted with as much drama and tension as the surrounding environment permits. In New York the surrounding environment has, on this occasion, permitted far more than seems proper, with every movement of the Russian Prime Minister attracting new attention and new controversy. It is certain that while open diplomacy of this kind persists, the old diplomacy has no immediate chance of operation. But one wonders whether any major problem of the world will be solved by the extravagant use of public emotion at every stage.

One can also wonder even more whether it is necessary to break the United Nations in order to underline a dramatic case. The extraordinary manner in which the Secretary-General of the United Nations has been made a victim of the new diplomacy has caused great concern in the Indian Union. It is largely as an expression of this concern, and as an advocate of dignity and moderation in international diplomacy, that India's Prime Minister is now a part of these extraordinary proceedings. It is perfectly clear that his sudden decision to depart for New York soon after his return from Pakistan was not merely wise, but essential. No figure in the international scene can better speak for Asia and perhaps the better mind of Africa, than Prime Minister Nehru. No one can speak with less bias of the United Nations though, since India's representative in the Congo, which is the heart of the trouble, is Mr. Rajeshwar Dayal, the Prime Minister cannot fail to extend to the United Nations a minimum of support. But it is not because the United Nations has done well or that Mr. Rajeshwar Dayal needs support that the Prime Minister's support of the United Nations has been so complete. It is because the breaking up of the United Nations will destroy the only instrument available to bridge a growing gulf between the Eastern and the Western world.

Because this crisis is one which affects the United Nations itself, it affects the entire world. Conversely, as the Prime Minister said before his departure, the crisis is not with the United Nations, but with the world at large. A change in the organisation of the United Nations, such as employing a divided executive against a single Secretary-General, is no answer for the problem. A candid review of Secretary-General's performance over the last few years will show that he has exercised his undoubted independence in a manner which deserves the highest popular acclaim.

The essential points for decision are fairly clear. The United Nations in its present form needs protection from the violent attacks made on it by the Russian Prime Minister. Secondly, that protection is best provided not by parties interested in the dispute, but countries from neutral territories whose credentials are not in question. This places India's Prime Minister in the highest capacity to help. Finally, the habits of mind of the new diplomacy in which almost anything can be said, and for a short time, believed, must give way again to an orderly exchange of views based upon the capacity of the U.S.S.R. and the United States to find some common ground on all the problems that now divide them: disarmament, inspection, control, and the obvious consequences of co-existence. If the Prime Minister is capable of bridging this gulf, he will have rendered to the world, and incidentally to India, the greatest service of a glorious political career. Everyone in India will wish him well; the stakes have never been higher both for us and for all the world.

Compulsory Arbitration

COMPULSORY arbitration in case of failure of the machinery of consultation and negotiation in trade disputes raised by government employees is unquestionably a phenomenal development in the evolution of industrial relations. Out of evil comes good, so it was that the recent strike of government employees resulted in a valuable offshoot

The light-heartedness with which the attempt was made to organise an all-out strike in Government services and state-operated undertakings, without regard for its foreseeable consequences on the security of the country, gave a measure of the extent to which irresponsibility could go. It is pointless to discuss whether the motives of the leadership of the strike were more political than

economic. But assuming that the grievances of government employees were economic and there was little politics in the strike, the failure of the leaders of the strike to weigh the probable repercussions of the very stoppage of the machinery of government on the maintenance of law and order was a danger signal of how the right of strike could degenerate into a potential instrument of subversion of authority.

The hard logic of facts forced the hands of the Government to come to a decision to put a ban on strikes in government services. Whether the ban should or should not have been imposed is now a purely academic issue. The Trade Disputes Act envisages such a ban in respect of essential services on the ground of emergency and the official service regulations empower government departments to prohibit participation of employees in strikes. A regular sanction to this ban in the proposed new legislation does not alter the factual situation. The ban — and there are parallels of countries which have imposed such a ban, including countries which have a considerable socialist influence in their political life — is not an innovation, much less a retrograde measure. Indeed, the larger public sector, the more "progressive" — because necessary — becomes a ban on such strikes.

This reasoning may appear straight-forward in retrospect. But it took not a little courage and unswerving determination on the part of Pandit Gobind Ballabh Pant to impress upon his colleagues in the Cabinet to accept without demur the logical conclusion of that reasoning. As Home Minister it was his primary duty to give a concrete legislative shape to the open policy of ban on strikes by government employees. But it speaks eloquently for his solicitude for the fundamental rights of labour to safeguard its interest that he incorporated in the proposed new policy two valuable principles — provision of a machinery for consultation-cum-negotiation and, in the event of its failure, compulsory arbitration. As the position now obtains, Government can straightaway refuse to refer for adjudication a dispute with its employees. From this privilged position to acceptance of compulsory arbitration is literally a metamorphosis in its policy. Advocates of the existing theoretical right of government employees to strike completely ignore this profound change.

It was this forceful brief with which Mr. Nanda was armed as he went to preside over the last week's session of the Indian Labour Conference. Vociferous opposition to the ban on strikes and to the elimination of outside leadership from the trade unions or staff associations of government employees was quite expected at the session. In fact, the first day of the session witnessed some fireworks. But the noisy opposition cooled down on the next day. The reality of the situation was that not even the flimsiest defence could be put up for the action of the organisers of the strike. The Hind Mazdoor Sabha was on the weakest ground of all. Its spokesman reminded Mr. Nanda on the first day that he ought to have resigned on the issue of the need-based formula — accepted in principle by the 14th Indian Labour Conference — and on the next day he was profuse in his praise acclaiming that "Mr. Nanda was the best Labour Minister we had." Mr. R. Ramamurthy, representing the Communist-controlled All-India Trade Union Congress, could do no less. In all seriousness he asserted that the AITUC was opposed to strike as such as it was its thesis that arbitration was the effective way for the settlement of disputes.

There is no doubt that Mr. Nanda by a skilful presentation of his views — this time really those of the Government of India — has arranged a happy conclusion to what promised to be a stormy meeting. He should be given full credit for this success; and one can hope that his more realistic leadership will gather strength over the less responsible elements in India's trade union movement.

Independence for Nigeria

ON October 1st, the Federation of Nigeria will attain its independence. This will mark yet another landmark in the history of African nationalism which is now discovering itself. With a size four times that of Britain and containing over 35 million people, Nigeria is the most populous country in Africa and with its independence, the population of Britain's colonies will be halved. The significance of Nigerian independence will be equalled only by that of Ghana and would go far in shifting the balance of forces in Africa. Again, in the context of the Congo, Nigeria provides an admirable model of decolonisation by a colonial power. Not only will the British departure be graceful and dignified but the transition has been made orderly and peaceful by the experience that Nigeria has already gone through in the responsibilities of self-government under a parliamentary system.

For, the Constitution with which Nigeria becomes independent is not one hastily devised to meet an urgent situation. It has been most carefully worked out in full agreement between Nigerian leaders and the British Government in a series of constitutional conferences that actually began in 1953. In 1958, all parties rivalled each other in protesting devotion to a united and strong Nigeria and they joined to produce a constitution which in itself should be one of the unifying forces in independent Nigeria. The Federal elections held in last December resulted in a coalition government between the governing parties of the Northern and Eastern regions, namely, the Northern Peoples Congress and the National Council of Nigeria and Cameroons, with the governing party of the Western region, the Action Group, playing the part of an effective opposition in the Federal House. It is one of the healthy features of Nigerian politics that instead of declining to be a one-party State, which is the general tendency in Africa so far, Nigeria will be blessed with a strong and sensible opposition. Though divided on other questions, all the three major parties are agreed that Nigeria should remain within the Commonwealth on the attainment of independence.

This is the wisest course. Though Britain has paved the ground in many respects including the provision of a nucleus of a Nigerian diplomatic corps that will be prepared to represent the Federation after independence, there is still a serious shortage of Nigerians for top posts in Government, education and business and the present system of training will have to be considerably expanded to meet the increasing demand for capable personnel. At the same time, the need for Western knowhow and technical skill for its economic development cannot also be under-estimated. The outstanding figures of Nigerian politics are Dr. Azikiwe, who will become the Governor-General and Alhaji Sir Abubakar Tafawa Balewa, the Federal Prime Minister. Faced with an opposition that is frankly pro-western and even pro-American, and Dr. Azikiwe, who is known to espouse Dr. Nkrumah's line of 'Africa for the Africans', the Federal Prime Minister, who is himself credited with being pro-western, has to follow a cautious middle course. Though no Nigerian politician can openly go against the "Africanist" policies of Dr. Nkrumah and President Sekou Toure of Guinea, Nigeria will have to adjust it to suit her own needs. That the Federal Prime Minister is aware of this fact is seen from his recent statement that "two generations of Britons have guided Nigeria into this era of self-determination and we wish further generations to help us to carry out our responsibility." As regards foreign policy, the Prime Minister has indicated that it will be one of non-alignment with either of the power blocs and generally based on the pattern of India. India has already appointed her High Commissioner in Lagos and the strong delegation led by the Union Law Minister, which will represent India at the Independence Day celebrations, underlines the growing friendship between the two countries.

It is a fact of great importance that the Nigerian Federation is a substantial federal achievement. The moulding of a solid Nigerian nation out of the diverse communities—the Hausas, Yorubas, Ibos, and others—demonstrates the real possibility of accommodating the ethnically heterogeneous elements within the framework of a Federal Union. Though federalism finds its enthusiastic supporters in Africa, there have not been many notable successes so far. With the split in the Mali Federation, Ethiopia with which Eritrea has been federated and Nigeria alone constitute *bona fide* federal achievements. But the Nigerian example may well provide the impetus to others, notably the Maghreb Federation consisting of Algeria, Morocco and Tunisia in the North and a confederation of states in the East including Kenya, Uganda and Tanganyika. But Nigeria seems to be in no mood to entertain any "dream" of a union of African States as conceived by Ghana and Guinea. The cleavage of opinion as regards Pan-Africanism and other kindred questions between Ghana and Nigeria has already come into the open. But there seems to be no doubt that in the further evolution of African nationalism, Nigeria, because of its size and importance, will be a stabilizing and moderating force against some of the more extreme slogans of Dr. Nkrumah and President Sekou Toure.

New Curbs on Bank Credit

THE "dearer money" policy, practised by the Reserve Bank of India for sometime now, has been taken this week a step further; the Reserve Bank has announced some measures aimed at tightening credit by the scheduled banks. Though it did not raise the Bank Rate from 4 per cent, it fixed a borrowing quota for each scheduled bank at 50 per cent of its statutorily required deposits with the Reserve Bank. If any scheduled bank seeks additional accommodation from the Reserve Bank, it has to pay a penal discount rate—one per cent more than the Bank Rate for borrowings 100 to 200 per cent over the quota and two per cent for borrowings in excess of that. Ceilings for borrowings from the Reserve Bank fixed for individual scheduled banks under the Bill Market Scheme have been made inoperative. Banks have been directed to charge from October 1 a minimum lending rate of 5 per cent on all advances, whether existing or new, clean or secured, with the exception of advances to other banks, including co-operative banks. Banks have also been asked to raise the structure of their interest rates so as to ensure an increase of at least ½ per cent in their average lending rates. No bank shall pay interest at more than two per cent below the Bank Rate on any deposit (other than inter-bank deposit) from October 1.

The announcement of these measures has, paradoxically, caused both concern and relief. Discerning observers of the Indian economic scene had been expecting even more drastic a step in the shape of an outright increase in the Bank Rate. That has been avoided by the Reserve Bank presumably owing to the fact that it would have led to a precipitate fall in the prices of Government securities. In a way, the Reserve Bank has been forced to take these measures. A few weeks ago, it had advised the scheduled banks to reduce their advances during the current slack season by about Rs. 110 crores. The scheduled banks, however, have so far effected a credit contraction of only a few crores of rupees. As against this, they have been increasing their borrowings from the Reserve Bank against usance bills and promissory notes; these borrowings went up from Rs. 7.25 crores on August 26, to Rs. 10.96 crores on September 16 (On September 18 last year these borrowings amounted to only Rs. 1.90 crores).

Will these measures achieve the object they have been designed to attain?—the object being to secure an abatement of the pressure of monetary demand which has been a contributory factor to the rise in commodity prices. There can be little doubt that they will have some effect on the price level in the country, notwithstanding the fact that in India there are large quantities of money in circulation outside the banking system. Misgivings have been expressed in some circles that the scheduled banks may circumvent these curbs by resorting to sale of Government securities on the stock market instead of borrowing from the Reserve Bank at penal rates. Any large-scale operations of this sort, however, can be ruled out for the simple reason that stock market has only a limited capacity to absorb these sales without registering a fall in prices, in which case the scheduled banks will hesitate to sell heavily the securities in their possession. Moreover, the direction of the Reserve Bank to the scheduled banks to effect a general increase of minimum ½ per cent in their lending rates will itself mean slightly more costly credit which, though it may increase cost of production somewhat especially of industrial goods, will help in reducing the holding capacity of the stockists. Coupled with some fiscal and administrative measures to hold the price line, as contemplated by the Government, these credit curbs will help the price situation to ease to some extent.

There is, however, need in recognising the necessity for a control on money supply to point to the dangers of overdoing even well-conceived policies. At present the economic system seems to be pausing; unwise restrictions by the Reserve Bank may precipitate a recession.

A DELHI DIARY

LIGHT IN DARKNESS?

I MIGHT as well confess that I have been away from Delhi throughout the week missing all comments here on the Prime Minister's Pakistan visit as well as the Prime Minister himself. I pray to be forgiven. The opportunities available to a journalist to depart from Delhi and literally bury himself in rural problems are hard to come by: when the Prime Minister is here, we are expected to stay at our posts of duty. How then do we see directly, instead of as copies of copies, in Plato's phrase, twice removed from the truth? I refer particularly to the silent revolution in the countryside where great new portents are visible if one chooses to search for them. On this particular occasion I am giving myself entirely over to rural co-operation, more precisely, to the Federal Union of Co-operative Milk Societies in Kaira District in Gujarat and the 187 co-operative societies of which it forms the apex or central servicing unit. In all the years of Independence, I cannot think of any movement of the people which can so stir one's heart as this tremendous experiment in self-help which has achieved such spectacular results. It is, in fact, later than Independence; for, in less than a decade, a rural transformation has taken place in 187 villages of a kind which must be seen to be believed.

DO PRODUCTIVE CO-OPERATIVES WORK?

In India the thousand-rupee question is: Do productive co-operative societies work? The answer in Delhi in most cases is a sceptical shrug of the shoulders, or a belief that where there is success there are such exceptional factors that the success itself is "accidental." But let the statistics speak. In Kaira District, of the 187 milk co-operative societies included in the Anand Milk Co-operative Union, over a hundred might be said to be working splendidly, something like 30 to 40 more might be described as moderately successful, and only between 25 to 30 seem to be dragging their feet. This is in respect of hard business; in "intangibles" the record is better. A new democratic pattern has grown in respect of the management of these societies and, in many of these villages, 99.5 per cent of the people with buffaloes are members of the co-operatives participating actively each day in their activities. What are these activities? One must go out at 6 o'clock in the morning to see how the milk is collected in the villages where it is tested for fat, bought at a fixed price (depending on its fat content which must be above 6.5 per cent), and where payments are made each evening for the morning's milk and the next morning for the evening's milk. All this is done on a fixed time schedule which has practically no equal in rural India. Trucks run by contractors come in precisely at time fixed (with only fifteen minutes grace) and milk is carted away to Anand where a modern dairy pasteurizes, standardizes the milk for fat content, makes butter and powdered milk and is now attempting cheese. The co-operative union is a prosperous business unit using its own resources for development, guaranteeing to the farmer or the milk supplier the highest possible price for his milk provided it comes to standard. Milk below standard is rejected ruthlessly, and discipline enforced by tests (sometimes delayed to teach erring members a difficult lesson that honesty is the best policy!).

Here is a picture, not merely of business efficiency with an integrated organisation of collection, testing, standardization and, finally, marketing both in Ahmedabad and in Bombay, but a powerful instrument of local emotional integration. I was told that, initially, there was some little hesitation in joining the society but now the fame of fair dealing has gone so far that almost every villager in the 187 societies who has a buffalo has become a member on payment of Rs. 5, the minimum share price. The elections to committees are hotly contested and in one case the polling was 99 per cent of the electorate. Some elected members of the co-operative society have learned the hard lesson that this is an educated electorate, understanding well the purposes of the co-operative society and visiting harsh judgment on negligent or unreliable members of the committee. One's first impression (I have no other!) is that here deep roots have grown and that democracy is growing as fast as milk supply.

THE ARITHMETIC OF SUPPLY

How fast is milk supply in Anand growing? I fear I have no rate of growth to which to append the current production of 2,000 maunds per day, of which 700 maunds go to Ahmedabad and about 1,000 maunds to Bombay. The arrangements for transport, particularly to Bombay, are amazingly modern. The milk is loaded on full carriages (supplied by New Zealand), similar to oil tankers, but curiously not refrigerated. It has been found that covering the 260 miles to Bombay, the temperature rises only 2 degrees F—from 45 degrees F to 47 degrees F. But of all the figures with which I have been supplied I single out two, namely, the price paid for milk at the village and to the union. The society sells at 3¼ annas per pound and the federal unit at 3½ annas, thereby netting enough to finance costs on the major operations of the federal unit. These include not merely the expansion of the Central Dairy, but also the maintenance of an X-ray hospital at Anand, and general expenditure on research and testing. There is also a happy combination of larger welfare with business. The societies are compelled to give free milk to children under five years of age under an agreement with UNICEF, by which their liability for the original machinery plus interest, valued at Rs. 12 lakhs in all, is to be discharged over a period of five years. From the little that I could see of the attitude of the people, they will continue free supply of milk to their children for all time. Thus has a gracious habit been set in operation under that old cockney adage: It is the poor what 'elps the poor."

What are the elements which go to explain the success of this gratifying picture? Undoubtedly, there is the tremendous participation of the people and their leader, the Chairman of the union from its inception, Mr. Govind Das. A factor of no less importance is the very efficient civil service run by the federal unit under the guidance of the General Manager, Mr. Kurien. "The civil service" includes engineers, dairy technologists and administrators, some of whom have been trained abroad; one particularly in Australia under the Colombo Plan, where, as he told me proudly, he acquired not only Australian know-how, but, even more happily, an Australian bride who has found her place magnificently in this dynamic society. In a microcosm, Anand is the kind of co-operative commonwealth which we should all be pursuing. Leadership of the people, participation of the people, an integrated and dedicated civil service, all held together by the common bond—which is fulfilment.

THE CHAIN REACTION

People keep on talking about chain reactions mostly in explosive and destructive senses. But here in Anand, growing on its own with a wonderful capacity to develop a self-generating character, is a chain reaction wholly peaceful and constructive in all its aspects, tangible and intangible. Perhaps urban areas cannot do exactly the same, for the centre is the land and the philosophy of the land which prevents the abstraction of the people from the areas where they have naturally chosen to live their lives; then, in order, the buffalo and its milk, the co-operative society, the village leaders, the civil service, the joy of fulfilment, and then the problems of further growth and expansion—a challenge for the future. I know of no happier chain and chain reaction in all India. Tell me: Why cannot Anand be multiplied in every State of India?

THE WEEK'S NOTES

I.F.C.

ANOTHER MILESTONE

THE INDUSTRIAL Finance Corporation's report for the year ended 30th June, 1960, shows another stride made by the Corporation. Progress is to be seen all round and in particular in respect of the amount of loans approved and the net profit earned. A qualification, however, should be made that although Rs. 17.92 crores of total loans "approved" mark the annual peak during the Corporation's existence for the last 12 years, an amount of Rs. 9.92 crores out of this was awaiting final consent of the Union Finance Ministry and as such it cannot be included in the loans actually sanctioned to which the Corporation stands committed.

The highlights of the Corporation's financial operations during the year 1959-60 deserve to be noted here. The net profit earned by the Corporation was the highest ever at Rs. 59.51 lakhs which is a striking improvement over the previous year's net profit of Rs. 35.37 lakhs. Efficiency of management and economies of large-scale operations are well reflected in the rapidly diminishing ratio of administrative expenses to gross income. Since the Corporation's transactions reached a high tempo from the year 1955-56 this ratio has been reduced from 11.74 per cent to 5.11 per cent in 1958-59 and still further to 4.66 per cent in 1959-60. This is a performance for which the Corporation can legitimately claim credit. Another important aspect of the financial dealings which deserves special mention is the increasing capacity of the Corporation not only to bear the burden of the liability for payment of dividend at the guaranteed rate of 2-1/4 per cent but to reduce the amount of subvention received in the previous years from the Central Government to meet this liability. The total subventions since the inception of the Corporation were of the order of Rs. 53.45 lakhs out of which Rs. 5.45 lakhs were repaid in 1957-58 and Rs. 10 lakhs in 1958-59. In the year under report—1959-60—the repayment again was Rs. 10 lakhs. In view of the substantially higher net earnings last year this repayment could have been more. But it is an encouraging sign of the improving vigour of the Corporation. The pattern of distribution of loans industrywise has not changed and again special mention may be made of co-operative sugar factories among the major beneficiaries of the Corporation's loan assistance.

LOAN ASSISTANCE

At the press conference held last week-end by Mr. K. R. K. Menon, Chairman of the Corporation, an issue was raised that the Corporation's loan assistance is directed, by and large, to large-scale units. The Chairman, of course, attempted to explain that it was a function of the Corporation to give assistance of Rs. 10 lakhs or upwards by way of loans and, therefore, what are ordinarily considered to be small industries have to look to the State Financial Corporations for their needs of loan finance. This explanation does not rebut the central criticism that the benefit of loans flows essentially to large units. One has only to look to Appendix B of the Annual Report to find out the precise position. Out of the 29 loans approved by the Corporation during the last 12 years in respect of applicant units, only 8 loans are of an amount of Rs. 15 lakhs or below. Taking a somewhat liberal limit to classify small loans, one finds that only 10 loans out of the total of 29 are of the value of Rs. 20 lakhs or below each. This conclusively proves that the large majority of the loans is granted to big concerns.

The position about yearly "approvals" of loans and actual disbursements from 1955-56 is tabulated below:

Year		Loans approved Rs. crores	Loans disbursed Rs. crores
1955-56	...	15.13	2.20
1956-57	...	11.91	9.78
1957-58	...	7.78	8.33
1958-59	...	3.79	7.48
1959-60	...	17.92	8.41

The actual and effective assistance of the Corporation to industry is to be judged, according to one important test, by the amounts actually disbursed. The above table would show that the disbursements in 1959-60 were not substantially larger than those in 1957-58 and actually they were lower than in 1956-57. In earlier years the annual report of the Corporation mentioned the amounts of loans "sanctioned" which signified the commitments of the Corporation after the consent of the Union Finance Ministry wherever it was necessary. Of course, this consent is ordinarily given in most cases, but if it is refused in any exceptional cases the Corporation would incur no commitment in respect of them. "Approvals" are not synonymous with sanctions. It would be desirable if the Corporation reverts to the previous practice of specifying the amounts of loans sanctioned which would give a precise picture of its commitments as at the end of the year.

Coal

NEW FINDS AND THE PRESENT CRISIS

MR. K. D. MALAVIYA, the Minister for Fuel and Oil in the Union Government, in an interview with the Press Trust of India, has broken the news of three rich deposits of metallurgical coal having been discovered in Bokaro and Ranigunje areas. He is reported to have observed that "the new deposits are likely to be sufficient not only for the existing steel plants but for 'more and more' plants that might be set up in the future." One of the deposits, he said, was almost on the surface and another one easily accessible at a depth of about 1,000 feet. This suggests that it is possible to exploit these seams at considerably lower cost.

The news is most welcome, but it is difficult to understand how in the absence of proper geological surveys and assessment through the drilling process, the Minister has jumped to the conclusion that these deposits are "vast" and of "high quality," which would solve the country's coking coal problems "for decades to come." Coal deposits in the Ranigunge area which have been mined so far are only of semi-coke and blending types. The new deposits, unless drilling proves otherwise, can only be expected of these two varieties. On what basis Mr. Malaviya has characterised them to be of coking coal needs an explanation. Perhaps his chief in the Ministry, Sardar Swaran Singh, and some technical experts would throw some light on this.

The discovery of the new deposits, however, is of limited solace in the context of the present troubles of the country on account of coking coal shortage, arising out of shortfall in production and bottlenecks in transport. It can be helpful in the immediate future only if it leads to re-orientation of the Government's coal policy so as to bring it in tune with the developmental needs of the economy. If Mr. Malaviya is sure that the new deposits are of high quality metallurgical coal, will he prevail upon the Government to allow the private sector collieries to extend their operations to contiguous and other reserve areas?

With the Railway Ministry having promised to make arrangements to provide, even by commissioning

into use "average" wagons, full transport facilities for the movement of coal, the problem now to be tackled is how to produce more coking coal quickly. As the following table shows, output of superior-grade coal has not kept pace with demand as expressed in terms of the ceiling on production. The gap between output and the ceiling continues to widen.

(Million tons)

Year	Output	Ceiling
1952 ...	7.755	8.020
1953 ...	13.741	15.182
1954 ...	13.614	14.378
1955 ...	13.355	14.386
1956 ...	13.814	15.0
1957 ...	15.080	16.7
1958 ...	15.158	18.2
1959 ...	14.566	18.4
1960 Jan. ..	1.256	18.4

A few weeks ago, schedules were drawn up for individual collieries to increase their output so as to yield a monthly surplus of 80,000 to 1,15,000 tons of coking coal. How far this has helped to increase production is difficult to say; available indications are to the effect that progress has been small.

The leeway in output can be made up considerably, and quickly, if the private sector collieries are allowed to take up mining in the contiguous areas. The Government, in view of the discovery of the new deposits, can now have little objection to releasing these areas to be exploited by the private sector. The new finds can be reserved for exploitation by the National Coal Development Corporation. As the Hoffman Mission has pointed out, the N.C.D.C. is a comparatively young organisation with very limited resources of managerial talent and skilled manpower. It will do well to exploit for coking coal areas only where it can easily and economically extend its operations. Deep mining operations need to be left to the private sector for the present since the N.C.D.C. has insufficient experience in this field

Tourism

THE HANDICAPS

THE TOURIST Development Council, which met recently in Shillong, has done well in recommending that the allocation of Rs. 5 crores under the Third Five-Year Plan should be raised substantially to meet the essential requirements of tourism. Though the foreign exchange earnings from tourism has gone up from Rs. 4.2 crores in 1950 to an estimated Rs. 17.5 crores in 1958 (the figures for 1959 not being available yet), progress can certainly be even more significant in the Third Plan if only determined attempts are made to do everything possible by an energetic programme to attract foreign tourists. The Council has made a number of recommendations with a view to making the visit of foreign tourists more pleasant. Some of them like licensing of medium sized cars as luxury taxis, provision of self-driven taxis for foreign tourists and a code of conduct for taxi operators are no doubt good insofar as they go. Again, the suggestion that liquor permits, that will be valid for all the States in India should be issued by Indian missions abroad and Directors of Tourism in India with a view to making them more convenient for the foreign tourists, is sensible since it would avoid much unpleasantness, as for instance, the recent incident connected with Frederic March. The Council has also pleaded for the establishment of more hotels in the country and towards this end has suggested the provision of Government lands to the hotel industry at reasonable market rates. Here, what is essential is not the provision of hotel facilities as such, but to see that the important tourist centres and tourist spots are provided with normal facilities for food as well as sanitary convenience. Even in such a great tourist attraction like the Taj, it is not an uncommon experience to miss even essential sanitary facilities in the vicinity. The other day, a correspondent has drawn attention in a local daily to the fact how between the Jumna and the road leading to the Taj, there is now an enormous dumping ground of human refuse emanating a stench that is sickening.

Of particular importance is the suggestion of the Council that the beggar nuisance should be prevented at the tourist centres. This is indeed one of the serious problems and unless the tourists are helped from the menace of the importunity of the beggars, there can be no doubt that it will cause a very unfavourable impression abroad. Also, what is needed is the human touch whereby the foreign tourists, wherever they go, will be made to feel quite at home at the hands of guides as well as those administering the Tourist Information Bureaus. It is also worth examining whether from the point of view of attracting western tourists even from the middle and the working classes, a system of concessions should not be provided by Air India International as well as the Indian Airlines Corporation and the Railways. All in all, there can be no denying that for a country with such a variety of places of historical, cultural and architectural interests, an ambitious programme that will bring in at least double the present foreign exchange earnings from tourism should not be an impossibility during the Third Plan.

World Bank

THE BENEFICIARIES

THE FIFTEENTH annual report of the World Bank covering the year 1959-60 now available shows that the total of the Bank's loans for reconstruction and development have risen to $5,068 milion. Excluding $1,149 million, either repaid or sold to other investors, the effective loans held by the Bank as on June 30, 1960, stood at $3,644 million, of which $2,807 million have been disbursed. The following table illustrates who are the main beneficiaries. Nine countries listed here account for about 60 per cent of the effective loans held by the Bank. Of this, India has been the highest beneficiary holding as much as 14 per cent of the effective loans and about 15 per cent of the disbursed portion of the effective loans.

EFFECTIVE LOANS HELD BY THE BANK

(Mil. U.S. $)

Members.	Disbursed Portion.	Undisbursed Portion.	Total.
1. India	428.7	88.4	517.1
2. France	245.4	14.0	259.4
3. Australia	237.4	—	237.4
4. Japan	230.5	82.8	313.3
5. Brazil	161.4	58.5	219.9
6. Italy	151.5	76.3	227.8
7. Mexico	137.4	21.5	158.8
8. United Kingdom	114.5	23.1	137.6
8. South Africa	111.9	—	111.9
10. Total (1 to 9)	1818.7	364.6	2183.2
11. Grand Total (including other member countries)	2806.7	876.5	3683.2*

* Including exchange adjustments of $19.5 million.

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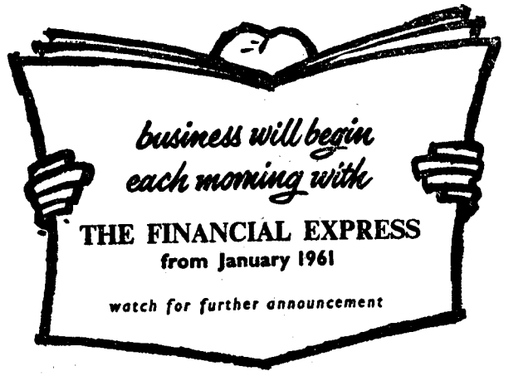
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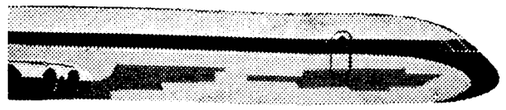
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A Window on the World

WHAT IS INFLATION?

By

ODYSSEUS

WHAT IS (a) this inflation which (as we saw last week) was the biggest single cause that wiped out the Roman Empire, one of the greatest civilisations that the world has ever seen, and ushered in the Dark Ages, one of the unhappiest periods in the life of mankind, and which in modern times made the despairing middle classes of Germany welcome servitude to Hitler?

Inflation occurs when a Finance Minister (let us be precise in identifying the man with his finger on the trigger) authorises the printing of currency notes and the creation of credit at a faster rate than the flow of goods and services in the country. Why does he do this?

What—as Graham Hutton points out in his newly published "Inflation & Society" (Allen & Unwin, London, 160 pages. 15sh.), which should be compulsory reading for every politician, civil servant, and voter—what is striking is that most of present day inflation has occurred after, not before, the end of the war. Basically, it springs from the determination of so many governments to launch ambitious programmes of capital development, while lacking equal determination to make clear to the masses that no capital development is possible without previous saving. Either citizens must forego enough of their current consumption to set aside goods and services to build for the future, or they must find other people in other countries willing to do this and offer them attractive enough terms to induce them to lend their savings.

But in too many countries lack of courage on the part of politicians has led the masses to insist on new houses, dams, and factories, and simultaneously on higher wages to pay for higher current consumption. The longer that this is persisted in, the slower is the rate of the increase in wealth, and the faster social discontent and unrest are generated. Inflation does not increase the efficiency of any economy. It interferes with the orderly working of supply in response to demand. It distorts and weakens. Rather than face the short term unpleasantnesses that must follow a halt to inflation, governments prefer to multiply controls and controllers, permits, rationing and priorities. These do not cure the causes. They make confusion worse confounded.

Graham Hutton hammers home an all-important point: the cause of inflation is not economic. It is always a deliberate act of policy, whether positively willed by the Finance Minister or merely negatively allowed by him because he fears to stop it.

Few people realise the importance of the effect of views taken by potential savers and investors, individual and institutional, of the trend in the value of money. Their estimates of the worthwhileness of present spending against investing for possible greater gain in the future; their belief or doubt in the continuation of economic growth at past or present rates, or of inflation, or price stability—all these views jostle each other in the markets for money, credit, and capital. They swell or shrink supplies of each kind of purchasing power. Thus are determined the different rates of interest for varying periods: Rates for long-term loans to match the volume of long-term investment in durable capital goods—houses, factories, heavy machinery, harbours, schools, etc. — and, rates for shorter-term loans to match the needs of day to day working capital, bank over-drafts, hire purchase, trade credit, etc. The various rates of interest constitute the "price of money." The varying prices of money measure the different pressures of potential borrowers' needs for finance and potential savers' desires to invest. They also reflect the views of borrowers and savers on the worthwhileness of borrowing or saving at all.

LIMITATIONS OF INDIVIDUAL KNOWLEDGE

The average citizen or business man is humanly limited in the range of his knowledge when making his decisions. But where a market is freely allowed to establish values, the prices quoted act as a guide to the hesitating individual because they take into account, are settled by, and reflect, hosts of factors of which he personally may have no knowledge.

Thus the degree and rate of inflation create different attitudes in borrowers and savers towards the worthwhileness of spending or saving their current purchasing power. The faster the rate of inflation, the more reluctant will people be to tie up savings at fixed rates of interest. Firms will want more and more money as wages and all other costs rise—so will governments—both to pay for fixed, long-term assets like building, and for day to day working capital to meet current rising costs

The arguments against inflation as a policy are, first, that it arbitrarily upsets all demand and supply, and prevents prices from performing their proper function, which is to allocate resources in relation (a) to their comparative scarcity and (b) the strength of the competing demands for them—in other words to tell everyone concerned what the "real values" of all goods and services are. Secondly, inflation arbitrarily alters all legal and other social relationships built up on the assumption that real values are known and understood.

One of the more important contributions to current debate that Graham Hutton makes is to point out that if it were possible to foretell just what effects a given dose of inflation would produce, these two arguments against inflation could be ignored. Apologists for "just a little inflation" could then urge that a steady modest dose would become absorbed into the daily data on which citizens base their decisions; it would be discounted in all their calculations, would be assumed as is the level of income tax or turnover tax or company's profits tax, and would therefore make no real difference to anyone.

But that is to misunderstand the object of inflation as a policy.

Because as soon as everyone accepts a given rate of inflation (2 or 3 per cent p.a. is the proposition of many apologists) as a datum and discounts its effect in advance on all calculations of value, the government—the Finance Minister, who gets the prior benefits of inflation by giving himself the extra money to buy the goods which he wants at higher prices which prevent the rest of the citizens from being able to afford them—must step up his rate in order to secure such prior benefits of fresh inflation over and above what all the

citizens expected and evaluated in advance. If the Finance Minister does not do this, he can no longer prevent individuals and firms from securing their share of the bricks, mortar, or machinery, that he wants to complete his Five Year Plan.

"OUTRAGEOUS PROFITEERING" IN THE U.K.

To get inflationary advantages over everyone else, as a set policy, the Finance Minister can never say "Thus far and no farther will I go." He must inflate more and more. This cumulative inflation compels governments to place more and more controls on individuals, trade, industry, and institutions. Thus a democratic state which, as a policy, secures inflationary benefits for itself ultimately abolishes individual freedom—democracy itself. This was what happened in the Roman Empire (which, although not technically a democracy, did initially ensure substantial individual rights to all free citizens). This was the fate which overtook Germany after World War I. This is the path along which France has been inching her way. This the path on which Mr Heathcoat-Amory in the UK courageously called a halt. It remains to be seen whether his successor, Mr Selwyn Lloyd, will be able to shut his ears to the cries of indignation now being heard in the UK against some of the results, such as the "outrageous" rise in the values of building sites in the cities, and the "profiteering" of landlords who are at last being allowed to charge rents which reflect the current relation between the demand and supply of living space.

The problem of land values in the UK today is a typical example of (a) how inflation and controls upset the relations between supply and demand and distort the allocation of resources with repercussions over the whole economy and (b) the extremely painful, but if they are allowed to work themselves out, comparatively short-term effects of halting inflation and freeing markets.

Rents for different kinds of houses have been controlled for between twenty-five and forty-five years in the U.K. The results have been several. First, widespread waste in the use of living space. Couples, whose children have long since married and left home, have continued to occupy the whole of a rent controlled house, have not moved in order to avoid a higher rent elsewhere, and have not subdivided the house into flats because, on the rents that they would have been allowed to charge, it would not have been worth their while, added to which was the risk of being stuck with an unsatisfactory tenant for life. Secondly, millions have remained living in parts of cities, which could have been used to the greater profit of everyone for other purposes as office or industrial sites. Thirdly, the building by Socialist municipal councils of thousands of cheap flats at controlled uneconomic rents has kept the population crowded in certain cities, when it is probable that under the laws of supply and demand, new industries and new residences would have sprung up elsewhere on cheaper sites.

One of the first results of the recent freeing of some rents, and therefore of land values, is likely to be an emigration of offices and residents driven to cheaper sites. (This, in turn, will bring down costs in present high priced areas). This may help to ease London's traffic congestion problem. High costs are also forcing the more economic use of sites. For example, the old Stoll Picture House, which occupied a vast site on Kingsway, has been pulled down. A new theatre, the Royalty, has been built below ground level, while a block of offices in a taller building has been erected above ground. Another result is that people who used to try to live at all costs in a limited number of fashionable districts, such as Kensington or Chelsea, have now decided that they don't mean at all costs" and are moving into such hitherto socially disdained districts as Islington or Kennington. Why not?

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The European Scene

LESSONS FROM ITALY'S POOR SOUTH

From Our Special West European Correspondent

PARIS, September 26.

THERE are several regions in non-Communist Europe that are as poor, as backward, as undeveloped as many parts of India. Those that fall in Spain, Portugal, Greece and Turkey, moreover, compare unfavourably with equivalent Indian regions because in none of those countries has there been to date a sustained national development effort to put alongside the Indian five-year plans. Since it was decided, in a polite but inaccurate generalisation, to call all undeveloped countries "developing countries", there has been only one of these areas of European poverty to deserve comparison with India, and that is the Italian Mezzogiorno or deep south. There we can see an economy that begins from conditions that are strictly comparable with those obtaining in nearby Africa and in much of Asia, an economy to which are being applied development techniques not very different from those known in non-Communist Asia, and, finally, a process of development whose varied successes and failures are instructive for other under-developed economies.

"Instructive" does not mean yielding lessons capable of transfer elsewhere, because every process of economic development goes forward in peculiar political conditions and these can be of decisive importance. In South Italy those political conditions are determined by four entities that have no exact counterpart in India: the Mafia, the Vatican, the Italian Communist Party and the Christian Democracy. The vast criminal organisation of the Mafia, whose social power is underestimated rather than exaggerated in thrillers and movies, is a serious brake on economic development wherever this interferes with its profits; it is a much graver problem than North Indian dacoity. The Vatican has imposed on Italian politics a dogma that would never be accepted in, for example, Catholic France: the exclusion of all development policies that imply co-operation with avowed atheists, which means everybody left of the Christian Democrats. The Italian C.P., losing its strength among Northern urban workers, is relying increasingly on the peasants of the South and thus complicates the development problem with ideological disputes and political gangsterism to a degree that is, so far at least, beyond the power of the Indian C.P. Finally, the ruling Christian Democrat party is much more deeply involved with reactionary forces opposed to development (including even the Mafia) than other democratic governments, and thus it resists policies that are regarded in India as normal and necessary parts of economic expansion.

The political climate, then, is totally different. With that reservation, the economic comparison still stands. Thirty miles south of Rome, there begins the other Italy: not the one described here in July as a vigorous industrial power but the one that, as novelist Carlo Levi said, "Christ never saw". South of that invisible border, incomes fall to half those of the North and the infantile mortality rate is multiplied by ten. This is the land of hunger, over-population, unemployment, ignorance, superstition and squalor. I could burden this paragraph with statistics establishing the parallel between it and the worst parts of India, but the general impression of a student who knows both regions well might be as convincing: I know I should have to go off the beaten path in India to find countryside where human misery is as profound. One even finds diseases unknown elsewhere in Europe, such as the dreadful kala azar, and one type of hookworm is more widespread in Sicily than anywhere in the world: it affects 34 per cent of the population.

To this region Rome began in 1950—perhaps moved by the then Communist danger and the 1949 peasant uprising when landless labourers seized the latifundia, or zamindaris—to apply a coherent development plan. It had three parts: an ambitious agrarian reform, the Fund for the South which invested in the infra-structure, and the Vanoni Plan of national development which had among its chief aims to reduce unemployment and to close the gap between the North and the South. The results of the Plan have been listed here before: for Italy as a whole they have included a doubling of industrial output in five years with a 30 per cent rise in revenues, the accumulation of the world's third largest currency reserve and the emergence of North Italy as a leading industrial power. Yet the impact on the poor South has been infinitely disappointing. Starting from bare subsistence levels, incomes and consumption have indeed risen by the apparently impressive percentage of 40, yet the difference between the South and North is as great today as in 1951, unemployment has worsened by 15 per cent and the South represents a smaller share each year of the nation's gross product. Not only has the immense expansion of the North failed to communicate itself to the South, but what progress has taken place in the Mezzogiorno (and which is responsible for the apparent rise in incomes and consumption) has been limited to islands of activity lost in a sea of unchanging torpor. In short, the phenomenon familiar in developing economies: the failure of the multiplier effect to penetrate a lethargic society, resulting in mere industrial enclaves which create as many problems as they solve.

The planning authorities have many impressive achievements to their credit. The infra-structure of the region has been revolutionised and a bold redistribution of land carried through, while several new industrial centres have appeared, some of them of importance to all Europe. But in almost every case where the planners counted on local initiative or Northern private capital or a multiplier effect to exploit these advances and carry on the process of development, there has been total disappointment. Local enterprise failed to emerge and Northern capital preferred to re-invest in the booming industries of Lombardy. The land reform worked so well that it went too far: holdings have been divided into parcels that are uneconomic for rational agriculture and too small to support growing peasant families. The political effect of the land reform was unexpected: instead of becoming a stable, conservative middle class, the peasants ceased voting fascist only to begin to vote Communist. Grandiose State undertakings were successfully completed, but the host of petty works required to make use of or to complete them were neglected because (just as in India) the initiative came only from the top and the local enthusiasm needed for less costly but equally important jobs was never organised.

Also it was found, as elsewhere, that the isolation and inefficiency of markets, the absence of economic information, and the persistence of usury combined to stifle enterprise and to claim for a tiny section the greater part of any surplus that appeared.

In the face of these unsatisfactory results, the following conclusions have been drawn in Rome—often with great reluctance by the liberal dogmatists of the governing parties. Firstly, the notion of the State's obligations being limited to the non-industrial infrastructure, leaving all profitable enterprise to private initiative, will have to be revised—revised only, not abandoned, because there is no suggestion of Italy passing to socialism for the sake of the South. It is just that the point at which State activity can pass on the task to private enterprise must be set later than classic theory imagined; the Fund for the South and the other State corporations will have to venture further into the industrial field than was foreseen a decade ago. In a sense, this means that Rome has discovered the doctrine Mr. Nehru announced in India long since, but which he has sometimes abused to mean that the State must positively hamper private initiative for the sake of its own ambitions. An Italian Government that is still in the hands of liberal parties is unlikely to make that error, but it has just ruled that its petrol monopoly and its industrial corporation must henceforth make 40 per cent of their investments in the South, and the Fund for the South has been authorised to extend its activities to manufacturing and processing industries. The intention remains to stimulate private industry, but the State now feels that it is not sufficient to create suitable conditions for this; it must take positive leadership.

The failure of local initiative to organise itself, the neglect of small-scale works and the excessive division of land holdings have turned the planners' minds to the importance of co-operatives and community development schemes. As in most developing countries, even in those democracies that hold most in horror the Chinese system of communes, the conviction has grown that unemployment will not disappear by means of the mechanisms of the free market, but only when heads and hands are combined in co-operative enterprise which the market will not support. Secondarily (and this is a point that Professor Rene Dumont has lately stressed for India) a much more vigorous attack will have to be made on usury, parasitical privilege, inefficient and expensive commerce, and the sundry other petty vested interests whose selfishness is able to strangle enterprise and mute the multiplier effect of investment.

A more revolutionary conclusion that has gained ground in Rome concerns the necessity of large-scale population movements. The Italian planners now believe that the most successful measures of land improvement will never enable the improverished South to support all its population, at least not if they all stay where they are. Improvement, by means of irrigation, fertilisers, etc., in fact accentuates the difference between good land and poor land, and thus makes it possible and urgent to move people from the second to the first. A large and, on the whole, successful campaign of land impovement has been applied throughout the South and it has shown that the possibilities of poor land are strictly limited while the potentiality of superior land is greater than was thought. One-quarter of the agricultural land in the South now produces three-quarters of the crops. Instead of scattering further investment for the sake of diminishing returns, the planners favour reducing the population of the inferior regions down to what they can support while intensifying the settlement of land that has proved its worth. The project they have in mind will entail the transfer of some eight million people and if put through will be one of the most extensive operations of the kind undertaken in a democracy. This is quite separate from the question of emigration from the poor countryside to urban industry (and in Italy's special case to foreign countries). There too, the Italian planners have reached interesting conclusions. This movement needs not simply to be hastened but to be organised, for it now takes place under the worst conditions: men leave the villages totally unprepared for city and industrial life and thus find only the meanest occupations. Without seeking to retain them in villages that cannot support them, the planners propose to educate them on the spot for migration, giving them at least the rudimentary skills and information that industry will demand of them when they reach the cities.

Unless these lessons are heeded, the integration of Italy in the Common Market will not benefit the poor South. Economic expansion takes place in nodes or regions, and often means that the rich areas get richer and the poor ones poorer. The Common Market (which has already meant that cheap French sulphur has killed Sicily's main single industry, the sulphur mines) could simply repeat the experience of Italy after its unification, a date to which one can trace back the economic decay of the South. Italian development, from a century ago down to today, demonstrates that regional backwardness, even inside a unified market, cannot be remedied without positive public intervention. This is now accepted even by those who, quite correctly, see in North Italy's recent progress one of the most striking examples of the virtues of free enterprise.

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Economic Report from the U.S.

U. S. ASSISTANCE TO LATIN AMERICA

By GUY SIMS FITCH

WASHINGTON, Sept. 21.

A NEW and important step in regionalized international economic development will take place when the Inter-American Development Bank (IADB) officially opens its doors here on October 1. One of the first and principal responsibilities will be to administer the new United States Aid Programme for Latin America, a programme which won approval of the recent economic meeting of American States at Bogota, Colombia. The "Act of Bogota," as the agreement is called, envisages several precedent-shattering moves. Most significant is that it launches a social as well as an economic development plan, including projects in land reform, housing, public health and education. For this purpose, the United States is making $500 million available to a special "Social Development Fund." Not since the early post-war years of relief and reconstruction has the United States embarked on a large-scale lending programme of this nature.

The Bogota agreement also foresees an increase in U.S. assistance to Latin American industrial projects, such as mining, power development and manufacturing. Estimates are placing the increase in this part of the plan at about $100 million a year, over and above the $300 million to $600 million which Washington has loaned each year to promote Latin American industrial development. In addition, the delegates of the United States and 19 other Latin-American republics agreed to study ways to expand U.S.-Latin American trade, stabilize export commodity prices, and generally strengthen U.S.-Latin American economic relations.

The new Latin-American Aid Programme departs from the pattern of the past also in the sense that the United States will not be exercising control over the aid funds which are being made available outside the United Nations. The U.S. representative to the IADB will, of course, play an important advisory role. But the IADB as a whole will take responsibility for the programme, which means that to all intents and purposes voting control will be in Latin American hands. This obviously places a great responsibility on IADB shoulders and also underscores the extent to which the new aid programme must rely on the self-help efforts of the Latin American nations themselves. Recognizing this, these nations have pledged themselves, as part of the Act of Bogota, to undertake reforms that will strengthen their economic and financial structures. Included in the planned reforms are more equitable tax and property laws and improved fiscal and monetary policies.

In practice, the IADB will handle the social development fund on a revolving basis. This means that long-term, low-interest dollar loans will be repaid in local currencies, which in turn will be available for re-lending under the programme. Beyond this, the IADB presumably would help decide which industrial projects are best suited for industrial-development assistance by U.S. lending agencies. IADB also would consult with such United Nations agencies as the World Bank and the International Monetary Fund, with respect to the Latin American assistance programme of these agencies. It remains to be seen, of course, how this new long-term co-operative effort will work out. For the immediate future, much preliminary work still must be done. After gaining approval of the Council of the Organization of American States (OAS), details will be further spelled out by working committees appointed by the Council.

Since the second World War, the U.S. Government's economic aid to Latin America has totalled about $4,000 million—fully 10 times as much as the military aid the U.S. has given the region. Included are loans and grants for capital equipment, basic industrial projects, technical co-operation, agriculture and other special purposes, from such agencies as the Export-Import Bank, The Development Loan Fund, and the International Co-operation Administration. The World Bank and the International Monetary Fund, to which the United States is the largest contributor, also have been active in Latin America. The Bank has extended to Latin American nations loans totalling about $1,000 million for such purposes as natural resources development, while the Fund has lent nearly as much to help stabilize balance of payments accounts.

None of this includes the substantial flow of private U.S. investment to Latin America, which now totals some $1,000 million, and which also has done much to help build up the region's industrial and agricultural potential. And once the new aid programme gets rolling, private investment could be further spurred to make even large contributions to Latin American development. In this light, the IADB and the new aid programme—precedent-shattering as they are—represent, in effect, only an intensification of U.S. interest in the welfare and progress of its friends in Latin America.

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WORLDGRAM

India

Three U.S. Loans to Indian Firms: Two Indian industrial firms associated with the Kaiser Industries Corporation in the United States have received two Rupee loans totalling $3.2 million and a dollar loan of $13.6 million from the Export-Import Bank of Washington. The loan agreements, will finance increased aluminium and cement manufacturing facilities in India. Hindustan Aluminium Corporation, Ltd. (Hindalco) received a $13.6 million loan and a $2.1 million Rupee loan for part of the cost of an aluminium production plant already under construction near the Rihand Dam in Uttar Pradesh.

*

Mysore Cements. Ltd., was granted a $1.1 million Rupee loan under U.S. Public Law 480, which permits use of currency from the sale of U.S. agricultural products for loans to assist Indian economic development. The loan will help finance the construction of a 100,000 metric ton cement plant near Ammasandra in Mysore State. Mysore Cements, Ltd., was organised by P.K.S. Mudaliar to manufacture and market portland cement and other products. In 1958 the Willy-Overland Export Corporation and the Kaiser Engineers Overseas Corporation participated by investing in the company.

*

Assistance from the Netherlands: The Dutch and the Indian Governments have concluded agreements for the improvement and extension of a training centre for processing hides and leather and for the construction of an experimental polder in India. Holland will provide modern equipment for the training centre, three instructors in the sphere of treating hides, tanning and shoemaking and contribute Rs. 12.5 lakhs to the cost of improvement and extension. Holland will also assist in the construction and development of an experimental polder in the coastal strip of Saurashtra, Gujerat, where the Dutch Government had previously carried out investigations into modern methods of desalting the soil. The Dutch share in the development of the experimental polder is estimated at Rs. 37.5 lakhs

United Kingdom

Increase in Exports: United Kingdom exports in August—a time when they normally fall—were higher than in July. They were valued at £279,800,000, according to the full trade returns for the month issued by the Board of Trade in London on September 22. When allowance is made for seasonal factors, exports were higher in August than in June and July but, London observers point out, it is too soon to talk of a recovery, even if only a partial one. The trend will become clear after a month or two. The main improvement in exports since June—long enough to show a trend—has been in re-exports to the Sterling Area mainly due to the increases to New Zealand and Pakistan. This has compensated for the fall in exports to North America and Western Europe. Exports to Latin America also showed a rise, reflecting the delivery of a ship to Chile.

The increase in imports in recent months has slackened. While the average rate of increase in the first quarter was two-and-a-half per cent, in the second quarter it was one-and-a-half per cent. Much of the increase since June seems to have been in imports from North America.

Balance of Payments (April-June 1960): The U.K. balance of payments on current account was in deficit to the extent of £9m. in the second quarter of 1960, as compared with a surplus of £96m. in the corresponding period of 1959. Exports during this period were higher than in the corresponding period of 1959 by only £54m., whereas imports were higher by £109m. Thus, there was a deficit of £39m. on visible trade as against a surplus of £16m, in 1959. In invisibles, there was a net surplus of £30m. (Government account —£66m.; private account +96m.); giving rise to a net balance of payments deficit of £9 million.

United States

Foreign Investments: The U.S. business firms have raised the value of their foreign investments to over $30,000 million, according to a report just completed by the U.S. Department of Commerce. The U.S. companies added $2,500 million to their investments in foreign subsidiaries and branches in 1959 through a capital outflow of $1,400 million and a reinvested earnings of $1,100 million. This was a larger increase than in 1958 and substantially less than that of the peak year 1957. Reports for the first half of 1960 indicate a moderate reduction in direct investment outflows, although the rate is close to $1,000 million a year, and a like amount is being invested abroad each year out of undistributed profits of foreign subsidiaries.

U.S. firms intensified their build-up of production facilities in Europe in 1959, adding nearly $750 million through capital outflows and retained earnings. Much of the increase in the flow to Continental Europe since 1957 has gone to Germany and France with Italy and the Netherlands also showing large gains. There is a continued sizable flow of investment to Latin America. Among the countries receiving sizable flows from the United States in 1959 were Venezuela, Cuba, Argentina, Brazil and Chile. The flow to Cuba represented the continuation of large expansion programmes of mining and utility companies and extension of credit to subsidiaries of petroleum companies. This investment activity was brought to a stop when nearly all U.S. investments in Cuba were seized this year.

U.S. receipts from the direct investments through dividends, interest and branch profits totalled $2,000 million in 1959, about the same as in 1957 and slightly above the 1958 amount.

Soviet Bloc

Aid to Under-developed countries: Between 1953 and June 1960, the Soviet Union, including Communist China, promised to provide the under-developed countries $2,900 million worth of economic aid. $2400 million of this is to come from the Soviet Union. Only $550 million is said to have materialised till now in the form of goods delivered and services rendered. Military aid to under-developed countries up to June 1960 amounted $750 million, most of which is said to have already been delivered.

France

Gross National Product: The rate of growth of the gross national product, was scarcely more than 2 per cent in 1959 hardly exceeding that of 1958. 1959 is said to be a year of general progress in economic activity whereas 1958 was a year of recession. The most striking progress in 1959 was in motorcars, iron and steel, chemicals and in consumer goods. The recovery in the capital goods industries is said to be generally more favourable than in the consumer goods industry.

Agricultural production rose by 3.5% in volume in 1959 over 1958. Though the summer drought of 1959 affected the later crops (especially, potatoes, sugar beet and fruit), cereal crops and the vintage are said to be good. Main problems for French agriculture are the marketing of chronic surplus (cereals and wine) and the adjustment of production conditions and marketing mechanisms to ensure that the trend of agricultural incomes keeps in step with income from other branches of activity.

Japan

Electronics Industry: The Japanese electronics industry is expanding so rapidly that all production targets for the next five years have been revised by the Government Committee for the promotion of the industry. The target laid down for 1962 was achieved in 1959, when the overall electronics production was worth $917 million. The industry exported goods worth $110 million in 1959, of which $93 million was accounted for by 6.1 million transistor radios. This was 37% higher than the target fixed for 1962.

*

Liberalisation in exchange restrictions: The Japanese Government has liberalised the exchange restrictions as from September 10, 1960 in order to simplify procedures for foreign exchange control. Non-residents will now be able to carry with them (personally) all kinds of foreign currency into Japan. Hitherto they had to obtain the confirmation of the customs to take into Japan foreign notes including bank notes and government notes) anything more than the equivalent of U.S. $50. This restriction and the connected formalities are said to have been removed. Residents and non-residents will both be, now, free to import into Japan, Japanese yen, irrespective of the amount, provided the currency is carried personally by those entrants. The limit up to which residents and non-residents could take Japanese yen freely out of Japan, has been raised to Y20,000.

Malaya

Public Works: Malaya's public works Department will spend M$ 350 million during the Second Five-Year Plan beginning in January 1961, to provide new roads and piped water to 2 million of its rural people, now without piped water. Of the 1,500 miles of new roads which are to be constructed, 420 miles are presently under construction in various states. Since 1957, water supplies were extended to 1.5 million people in the rural areas.

Czechoslovakia

Floating Pumping Station: Last month the Czech shipyards in Prague turned out the prototype of a floating pumping station with an output of 7.5 c.m. of water per second (27,000 cubic metres per hour) said to be the largest produced anywhere in the world. It is said to require only two workers and may be dismantled if necessary and transported by railway (on 35 wagons or by road). The prototype and four more such stations are destined for irrigation of cotton fields in Soviet Uzbekistan.

Denmark

Industrial Production: Total industrial production during the months January to May 1960, showed an average which was 7½% higher than the figure for the corresponding period of 1959. Total industrial investments in 1959 were 25% more than in 1958. The figure for 1960 is expected to be 30% more than in 1959.

*

Foreign Trade: The adverse balance of trade in the first six months of this year was of the order of 1253 million kroners as against 754 million kroners in 1959. The increase in imports was accounted for by the higher imports of machinery, motor vehicles, grain and feeding stuff and base metals.

World Bank

Finance to ease the transport problem in Colombia: The World Bank advanced a loan equivalent to $5.4 million to equip the new Atlantic Railroad in Colombia on September 20, 1960. When the Railroad is completed, it will interconnect Colombia's railway systems and provide the first fast and reliable transportation between Atlantic Ocean ports, central Colombia and the Pacific. The Bank's funds will finance purchases of locomotives, rolling stock and maintenance equipment. Four private banks are participating in the loan, without the World Bank's guarantee, for a total amount of $512.000 which mature earlier than the Bank's portion of the loan. The loan is being made to the Colombian National Railroads (CNR), an autonomous entity established by the Government in 1954 to own and operate the railroads of Colombia.

In the past, the Magdalena River, supplemented by various rail and road links, was the main artery for export-import trade moving between central Colombia and the Atlantic Coast, as well as for north-south internal trade. Traffic was slow and subject to frequent interruptions, however, because of uncertain navigability in upper reaches of the river, particularly during the dry seasons. In 1952 the Government undertook the construction of a railroad to by-pass these sections of the river; it subsequently decided to extend the railroad all the way to the coast providing an alternative to river transport en route. This required the construction of a new railroad 425 miles long and the rehabilitation of a 60-mile section linking it to the port city of Santa Marta. World Bank loans, totalling $40.9 million, made in 1952 and 1955 have assisted in its financing.

Three sections of the railroad have already been opened to traffic, and the entire railroad is scheduled to be open to through traffic early in 1961. The Colombian National Railroads need additional motive power and rolling stock to meet the freight and passenger traffic demands on the Atlantic Railroad. The Bank's loan has been made for this purpose and will finance the purchase of 16 diesel locomotives, about 300 freight cars in "knocked down" condition to be assembled in Colombia, parts to rehabilitate passenger coaches, and shop equipment. The total cost is estimated at the equivalent of $6 million; the local currency costs of $600,000 will be met by the Government of Colombia.

The loan is for a term of 15 years and bears interest of 5-3/4% per annum, including the 1% commission which is allocated to the Bank's Special Reserve. Amortization will begin in May 1962. The loan is guaranteed by the Republic of Colombia. The Bank has now made 17 loans totalling $178.6 million in Colombia. The loans have been for the development of Colombia's railways and highways, and of electric power and agriculture.

NEWS IN BRIEF

INDIAN

Out of the third Plan production target of 200,000 tons of alloy, tool and special steel, 50,000 tons will be produced in a new unit which will be put up during the Plan period. The location of the new unit will be decided during the current year. It is estimated to cost about Rs. 35 crores with a foreign exchange component Rs. 20 crores.

*

It is reported that over 250 manganese mines had been closed owing to uneconomic conditions. Export of managnese from India had declined from last year's Rs. 13.61 crores to Rs. 11.93 crores.

*

The Employees' State Insurance scheme has been extended to Rajnandgaon in M.P. as a result of which 3,200 more factory workers will get medical benefit.

*

About 87,100 houses had been constructed in the country, till December, 1959. Under the subsidised housing scheme for industrial workers. Since the beginning of the First Plan sanction had been accorded for the construction of 1.21 lakh houses at an estimated cost of Rs. 38.87 crores. The total Central assistance released so far was Rs. 29.68 crores.

*

The Union Minister of Transport and Communications pointed out that he would urge the Government to increase the Third Plan allocation of Rs. 259 crores for road development.

*

Half of the Kosi project, it is reported, is complete. The flood control port of the project was fully accomplished. More than 30 per cent of the barrage and 40 per cent of canal contruction was also complete.

*

The Union Ministry of Labour has decided to undertake a safety survey of selected factories in the public sector in order to ascertain the causes of accidents and devise means of reducing the number of accidents.

*

An agreement which will quadruple Indo-Moroccan trade has been signed after negotiations at Rabat.

*

The Government of India has invited proposals from private parties for the setting up a fertilizer factory at Hanumangarh in Rajasthan. The place is suitable for the manufacture of ammonium sulphate.

*

A permanent committee is proposed to be established by the Centre to ensure better awarenes, coordination and proper working of different welfare schemes intended for the uplift of the Backward Classes.

*

More than 2,000 families of Scheduled Tribes in ten districts of Bhopal will be settled in well-planned model villages to be set up under the Centrally sponsored programme for the welfare of Scheduled Tribes.

FOREIGN

Britain was Malaya's best customer of rubber in the first eight months of the current year. Russia fell from being first last year to eighth this year.

*

The World Bank proposes to raise a loan of Swiss Frs. 60m (£5m) on the Swiss market. This will be the ninth Swiss loan floated by the World Bank, which will have borrowed about Swiss Frs. 690m. including this loan.

*

Japan and Australia would open talks in Tokyo on October 3, on a new trade agreement. The three-year agreement which was to have expired in July has been extended pending conclusion of the new pact.

*

The Export-Import Bank announced its decision to lend upto $16m. to South Africa to assist South African Airways to buy three Boeing 707 jet aircraft.

*

The Suez Canal Authority has informed shipping companies at Port Said that from December 23, ships with a 37 foot draught can use the canal. At present only vessels drawing 35 feet are allowed to pass.

*

The Federal Budget of the United States for the current fiscal year would have a surplus of only $500m. instead of $4,200 million originally forecast. The reduction would come about because of lower revenues and additional expenditure.

*

It is reported that Britain has refused to allow British Guiana to accept a Cuban Government offer of $5m. loan to develop her timber industry.

*

Plans are beginning to take shape, it is reported, for West German industry to raise a loan fund of DM 1,000m. (£85m.) to assit under-developed countries.

*

Japan intends to import iron ore from Malayan mines. A Japanese industrialists' team has visited Malaya to explore prospects to import 5m. tons next year against an import of 4m. tons expected this year and 3m. tons last year.

*

Employment conditions in civil aviation and hours of duty and rest periods of flight personnel are to be discussed at the I.L.O. ad hoc civil aviation meeting being held in Geneva.

*

Pakistan finalised an agreement with a Burmese trade mission for the purchase of about 3 lakh tons of rice for East Pakistan during 1961 to meet internal deficit.

Special Article

COMMENTS ON TARIFF PRICE FIXATION

(CONTRIBUTED)

The Tariff Commission's recent formula for gross return on capital employed as an element in fixing of "fair" prices has been the subject of controversy ending with the World Bank Mission's latest report. In this article a defender of the Tariff Commission's approach presents his view. 'The Eastern Economist' does not necessarily agree with the views presented in its contributed articles. — EDITOR.

IT is observed from extracts of the report of the World Bank Mission led by Mr. Michael Hoffman which have appeared in financial journals that the Mission has been critical of the extension of the price fixing activities of the Tariff Commission, and has expressed the view that measures to restrict profits through price controls would have a cramping effect on the future expansion of industry. The Mission is reported to have stated as follows:

> "Industries which have been referred to the Tariff Commission for price enquiries in recent years include iron and steel, paper and cement. In various other industries prices have been fixed incidentally to the grant of tariff protection; examples are motor vehicles, dyestuffs, non-ferrous metals and electric motors. Coal prices are also strictly controlled although this is not done by the Tariff Commission. The primary purpose of the Tariff Commission's enquiries is legitimate enough — namely to prevent industries which are to be granted protection against imports from exploiting their monopoly position at the expense of the consumer. The trouble is that price fixing has come increasingly to be regarded as a desirable end in itself, and the arbitrary methods employed in deciding what the limits of profits should be are liable to discourage investment. Thus prices are normally fixed on the basis of an allowance for profits ranging from 8 per cent to a maximum of 12 per cent on capital employed. As a result, after dividends have been paid, there is very little left for financing expansion."

In an earlier portion of the report the Mission is reported to have remarked that there are a number of instances, such as spark plugs, caustic soda, some types of sheet glass and calcium carbide where domestic costs are far above the landed cost of imports (ex-duty), that this is an area where constant vigilance is necessary, and that it has been favourably impressed by the action taken by the Tariff Commission to reduce or eliminate duties when they are too high. It would seem, therefore, that while the Mission has a word of praise for the Tariff Commission for the manner in which it has fulfilled its obligations to consumers, which, in its view, is the primary purpose of its enquiries and is legitimate, the Mission does not consider its price fixing activities as legitimate. One could sense an implied suggestion that the Tariff Commission has been treading on forbidden ground and messing up the terrain. Incidentally, it may be noted that the Commission has been determining prices for all commodities which are referred for protection — the reference to motor vehicles, dyestuffs, non-ferrous metals and electric motors as examples in this context is not understood—and that its staff of Cost Accountants is on this job throughout the year dealing with a variety of industries of all types.

There are two points which have to be dealt with before one proceeds further. The first relates to the legitimacy of the price fixing activities of the Tariff Commission. The Commission's functions in this regard are of a statutory nature and are laid down in the Tariff Commission Act, 1951. In framing the Act and when constituting the Tariff Commission as a statutory body in 1952, Government was guided by the recommendations of the Fiscal Commission (1949-50). Readers interested in obtaining a proper background of the whole concept of protection and price control as suited to this country may refer to Chapter XIII (Sections A and B) and Chapter XX of the Fiscal Commission Report. The underlying ideas in vesting the Indian Tariff Commission with the functions of a price fixing authority were (a) to have an independent permanent body with statutory powers to summon witnesses and compel production of evidence, and (b) to make use of the trained permanent staff available in the Commission, especilly the Cost Accountants, Technical Advisers and Economic Research Officers. While in most democratic countries there is need, off and on, to entrust the work of price investigation into monopolies, oligopolies, cartels etc. to special or ad-hoc bodies, it would seem that pragmatic considerations weighed with the Indian Government in framing the Tariff Commission Act in such a way as to include this type of work in the Commission's "legitimate" functions. Examined in this context, the World Bank Mission's comment on this point should be considered as lacking in substance. It may be mentioned, in passing, that at least four countries embarked on an investigation into the prices of rubber tyres and tubes at about the same time during 1953-55, namely, UK, Canada, South Africa and India, and among the reports produced, that of the Indian Tariff Commission was ranked high in merit and substance. Incidentally, it may be noted, the return at 10 per cent on capital employed allowed to the Dunlop Rubber Tyre Company has not resulted in retarding its prosperity or expansion, both having taken place after price fixation in 1955.

The second point concerns the characterisation of the Tariff Commission's methods relating to fixing fair profits as arbitrary and impinging on expansion. The Commission has invariably mentioned that, on the basis of the rate allowed by it on employed capital, the gross profit accruing to an industry or unit will provide sufficient funds to meet commitments under bonus and gratuity, interest on borrowed capital and debentures, dividend on preference shares, managing agents' commission and income-tax, and, "finally" leave a residue

which would provide for a reasonable dividend to shareholders. It does not appear to have laid claim to having provided for reserves, which, it is presumed, is what the Mission means by 'finance for expansion'. Judged from this angle, it would seem uncharitable to categorise the Commission's methods as arbitrary. In a limited sense, perhaps, there may be some arbitrariness in the quantum of bonus provided for—usually the Commission has assumed an average of two months' wages—and in the quantum of reasonable dividend—here again, it is believed to be six per cent tax free. But, in so far as there are no norms for bonus disbursements, nor uniformity, and in any case, Government itself would appear to be seeking a high-powered guidance on this issue, as is indicated by the proposal to constitute a Bonus Commision, there is no point in finding fault with the Tariff Commision for assuming an empirical norm for purposes of price fixation. As regards dividend, there is a fiscal levy on dividends in excess of 6 per cent so that the Commission would appear to feel justified in fixing the fair limit at that percentage. In this discussion one should not lose sight of an important fact, namely, that the Tariff Commission's "recommendations" regarding fair ex-works prices or fair selling prices in all the price enquiries conducted by it, contain specific answers to the terms of reference furnished by Government, and are not only spelt out in unambiguous terms regarding their content, but are also accompanied by the cost data and connected working papers, so that, it should be possible for Government to add, where it is found to be necessary, an element for expansion. It is understood that the Commission's reports are examined at all levels in the concerned Ministry as also in the Commerce & Industry and Finance Ministries, and possibly by the Planning Commission also, before Government's decisions are announced. In this context, therefore, the charge of arbitrariness, if any, should be laid at the doors of Government than at those of an advisory body like the Tariff Commission.

The Commission's approach to the question of providing funds for rehabilitation and/or expansion has not been doctrinaire. This is borne out by its analysis of the case of the sugar industry in its 1959 Report, paragraph 15. It has to be recognised that it is not always easy to justify the levy of an additional element in the price of a particular commodity on the community as a whole even on the plea that such a levy would go to build up the industry and strengthen national economy, as long as the several units comprising it are in uneven stages of development; further, the ultimate benefit of expansion will accrue to the sectional interests comprising shareholders, those that are already affluent getting more than those that are needy. The Industrial Policy Resolution of the Government of India dated 6th April, 1948 (paragraph 9) does, indeed, lay down that provision should be made for a fair return on capital employed in industry and reasonable reserves for the maintenance and expansion of undertakings, but the difficulty is perhaps, the absence of any indication of the norms to be adopted. It is observed that the Commission has been dealing with each situation as and when it arose, and has argued out the case for and against rehabilitation allowance in quite a few reports, as, for instance, when it conceded it for the Cement Industry (Report of 1958) and declined it for the Sugar Industry (Report of 1959) and for the Tin Plate Company of India (Report of 1958). Its reaction to the question of capitalisation of Reserves by issue of Bonus Shares is seen in paragraph 7.4 of its Report on the levy interest on special advances granted to Tata Iron & Steel Company and Indian Iron & Steel Company. Thus, it is observed from an examination of the cases dealt with by the Commission that, while the question of conceding reserves for rehabilitation and/or expansion may be accepted in principle, it is as difficult of assessment as the problem of calculating depreciation more in relation to replacement cost of plant and machinery than to the original value of the block. The element of uncertainty and arbitrariness is, indeed, very vast in both cases. The World Bank Mission Report has rightly drawn attention to the matter but, not quite rightly, blamed the Commission for it. It seems that such unsettling questions as those indicated above, as also matters relating to bonus, depreciation allowances etc. should be subject to high level examination by the Planning Commission, the Finance Ministry and the Commerce and Industry Ministry, in consultation with the Tariff Commission, and firm decisions arrived at. The Fiscal Commission Report envisaged the "closest possible liaison between the Tariff Commission and the Planning Commission" but, in practice, none would appear to exist.

It is difficult to agree with the Mission that the price fixing activities of the Tariff Commission have retarded the expansion plans of the concerned industries. While none of the industries have been adversely affected, quite a few have flourished and expanded, as for instance, Iron and Steel, Cement, Rubber Tyres, Locomotives and Boilers, Automobiles, Calcium Carbide, Caustic Soda Chlorine and Bleaching Powder, Paper and Sugar. It is also difficult to agree with the Mission that Government has been light heartedly extending the price fixing activities of the Commission, which comment is implied in the statement that the Mission was "particularly concerned". A quick examination of the list reveals the following. Iron and Steel prices have been fixed and controlled since 1949 as a measure of national policy. Tin Plate prices had to be investigated and controlled as the concerned single unit was allowed a retention price. The cases relating to Cement, Locomotives and Boilers, Registered Re-Rollers, Acetate Yarn of Sirsilk, Sindhri Fertilisers, Zinc, Sugar and Raw Rubber were referred to the Commission at the request of the industries or units concerned. The cases relating to Automobiles, Calcium Carbide, Caustic Soda Chlorine & Bleaching Powder were referred for investigation along with the review of their protection. The case of the Paper industry was referred as a difficult situation was created by the attitude of one section of the industry. The case of Rubber Tyres and Tubes was referred for conducting a fact finding investigation into the past profits of the industry and the practicability of reducing prices. It seems fairly clear that none of these enquiries can be called purposeless; indeed, a study of the Commission's reports relating to all there cases will help to clear many a misconception regarding the economics of the industries concerned, and, to that extent, the relative enquiries have fulfilled a social purpose. When large sections of the community nurse grievances against particular sectors of industry and trade on the ground that prices have been inflated or manipulated, it would be as wise for such sectors to ask for an investigation as it will be good for Government to institute one for the establishment of public confidence.

THE BUSINESS WORLD

Credit Curb Continues

By CROESUS

APPARENTLY the Reserve Bank authorities are not quite satisfied that the measures of credit restraint adopted by them so far have produced the desired effect. This was, of course, clear even from the latest report of the Central Board of Directors of the Reserve Bank issued early this month, which referred to "the rather slow contraction of credit in the 1960 slack season." It may be remembered that, some time ago, the Governor of the Reserve Band had issued a circular to all the scheduled banks to bring down bank credit during the current slack season by Rs. 110 crores. Yet, with hardly six weeks more for the end of the current slack season, the total bank credit stands at Rs. 1,127.23 crores, which means a drop of less than Rs. 5 crores since the end of April last; over the corresponding period of last year, the drop had been nearly Rs. 93 crores. But this is not all. As though to occasion even more anxiety to the monetary authorities, scheduled banks' borrowing (against usance bills and others) during the current slack season almost touched Rs. 55 crores (during the week ended September 2, 1960). Towards the third week of September last year, scheduled banks' borrowings from the Reserve Bank, including those against unsance bills and others, were less than Rs. 7½ crores. The extent of increases in these borrowings will be even more obvious from a comparison of the peak figures touched during the 1959-60 busy season and during the 1958-59 busy season; in the formar case, it fell short of Rs. 80 crores, whereas, in the latter case, it just fell short of Rs. 62 crores. To this state of affairs must also be added the disinvetment from the scheduled banks' portfolio of government securities which stood on September 16, 1960 at Rs. 729.36 crores, as against Rs. 759.92 crores on September 18, 1959. Also synchronizing with these features has been the steady decline in the total deposits of scheduled banks; from their recent peak of Rs. 1965.99 crores, this declined to Rs. 1917.48 crores as on September 16, 1960.

It is against these latest scheduled banks statistics, on the one hand, and against the background of the series of credit restrictions capped by the latest restraint measure, on the other, that we have to examine the appropriateness and the probable effectiveness of the latest scheme of restriction on scheduled banks' borrowings from the Reserve Bank. Before we pass on to this, the main features of the scheme may first be indicated. For the first time, quotas have been prescribed (equivalent to 50 per cent of the reserves maintained by every scheduled bank with the Reserve Bank) any borrowing above which will attract a rate of interest higher than the Bank Rate. Two slabs have been indicated for borrowings in excess of 100 per cent of the quota (that is 50 per cent of the reserves required to be maintained); if the borrowings are in excess of 100 per cent, but not more than 200 per cent of the quota, the rate of interest will be 5 per cent, and if the borrowings exceed 200 per cent of the quota, the rate of interest will be 6 per cent or 2 per cent above the Bank Rate. In other words, the Central Bank's re-discounting rate to the scheduled banks will henceforth be not one rate, namely the Bank Rate of 4 per cent as hitherto, but three different rates, namely 4 per cent, 5 per cent, and 6 per cent, depending upon the extent of borrowings in relation to the statutory reserves. With the introduction of the system of penalty rates as above, there are no longer ceiling limits for borrowings from the Reserve Bank under the bill market scheme, as hitherto. In other words, scheduled banks can now borrow as much as they want, provided they are prepared to pay the penal rates of interest. It may be noted here that the inter-bank sector of the money market has been generally excluded, although no scheduled bank is now permitted to pay more than 2 per cent on deposits repayable on notice or within 21 days. At present, house money at 7 days' notice fetches 3 per cent, and this is also the rate for short-term money up to one month.

Another important feature of the scheme is the levelling up of the lending rates of banks. The Reserve Bank requires all scheduled banks to impose a minimum lending rate for all advances, whether existing or new, and whether clean or secured, with effect from October 1, 1960. In the case of banks whose minimum lending rates are already 5 per cent or more, this lending rate has to be raised by a further half per cent, on an average. It is not clear from the Reserve Bank's announcement whether this directive will apply even to those banks which, only in the last few months, have stepped up their rates of interest on advances.

The banks may not be very much interested in the suspension of the ceiling limits fixed for individual banks under the bill market scheme, inasmuch as these limits have been so small that some banks have actually begun to question the utility of the scheme as an effective enabling measure for them to borrow adequately.

Most of the scheduled banks, it is common knowledge, borrow primarily against their securities at the Bank Rate. As a result of the new scheme, the borrowing rate for these banks, or, at any rate in respect of that portion which is in excess of their quotas, will be higher by one per cent or two per cent. It has been estimated that, on the basis of statutory reserves as at present, the scheduled banks can borrow no more than 2|3rd of what they are borrowing today at the Bank Rate. In view of this, it is a foregone conclusion that nearly every scheduled bank will take advantage of the Reserve Bank's directive to raise its lending rate by half a per cent. It may be recalled, in this connection, that, some time ago, attempts were made to have an inter-bank agreement to bring about a general increase in the lending rate in order to offset the steadily rising costs of banks. But the State Bank of India and a few ohers opposed the suggestion at the time and, ironically enough, it is the State Bank, as also a few other big banks which were lending against "safe risks" at 4½ per cent, who will now be obliged to raise their lending

rates. The tragedy of it is that, when this has come to pass, the State Bank of India no longer enjoys the fortuitous advantage of the PL 480 funds, which used to be pointed out by the way, as one of the factors that enabled the State Bank to compete with other commercial banks by offering loans and advances at relatively lower rate of interest. Today, thanks to the new order of the Reserve Bank, all banks, including the State Bank, are placed on the same footing.

From the point of view of banks generally, the increase in their margin of profits from 2 per cent (namely rate of advance — six per cent minus call deposit rate — three per cent) to 4½ per cent (rate of advance 6½ per cent minus call deposits rate two per cent) may help raise the margin of profit, despite the net increased cost of borrowings under the new scheme. The extent of such increase in profit will, of course, depend upon the extent to which the banks are prepared to keep on, or not keep on, the advantage of the prevailing relatively higher interest rates to their short-term depositors. As happened in the case of house money at 7 days' notice, it is not improbable that there might be deposits for more than 21 days (but less than one month). This is a minor point. What the banks are likely to do is that they will first utilise the quota from the Reserve Bank at the Bank Rate and then meet the requirements of their clients by resorting to sales of Government securities. Indeed, this process would appear to have already begun. In other words, in effect, it may turn out that the cost of borrowings to the banks might not go up to the same extent as anticipated by the authorities. And, to this extent, the contemplated deterrent effect on banks' borrowings would be neutralised.

Meanwhile, it is apprehended by the business community that borrowings from banks will henceforth become more costly and that, to this extent, there is bound to be an increase in industrial costs. On the other hand, it is also felt that the tendency of depositors hereafter would be to divert their funds from banks to more lucrative avenues, such as fixed interest bearing securities or, worse still, financing of commodities. In other words, there is genuine fear that some more money may tend to go outside the purview of the monetised sector and, if this should happen, it is feared that even the latest monetary measure may not prove as effective as expected.

According to the Press Note issued by the Reserve Bank of India, the object of the latest measure is "to secure an abatement of the pressure of monetary demand which has been a contributory factor to the rise in commodity prices." That there has been a rise in commodity prices is an accepted fact. Even when the index of wholesale prices (1952-53 = 100) reached 122.9 at the end of June, the Reserve Bank computed the net rise over the year to be 6.3 per cent, as compared to a rise of 2 per cent in 1958-59; since then prices have advanced still further and, again, according to the Reserve Bank Directors' Report, the most important contributory groups for the rise are "industrial raw materials" and "manufactures," while, under "food articles," where the rise has been comparatively smaller, the rise has been confined to items like tea, edible oils, sugar and cereals, particularly rice. It also seems clear from the experience of the past few years that, more than even the availability of supplies, it is the pressure of purchasing power that leads to the rise in prices in our country. It seems, therefore, appropriate that efforts should be made to secure an abatement of this pressure. But, in the context of the limitations inherent in semi-developed economies such as ours, especially during a period of accelerated economic development, it is difficult to say to what extent even the latest measure, which should, in fact, be regarded as the first really stringent measure of monetary control to be imposed by the Reserve Bank, will be effective. If, as some sections apprehend, more funds are drained away from the monetised sector as a result of the latest measure and some really vital sectors of the economy catering to the essential requirements of the country are adversely affected by the measure, the new scheme may prove to be a self-defeating affair. But this is not to suggest that the Reserve Bank must passively watch the trend of rising prices.

Business Notes

Coffee

THE PROBLEM OF EXPORT

IN HIS presidential address at the 50th meeting of the Coffee Board, Mr. H. Sitarama Reddy gave prominence to the problem of coffee exports which has become somewhat intractable. It is now common knowledge that currently there is an abnormal surplus of coffee in the world market and, therefore, export prices have been very severely depressed. In the world perspective, the share of Indian coffee is small, but it is looked upon as precious from the view-point of our acquisition of foreign exchange. Furthermore, whatever the share, it is only a course of prudence that a permanent foothold should be obtained by this country in the international coffee market. In the recent past the level of export prices ruled high so that it enabled the Coffee Board to hold the domestic prices of coffee at points which serve to reconcile the claims of the grower for a reasonable return and of the consumer for a fair price. But since the experience of the last four months has shown that the prices offered for Indian Coffee in the export markets are "alarmingly low", the immediate problem posed is how to dispose of the exportable surplus. The next problem is how to maintain the domestic price line which upto now was aided by the higher price of exported coffee.

It would appear that in the immediate future the way out may not be available, and the domestic price of coffee will come under a strain. In this context, Mr. Reddy drew attention in his address to Mr. Lal Bahadur Shastri's appeal to the Export Promotion Advisory Council last month for some sacrifice at home in the interest of pushing up exports. Applied to the case of the coffee industry it would mean that some disadvantage in the form of a higher consumer price may have to be borne at home if only exports can be pushed up in this manner. But looking to the long-term necessity of strengthening the hold of Indian Coffee on the world market, Mr. Reddy pointed out the need of trying to modernise the production and sales techniques. Dilating on the subject, he drew attention to the fact that the United States which is the biggest market for world coffee consumed 50 per cent of this commodity in the form of Instant Coffee. This trend towards a preference for Instant Coffee is spreading in other countries also and that explains why the coffee producing as well as coffee consuming countries are now making larger investments in setting up plants for making Instant Coffee. Mr Reddy has urged that India should give earnest attention to this new trend and enter this line of coffee sale in the Instant form. This suggestion of Mr. Reddy has been addressed primarily to coffee planters and the trade. Already a pioneer project has been installed. But if India is to fall in line with the global trend, it ought to be pursued eagerly.

Tobacco

STRESS ON QUALITY

THE QUALITY of tobacco produced in India is of significant importance, because, apart from other reasons, export of unmanufactured tobacco is possible only if it can compete, in the field of quality, in the foreign market. It may be observed that export earnings during 1959 fell to Rs. 12.92 crores from a level of Rs. 14.70 crores in 1958. During the current year exports may look up, but it seems that the lost ground may not be completely regained.

Mr. F. A. Collet, Chairman, the Imperial Tobacco Company of India, explained this fall in earnings in his address at the annual general meeting of the company held recently. He pointed out that weather had been very unkind to the producers of fluecured tobacco in India. In Andhra, the only State producing quality tobacco, heavy unseasonal rains during the months which are vital for tobacco cultivation had an adverse effect on the quality of crop.

The Chairman has stressed the need for improving the quality of tobacco produced in the country by greater emphasis on following the cultural practices recommended by the Indian Central Tobacco Committee. It is very necessary that proper attention is paid to harvesting, curing and handling of tobacco crop. The cultivation of unwanted low-grade flue-cured tobacco has to be eliminated in areas where better qualities can be grown. If proper control over the quality of tobacco is maintained there is no reason why the exports of unmanufactured tobacco should not improve during the years to come. In addition to that, consumers at home would get quality tobacco at reasonable rates.

A Trust

SOUND RECORD

H. E. H. THE NIZAM'S CHARITABLE TRUST, having assets in the form of debentures, preference shares and ordinary shares of the market value of Rs. 6.17 crores has certainly been rendering useful assistance to various needy and deserving individuals and institutions. A large number of students have been granted scholarships and travel grants to pursue research in several subjects in various foreign countries. During the year to March 31, 1960, a sum of Rs. 9.31 lakhs was disbursed as educational aid, scholarships, medical relief and maintenance allowance. In addition to this, a sum of Rs. 1.59 lakhs was paid to students towards foreign scholarships and passage money. Then, a large number of intitutions get lump sum donations and recurring monthly and annual grants. On this account the trust paid a sum of Rs. 9.87 lakhs during the year under review.

The trustees, it seems, have handled the funds with sufficient care and have included a wide variety of institutions that benefit from the grants. The list appended to the report includes educational, medical, general welfare, literary and cultural organisations. After making these disbursements out of the total income of Rs. 41.04 lakhs accruing from the assets of the trust, a surplus of Rs. 7.31 lakhs has been transferred to 'Investment Fluctuation Reserve'. The trustees have also built a General Reserve of Rs. 49.89 lakhs after setting aside Rs. 30 lakhs for the Orthopaedic Hospital Fund. If the funds of the trust are continued to be handled in such a pudent manner, the trust will surely be able to do still more important work in future.

World Bank

FIFTEEN YEARS

IT WOULD be interesting to survey the progress of the World Bank during the last 15 years of its career. By mid-1960 (June) the World Bank had agreed to loans totalling over $5 billions, over 52 per cent of which was accounted for by Asian and Latin American countries. This percentage would work out to 57, if the initial reconstruction loans of $497 million are excluded and only development loans taken into consideration. African countries accounted for 17 per cent of the development loans.

Simultaneously with the steady growth in the amount of loans approved, from $799 millions in June 1950 to $5,068 millions in June 1960, the World Bank has faced with varying degrees of success, several problems.

Being essentially a business enterprise operating on a commercial basis, paying interest on loans borrowed and charging commission on loans advanced, it was faced with the problem of finding resources. This has been a mounting problem, increasing as it is conquered. Last year the Bank increased its capital from $10 billions to $21 billions. But no calls were made on the member countries for payment of their enhanced subscriptions to the Bank's capital. Doubling of the capital was intended to strengthen the Bank's borrowing base. The Bank which was too heavily leaning on the U.S. for funds, till very recently, has made successful efforts in the last four years to widen its sources of funds. Even by mid-1956, countries other than the U.S. had made freely available to the Bank a little less than $450 millions and $65 millions of this came from Canada. Since the last four years, however, these countries have more than doubled their paid-in subscriptions.

The Bank borrows from private capital markets to supplement its funds and borrowed funds are its major resources for lending. Even here, till recently, the Bank relied for most part on the U.S. capital market and in other markets, on the guarantee of the uncalled portion of the U.S. capital subscription. By mid-1960, the Bank had sold to U.S. private investors such as pension and trust fund companies, life insurance companies, savings bank and commercial banks, securities worth nearly $975 millions. In June 1960 non-U.S. holdings of World Bank securities amounted to $1,097 millions. of which $714 millions were in dollar securities and the rest in other currencies. Recently, West Germany is also providing a considerable amount of the funds required. The widening base will put the Bank on surer ground.

The Bank has with an encouraging degree of success tried to supplement its advances, by selling portions to private capital investors such as the commercial banks, sometimes with its guarantee and lately without any such guarantees. This technique has served to channel private investment into development finance for the under developed countries.

FROM THE CAPITAL'S CORRIDORS

NEWSPRINT FROM BAGASSE

SOME details are now available of the project report prepared by the German expert, Dr. H. Muller-Clemm, on the manufacture in India of newsprint from bagasse. The report inter alia says:

At present, there is only one factory in India manufacturing newsprint, namely, the Nepa Mill at Napanagar. This factory produces cellulose from bamboo according to the sulphate process and mechanical wood pulp from salai wood. The factory was founded by private entrepreneurs, but since it could not develop on an economical basis, it was taken over by the Union Government in order to avoid its shut-down. The problems facing this concern were, in part, caused by the difficult processing of salai wood which is discoloured to a great degree, has a short fibre and, in addition, supplies very crooked trunks.

The development of the Nepa Mill upto 1958 is reflected in the following figures:

Year	Output (Tons)	Cost of Production (Rs. per ton)
1956	10,792	1,092
1957	19,645	1,020
1958	21,708	772

The world prices for imported newsprint have fluctuated to a great extent, the average import price being approximately Rs. 760—810, c.i.f. seaport.

From tests carried out it was found that the normal sulphate process would prove advantageous for India. It was found, however, that the investment of capital for a sulphate plant would be essentially higher than for a plant operating in accordance with the AZ-process. This is due to the fact that the sulphate plant requires a bleaching plant and an electrolytic installation. In addition, a chemical installation for the recovery of chemicals is required. As against this, the AZ-process cannot recover its chemicals which, due to Indian circumstances, are very expansive. Furthermore, the dissolved organic substance cannot be burnt for the generation of steam as in the case of the sulphate process. The loss in chemicals and organic substance will, according to the opinion of the experts, compensate the additional charges for the investment in a sulphate factory.

At present there are methods of dyeing according to which it is possible to establish exactly to what degree the fibres of a paper have been processed in the bleached or unbleached state. By employing these methods it is possible to establish without any difficulty whether the Aschaffenburg papers actually consist of unbleached cellulose.

THE PROPOSED PROJECT

After extensive discussions and inspection of the Nepa Mill, the Nizam Sugar Factory in Shakharnagar was visited. With regard to the possible erection of a cellulose factory and paper mill in this place, this prospective site was specially inspected.

If the difficult water conditions of the country are taken into consideration, it must be stated that Shakharnagar comes off most favourably in comparison with other places. Even during the driest season, that is before the rainy months, the large dam in front of the factory has enough water for supplies to a paper mill with an output of 150 tons. This water reservoir, designated as the Belal Tank, is only one mile distant from the factory. It encompasses an area of 50 square miles and can collect up to 456,000,000 cubic feet of water. The head flows for the dam are ensured by the Nizam Channel System.

The AZ-process requires 350 cbm. (78,000 gallons) of water for each ton of finished paper. These 530 gallons/min. can be secured in Shakharnagar. However, a proposal has been submitted to secure and improve the water supply still further by shifting the main distributing pipeline.

The cellulose factory and paper mill should be erected next to the existing Shakharnagar Sugar Factory. Provided the sugar factory generates its steam entirely by means of oil heating, approximately 50,000 tons of bagasse per year could be placed at the disposal of the paper mill after the screening and depithing process. Approximately 25,000 tons of fibre material will be obtained from the 50,000 tons which, together with the filling material required for newsprint, may result in an annual production of approximately 30,000 tons of paper.

With regard to the raw materials, transportation, and taking the water conditions into consideration, Shankarnagar is to be regarded as suitable. The site is especially favourable for the erection of the factory as well as of the workmen's dwellings. On the other hand, the site is conveniently located for the sale of paper to Hyderabad and, above all, to Calcutta.

OBJECTIONS ANSWERED

If one reverts to the initial objections and demurrers against the project to build the newsprint factory on the basis of bagasse according to the Aschaffenburg process, these objections, above all, exist in the fact as to whether it is possible to boil the unbleached bagasse according to the process so that it will be white enough as to be suitable for newsprint. This question, based on the various test boilings as well as on the various large-scale tests, can surely be answered in the positive. Owing to this unobjectionably established fact the enhancement of the price of the AZ-process by bleaching, which was mentioned in the Indian objection, becomes superfluous. Neither is chlorine required for the corrected white of the material nor will the yield of material boiled with neutral sulphite be decreased by bleaching. In addition, the entire investments for a bleaching plant and for an electrolysis process will be saved.

The next item in doubt was the consumption of chemicals, namely Na2SO3 and NaOH. According to the first planning, the recovery of these chemicals was to be abandoned. Thus the objection was raised that these chemicals are a total loss after each boiling in spite of the fact that part of the sulphur must be imported into India. Furthermore, the objection was raised that the organic substance, which is dissolved by the boiling process, is lost with the waste water due to the flowing off of the spent lye. Contrary to this it was emphasized that, according to the sulphate process, the possibility to recover the chemicals up to 75-80 per cent exists and the organic substance can be burnt in the boiler house in correspondence with its calorific value. Owing to the burning and recovery, the waste water problem will, of course, be essentially improved.

In opposition to these objections it can be stated that various observations have been made in the course of the last year with regard to the recovery of the spent lye obtained in the neutral sulphite process, that is the spent lye as it is obtained in the Aschaffenburg process. The Aschaffenburger Zellstoffwerke have contacted the American owners of the process and are today in a position to regenerate the spent lye obtained according to their process. This means that the loss of chemicals compared with the sulphate process is no longer greater, the purification of the spent lye and the recovery of the organic substance in the combustion process are guaranteed.

Furthermore, it can be mentioned that the recovery installation for this process is cheaper than the recovery installation for the sulphate process.

According to the experience gained in South Africa, it is possible to stack the bagasse for a whole year in accordance with the Ritter process. Aschaffenburg will, however, carry out large-scale tests in this field.

As far as the boiling installation is concerned, continuous boiling is to be reckoned with in both cases, that is in the sulphate proces as well as in the neutral sulphite AZ-Process.

COST COMPARISON

Comparison of costs between the sulphate process with bleaching and the neutral sulphite process without bleaching, for the manufacture of 100 tons per day of newsprint of bagasse, is as follows:

Annual output in 340 days	34,000 tons of paper with 10 per cent kaolin.
Cellulose production 85 tons per day absolutely dry	28,900 tons per year absolutely dry.

(U.S. $)

Plants	Sulphate factory	Neutral sulphite factory
Bagasse stock, transportation, ation, washing, pressing ..	576,000	546,000
Installation for continuous boiling	576,000	598,000
Preparation	548,000	548,000
Recovery (including lime kiln) boiler, causticization ..	2,415,000 with SO2 preparation without a lime kiln	2,088,000
Bleaching plant and preparation of bleaching lye ...	457,000	—
Steam, water, current ..	765,000	621,000
Laboratory, office, etc. ..	265,000	265,000
Paper Mill	3,600,000	3,600,000
Supervision, mounting etc.	1,771,000	1,358,000
TOTAL	10,973,000	9,624,000

The report concludes: "Summarizing, it may be stated that the Aschaffenburg process for the manufacture of newsprint from unbleached bagasse can be regarded as suitable. The various modifications and innovations introduced in the process may ultimately lead to a profitable outcome. If it should still be necessary to carry through tests on a large scale, the Aschaffenburger Zellstoffwerke are prepared to assume this task. If the factory should be erected, Aschaffenburg would make its staff available in order to take over the supervision at the initial stage of operations.

"The bagasse raw material is available in sufficient quantities in various regions of India so that factories with a daily output of 100 tons of newsprint can be erected near the sugar factories. If thus the factory to be erected in Shakharnagar should turn out to be successful, the way for the erection of further plants on the same basis would then be clearly indicated."

RAISING SUGAR OUTPUT

Presumably encouraged by the performance of the sugar mill industry during the last crushing season and with a view to export about 2.5 lakh tons of the commodity next year, the Government of India has decided to continue for the next crushing season the last year's concession of 50 per cent rebate in the basic excise duty on sugar production in excess of the average output during 1958-59 and 1959-60. In the case of factories which went into production only in 1958-59 season or thereafter or which did not function during 1958-59 and/or 1959-60, the question of granting rebate will be considered on merits, as during the last season.

This concession along with a rebate of 5 annas in excise duty on early crush and raising of cane prices by 3 annas, it may be recalled, helped in raising the output of sugar during the last crushing season to an all-time peak of 24.25 lakh tons—an increase of about 5 lakh tons over the previous season. In the next season, production, according to Union Food and Agriculture Ministry's estimates, will go up further by about 3 lakh tons.

The Third Plan target for sugar output, it is learnt, is also being stepped up from 30 lakh tons to 35 lakh tons.

COKING COAL AND SULPHUR DEPOSITS

Two important discoveries of mineral deposits have been announced by Mr. K. D. Malaviya, Minister for Fuel and Oil. One of these discoveries relates to metallurgical coal and the other to sulphur pyrites.

Mr. Malaviya disclosed on Sunday that three big deposits of coking coal had been found in Ranigunge and Bokaro areas. Though he did not give any approximate quantitative and qualitative estimates of these finds, he asserted that these deposits were vast enough so as to make the country self-sufficient in Grade I coal for decades to come. Detailed investigation, he added, was being entrusted to the Indian Bureau of Mines.

In Bokaro, Mr. Malaviya said, coal having coking index between 21 and 23 per cent had been discovered in an entirely new 74-ft. seam broken up into two portions separated by 8 feet of non-coal material. Another deposit discovered in this region relates to a seam which is already being worked at a depth of 2,000 feet. This seam, mapping and investigations appear to show, at places runs upwards to 1,000 ft. level. In Ranigunge area, metallurgical coal has been discovered almost on the surface over a tract about 1½ miles long.

Huge deposits of sulphur pyrite have been discovered in the Amjore area in Bihar. Exploitation of these deposits, it is said, has already been started. It is understood that as a result of this, imports of sulphur, which run to the tune of several crores of rupees annually, will be gradually reduced and eliminated altogether in course of time.

The Amjore deposits are considered to be vast enough to supply all the sulphur needed by Indian industries for many decades. Exploration work to find out deposits of "free" sulphur has also been in progress for quite sometime in the Andamans. How far this effort has succeeded is not yet known.

IMPORT POLICY ANNOUNCEMENT

The import policy for the next six months is expected to be announced on Saturday. Despite the announcement by the United Kingdom of a further credit of £35 million to this country, no liberalisation of the import programme is envisaged here. On the other hand, as indicated in this column last week, imports may be further pruned slightly.

IFC LENDING OPERATIONS

Mr. K. R. K. Menon, Chairman of the Industrial Finance Corporation of India, indicated at a Press Conference last week that in view of the recent curbs on bank credit effected by the Reserve Bank of India, the Industrial Finance Corporation might, if need arose, accommodate some deserving industrial units for their working capital needs, especially if it was necessary in the interest of safeguarding the loans granted by the IFC to such units. Normally, the Corporation did not extend such credit, he said.

FERTILIZER FACTORY IN RAJASTHAN

The Government of India, it is learnt, has invited proposals from private parties for setting up a fertilizer factory at Hanumangarh, in Rajasthan. Hanumangarh has been found suitable for the manufacture of ammonium sulphate based on gymsum and lignite both of which are available in plenty near the site. The Government, it is understood, has already received a few proposals for setting up this factory with foreign collaboration, but it will consider more such schemes. Final decision on the proposals will be taken in about a month's time.

TRADE CENTRE AT BEIRUT

An Indian trade centre will be shortly established at Beirut, in Lebanon, to familiarise the traders in West Asia with the range of Indian products available for export. The centre, which is being organised by the Union Ministry of Commerce and Industry, besides publicising Indian goods, will render commercial service to Indian exporters by bringing them in contact with the traders in West Asia.

The inaugural display at this centre is expected to be held in December. Intending exporters, especially those dealing in engineering goods, hardware, meters, measuring instruments, scientific instruments, laboratory equipment for schools, colleges and universities, surgical instruments, hospital equipment, drugs and pharmaceuticals and textiles, may send their exhibits to the authorised agents of the Commerce and Industry Ministry for despatch to the centre. After a period of display at the centre, these goods would be returned to the owners or, if they so desire, disposed of there itself.

TRADE WITH IRAQ

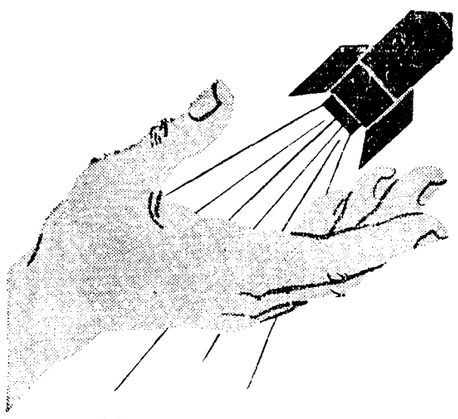
There is a good market for Indian tea, light engineering goods, hosiery and knitted garments, plastic manufactures, sports goods etc. in Iraq. This is revealed in the joint communique issued at the end of the trade talks held in Baghdad this week between representatives of the Governments of India and Iraq. An Indian tea centre will be opened in Baghdad shortly.

India imports dates from Iraq. The Iraqi Government for sometime past has been pressing India to increase these imports from there.

ALUMINIUM REQUIREMENTS AND PRODUCTION

India is expected to require nearly 1,50,000 tons of aluminium ingots per annum towards the close of the Third Five-Year Plan. Production at present is about 17,500 tons per year, to which Indian Aluminium Company contributes nearly 15,000 tons (5,000 tons from its Alwaye smelter and 10,000 tons from its Hirakud smelter) and the Aluminium Corporation of India 2,500 tons. The rated capacity will increase to 77,500 tons annually when the following already licensed expansion programme of the industry is completed:

New Aluminium Smelters Licensed	Annual Capacity
(1) Hindustan Aluminium Corporation Ltd., Bombay — Aluminium Smelter at Rihand (U.P.)	20,000 tons
(2) Tendulkar Industries (P) Ltd., Bombay — Aluminium Smelter in the Koyna Region (Maharashtra)	20,000 tons
(3) Shri R. Venkataswamy Naidu of Coimbatore — Aluminium Smelter at Mettur, Salem District (Madras)	10,000 tons
Expansion of Existing Plants Licensed	
(1) Indian Aluminium Co. Ltd., Calcutta — expansion of Hirakud smelter to	20,000 tons
(2) Aluminium Corporation of India Ltd., Calcutta — expansion of Asansol smelter to	7,500 tons



New frontiers

From the beginning of time human eyes have looked up into space and wondered, and wondering, desired to possess the moon.

Today, man has travelled far on the road of knowledge; today he is about to inherit the moon.

We may not yet know all the details of that first flight which will send him hurtling through space. But of this we are sure, he will need Oxygen to sustain him. And of this too we are sure, that Oxygen will have helped to cut or weld his space-ship and its equipment.

INDIAN OXYGEN LIMITED

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IOAX-80

COMMODITY NEWS AND NOTES

PRODUCTION AND DISTRIBUTION OF WOOLLEN YARN

An order controlling the production, distribution and selling prices of woollen yarn has been issued by the Government of India recently. The Order, which has been issued under section 3 of the Essential Commodities Act, provides that, in order to co-ordinate the production of woollen yarn with public needs, the Textile Commissioner may fix the type and quantity of woollen yarn to be produced by the manufacturers. The Textile Commissioner will also fix the ex-factory wholesale and retail prices at which the different varieties of woollen yarn will be sold. The Order further provides that in order to secure proper distribution of yarn, the Textile Commissioner may direct any manufacturer or dealer not to sell any woollen yarn, except under a permit issued by him. The Order takes effect immediately. Of late, manufacturers of woollen hosiery have been experiencing considerable difficulties in securing adequate supply of yarn at reasonable prices. This question has been under Government's consideration for some time past and in July 1960, the Government of India statutorily fixed maximum prices for the different categories of woollen worsted yarn. The present measure, it is hoped, will help the woollen industry in procuring adequate supplies of yarn at reasonable prices.

ALLOCATION OF ART SILK YARN

It has been decided that the allocation of indigenous art silk yarn to the art silk powerloom weaving units for October-December 1960 quarter will be made on the basis of the number of loom-shifts worked by the units during April-June 1960. In the case of units which are submitting monthly returns in the prescribed form regularly to the office of the Textile Commissioner, the rate of allocation will be 1.6 lbs. per loom per shift. In case of units which are not submitting monthly returns in the prescribed form regularly to the Office of the Textile Commissioner, the rate of allocation would be 0.9 lbs. per loom per shift provided they submit the returns in the prescribed WAS-1 form along with their applications.

The allocation will only be made to such units which are holding valid installation permit and/or registration certificate from the office of the Textile Commissioner, Bombay, to work powerlooms on art silk/staple fibre yarn. Powerloom units whose cards against July/Sept. 1960 period have been endorsed after August 31, 1960 can secure their balance requirement from indigenous yarn manufacturers in the ensuing period along with the allotment against Oct./Dec., 1960 period. Further, particulars can be had from the Office of the Textile Commissioner, Bombay.

IMPORT OF U.S. COTTON ON RUPEE PAYMENT BASIS

The U.S. Agriculture Department has favourably received a request by Mr. A. M. Thomas, India's Deputy Minister for Food, for the sale of 150 million dollars worth of surplus cotton for rupees, it was learnt yesterday. The purchase of the cotton would be similar to the arrangement India made last May to buy U.S. wheat and rice for rupees over a long-term period. Mr Thomas' proposals were well received at the Agriculture Department. Officials recalled the failure last year of the Indian cotton crop. Another factor was the Department's readiness to reduce Government-held stocks of cotton which now total over 5,000,000 bales. In addition to normal commercial purchases, Indian purchases of U.S. cotton for rupees since 1956 have totalled about 1,000,000 bales.

It is gathered that India's chances of obtaining American cotton under the Public Law 480 on a long-term basis are fairly bright. Mr. A. M. Thomas met officials of the Agricultural Department for such an agreement on more or less the same lines as 1.3 billion dollars agreement under P.L. 480 whereby India will get 16 million tons of wheat and a million tons of rice over a period of four years. It is understood that India's requirement is in the neighbourhood of a million and a half bales of cotton over a period of next four years. Mr. Thomas also discussed with the American officials the possibility of exporting Indian sugar to the United States. Prices of sugar have been going up in U.S. since she cut off Cuban and Dominican Republic sugar.

COAL OUTPUT IN JULY

The raisings and despatches of coal during the month of July, 1960 from all fields in India were 4,048,636 and 3,590,436 tons, respectively. The corresponding figures for the month of June, 1960 were 4,141,082 and 3,690,244 tons respectively. The daily average loading for the month of August, 1960 from the West Bengal and Bihar fields was 4,444 wagons as against 3,797 wagons in the previous month. The highest loading on any day during the month of August, 1960 was 5,185 wagons and the lowest 3,160 wagons, the corresponding figures for July, 1960 being 5,501 and 138 wagons respectively. A daily average of 237 wagons was allotted for shipment traffic during August, 1960 as against 143 in the preceding month. A daily average allotment of 178.54 wagons was made to Pakistan during the month of August. About 121,770 tons of coal were despatched to Pakistan during the same month.



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COMPANY AFFAIRS

DALMIA CEMENT: HIGHER OUTPUT

During the year 1959 production and despatches of the Dalmia Cement (Bharat) Ltd. both in the cement and ceramic industries showed considerable improvement. Clinker production and cement despatches went up from 2.25 lakh tons and 2.31 lakh tons in 1958 to 2.87 lakh tons and 2.62 lakh tons respectively in 1959. The production and despatches in the Ceramic Industry during the year under review were also considerably higher as compared to 1958. Installation of the third Cement Kiln of the Company was completed in October, 1959, and the production of clinker was commenced. The additional output of clinker could not, however, be converted into cement as the installation of the cement mill could be completed only in January, 1960. The directors have pointed out that as the clinker produced from the third kiln was not ground in the year under review and has been carried forward at cost, the benefit of the tax concession under Section 15C of the Income-tax Act would be available only from 1960 onwards. The new Cement Plant is working satisfactorily.

Further progress was made by the company in developing the mining and export of high grade iron ore mines in the Bellary-Hospet area. About 1.15 lakh tons of iron ore were shipped during the year under review. By the end of June, 1960, a further quantity of approximately 95,000 tons has been shipped, mainly under the new contract for 2.40 lakh tons which the Company has negotiated with the State Trading Corporation of India Limited. Shipments against this contract are expected to be completed by the end of February, 1961. The rail transport capacity between Hospet and Cuddalore is being increased and various works are being undertaken to increase the capacity of Cuddalore port itself. These measures should stimulate further exports of the Company's high grade iron ore. The directors have added that due to initial difficulties and teething troubles, full production according to rated capacity is not being obtained from the Salem Plant for manufacture of dead burnt magnesite. All efforts are being made to tide over these difficulties and get normal production.

The profit and loss account shows a net profit of Rs. 22.79 lakhs after providing depreciation (10.34 lakhs) and development rebate (22.21 lakhs). A sum of Rs. 5.5 lakhs has been transferred from the dividend equalisation reserve and Rs. 7.95 lakhs from general reserve to meet the demands of taxation and dividends. The directors have recommended a dividend of 12 per cent on ordinary and deferred shares, subject to reduction of tax. The dividends on preference shares cannot be grossed and therefore the shareholders were deprived of the credit which they got in the past for the tax paid by the company on its profits. It was, therefore, proposed that the provision in regard to preference dividend be modified. The resolutions were passed and the payment of dividend to the preference shareholders is being made in accordance with that amended article. Now the dividend on preference shares comes to 6 per cent after the payment of income-tax at 30 per cent.

BURMAH-SHELL

As from July 1959, the Company voluntarily surrendered all duty protection remaining on furnace oil, high speed diesel oil, light diesel oil and bitumen manufactured at the refinery which had been enjoyed from the commencement of operations. At the time the Central Government confirmed arrangements which enabled throughout of the refinery to be increased. The throughput of the refinery for the year to December 31, 1959, was 2,476,975 metric tons, an increase of 208,540 metric tons over 1958. This throughput resulted in a yield of 2,429,528 metric tons of finished producer goods including products used within the refinery. 18,300 metric tons of motor spirit were exported during the year.

The Company's gross income from refining for 1959 amounted to Rs. 1,276.9 lakhs. Profits after Company taxation at Rs. 350.5 lakhs were higher than for 1958 by Rs. 40.9 lakhs mainly due to the new rates and methods of taxation introduced by the Finance Act 1959 and to reduced operating expenses of the refinery. Net profit during the year under review after providing for taxation and depreciation came to Rs. 3.51 crores. Taking into account the balance of unappropriated profits, brought forward from 1958 total amount for distribution with the directors is Rs. 4.04 crores. The Board of Directors has recommended a dividend for the year of 18 nP per rupee of called-up Ordinary Share capital to be paid out of profits charged to income-tax. Of this dividend 15 nP per rupee of called up Ordinary Share capital was declared and paid in December, 1959, as an interim dividend. Now the remaining 3 nP per rupee of called-up Share capital is proposed to be paid as a final dividend.

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Manager

UNDER SECRETARY
OCT 1960
PUBLIC DEPARTMENT

Company Meetings

THE IMPERIAL TOBACCO COMPANY OF INDIA LTD.

Speech by the Chairman, Mr. F. A. Collett, at the Forty-ninth Annual General Meeting of the Company on 21st September, 1960

Ladies and Gentlemen,

I have much pleasure in welcoming you to this, the forty-ninth Annual General Meeting of the Company.

The Notice convening this meeting, the Report of the Directors and the Accounts have been circulated, and with your approval we will take them as read. I will now ask the Secretary to read the Report of the Auditors.

BOARD OF DIRECTORS

At the end of March this year, Mr. G. H. J. Clarke and Mr. D. B. St. John retired from the Board. Mr. Clarke had served the Company since the end of 1932, and had been a member of the Board for six years. He became Chairman of the Company in December 1955, and has presided over the last four General Meetings of the Company. I was appointed to the Board in December 1959, and following Mr. Clarke's retirement I was elected Chairman of the Company, in which capacity I aspire to serve you as well as my predecessor did.

Mr St. John first joined the Company in December 1928 and had been a member of the Board for six years, during which time he was mainly responsible for the Company's finances. We wish Mr Clarke and Mr St. John much happiness in their well-earned retirement.

In April this year Mr R. K. Banerjee was appointed Deputy Chairman of the Company, and I am quite sure that in this new capacity he will not only make a further substantial contribution to the progress of the Company, but will also prove invaluable in the assistance he will give me in my new appointment.

Also in April this year Mr. H. C. Reeve, who has served the Company for 27 years, was appointed to the Board.

Mr. J. R. Blaikie has recently resigned from the position of Secretary of the Company, and Mr. B. G. Pearson has been appointed as his successor.

ACCOUNTS

You will see from the Accounts in your possession that the net profit for the year has risen from Rs. 115 lakhs to Rs. 142 lakhs, some part of this increase being caused by a reduction in the rate of Income-tax and Super-tax from 51.5 per cent to 45 per cent, coupled with the discontinuance of Wealth-tax on Companies. This decrease in corporate taxation, however, has to be viewed in the context of the new basis of dividend taxation introduced by the Finance Act of 1959, whereby Income-tax is no longer deemed to be paid by the Company on behalf of the shareholders. You are all fully aware of the new provisions, and it is quite unnecessary for me to enlarge upon them.

Apart from this the Balance Sheet and the Profit & Loss Account call for no particular comment, so I will proceed with a review of the Company's activities.

PRODUCTION OF SPARE PARTS

The very necessary restriction on foreign exchange has made it difficult for the Company to obtain its essential requirements of spare parts for its production machinery. We therefore opened negotiations with the main suppliers of our cigarette making machinery with a view to obtaining increased manufacture of the required spares in India, and I am pleased to be able to tell you that on 1st July this year Molins of India Private Limited commenced manufacture in a new factory in Behala, near Calcutta. Part of the capital of Molins of India Private Limited is being subscribed by your Company, thus ensuring our active participation in the new venture, and we wish it every success.

LEAF TOBACCO SUPPLIES

You are probably aware that a very large proportion of the leaf tobacco which we use in cigarette manufacture is produced in Andhra Pradesh, where during the last two years the weather has been very unkind to the producers of flue-cured tobacco. In 1959 very heavy unseasonal rain was experienced at the end of January and the beginning of February—two vital months in tobacco cultivation—while in 1960 exceptionally high day temperatures, coupled with very low relative humidities, had a considerable influence on the quality outturn of the crop.

Events such as these, which lead to an embarrassingly large production of low-grade flue-cured tobacco, are, of course, beyond the control of the cultivator; but another, and perhaps a more serious, problem has arisen during the last few years when tobacco has been produced in undesirable growing areas, which has resulted in decided degradation in the tobacco whilst in storage. Fortunately Government are alive to this problem, which has received the earnest attention of the Indian Central Tobacco Committee, the Extension Staff of the Government of Andhra Pradesh, and the Experimental & Research Department of our main tobacco suppliers, Indian Leaf Tobacco Development Company Limited.

The efficient production of good quality flue-cured tobacco is of paramount importance not only to your Company, but also to India, for exports of unmanufactured leaf tobacco produce foreign exchange annually to the value of between Rs. 13 and Rs. 15 crores. The production of sub-standard flue-cured tobacco, coupled as it is with a tendency to increasing prices, must inevitably be viewed with disfavour by the importing countries, of which the United Kingdom is by far the most important, and they will naturally look elsewhere for their requirements if this undesirable trend is not halted.

It is most important that the cultivators lay far greater emphasis on following the cultural practices recommended by the Indian Central Tobacco Committee, and pay close attention to the proper harvesting, curing and handling of their products, for the alternative can only be continued production of unwanted low-grade flue-cured tobacco, with the inevitable loss of export markets.

NEW BRANDS

During the year under review, your Company has marketed several new brands, and with the Annual Report we have enclosed a folder depicting them. They have been designed to appeal to the changing tastes of the consumer and we are optimistic of their success. As Mr. Clarke told you last year, the marketing and advertising of new brands is expensive, particularly in the early stages, but sales in general are encouraging and we hope to reap the benefit of this year's expenditure in future years.

You will have noticed that two of the new brands depicted in the leaflet have filter tips. It is with regret that your Board has had to restrict the distribution of this type of cigarette because the filters are imported and so in short supply. However, the producers of these filters are at present negotiating with the Indiar Government for their production in India, and although the establishment of a new industry cannot be hurried, we look forward to the time when local manufacture of filters will enable us to give the consumer unrestricted supplies of this type of cigarette.

LABOUR RELATIONS

In his speech last year Mr. Clarke referred to the unsatisfactory operation of our factories at Monghyr due to the labour force being greater than was required for the output from that point. Although those conditions continued throughout the year under review, I am pleased to be able to tell you that as a result of improved forward requirements it has been possible to absorb some of the redundant labour by re-introducing a partial double-shift at Monghyr. At the same time we have, with the ready assistance of the Bihar Government and the Trade Union, been able to streamline the labour allocation to some extent and, as a result, we hope to operate more economically in future.

Elsewhere in the organisation also our relations with our employees have improved and it is now becoming more and more apparent to everybody that increased productivity is the only practical answer to increased benefits to the employees and the shareholders alike.

You will remember that in last year's Annual Report we included some photographs of the Company's residential training centre near Calcutta. The requirements of Staff development are by no means simple; however, it is felt that real progress in this field is being achieved and although the value of the staff training centre is difficult to assess accurately, your Board is convinced that it has been a worthwhile venture.

During the year we have extended our training activities and have started technical training for selected groups of employees at some of our production branches. This training is being carried out by our staff who have received the necessary guidance at the training centre, using the techniques of work study and training within industry. It is gratifying to know that as a result of these activities there has been a noticeable improvement in skills and at the same time an encouraging improvement in Management/Labour relations in the areas where the training has been carried out.

Your Company has continued to pursue its policy of providing amenities to its employees and of making working conditions as pleasant as possible. For some years the Company has provided free uniforms and subsidised canteens, given free medical attention in excess of statutory requirements and made annual donations to the sports clubs of the various branches. In addition to this, we have provided Institutes at some of our factories, the latest being the Clarke Institute at Bangalore, which was formally opened by the Governor of Mysore. A photograph of the Institute is reproduced no page 18 of the Annual Report.

A substantial donation was made to the new Saharanpur District Civil Hospital, thus helping towards adequate hospital and other medical facilities to the employees and their families at our Saharanpur branch.

Financial assistance has been given to certain Co-operative Credit Societies at branches where there was evidence of constructive self-help.

The efficacy of all these measures has been amply demonstrated by the increased output which we have been able to achieve. Under the scheme of productivity payments which is in operation in our factories, this increased output has resulted in financial benefit to our employees, all of whom I should like to thank for their continued co-operation.

PROSPECTS

During the first five months of the present financial year, sales have shown a welcome increase over the previous year, in the face of intense competition, and in fact have exceeded all previous records. It is too much to expect profits to keep fully in step with sales, partly because of rising costs and partly because of the continuing tendency of the smoker to switch to lower priced and less profitable brands. Nevertheless your Board had complete confidence in declaring a first interim dividend of 2-1/2 per cent, subject to tax, in respect of the year to 31st March 1961

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

NOTICE

NOTICE is hereby given that the Board of Directors of this Company have decided to recommend to stockholders at the forthcoming Annual General Meeting that a Final Dividend for the year ended 31st March, 1960, on the Company's Ordinary Stock at the rate of £4 per cent net (Tax applicable at 7.9d. in the £) be paid on the 14th November, 1960 to these stockholders whose names are registered in the Company's Stock Register on the 29th October, 1960.

Applications for transfers received in this office before 12 o'clock noon on Saturday, the 29th October, 1960, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

BY ORDER OF THE BOARD
H. C. BOWKER
Actg. AGENT

VICTORIA HOUSE,
Calcutta, 23rd September, 1960.

RUBY GENERAL INSURANCE CO., LTD.

CHAIRMAN'S SPEECH

Delivered at the Twenty-fourth annual General Meeting of the Shareholders of the Company held at 8, India Exchange Pl ace, Calcutta on Friday the 23rd September, 1960.

Gentlemen,

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

The Report of the Directors and the Audited Accounts for the year 1959 have been with you for some time and with your permission I take them as read.

The following net premium figures reveal the progress of the Company:

	1949 Rupees	1954 Rupees	1959 Rupees
Fire ..	20,97,000	32,76,000	57,01,000
Misc. Accident	32,31,000	37,11,000	57,13,000
Marine ..	8,15,000	12,79,000	20,04,000
	61,43,000	82,66,000	1,34,18,000

The Company has continued its progress which will be evident from the comparative premium figures of the last several years. The net premium for the year ending 31st December, 1959, and the Capital and Funds as at 31st December, 1959, stand at Rs. 1,34,18,000|- and Rs. 1,27,81,000|- as compared to Rs. 82,66,000|- and Rs. 84,53,000|- respectively as at the end of 1954.

FIRE DEPARTMENT: More attention is being given to develop the Fire Business as the results have been comparatively better. The working for the year shows a record profit of Rs. 11,50,000|-. However, there has been again a reduction in the Fire premium rates from 1st January, 1960, and it would have some effect on the working of the Department but it is hoped that with more attenion being given to develop the business of the Department, it would still show a reasonable profit.

MOTOR AND MISCELLANEOUS DEPARTMENT: The claims experience in this Department, particularly in the Automobile Section, which forms a major portion of the premium income, has been generally bad. We have however followed a cautious underwriting policy with the result that though there is a small reduction in the premium income but the working has greatly improved, which will be evident from the small loss incurred this year in the Department. The motor premium rates in certain sections have been increased from August, 1960, and it is hoped that it would result in some improvement in the claims experience of this Section. There is considerable demand of other types of Miscellaneous business and your Company is trying to develop these new types of business so that the portfolio may be more balanced and adverse results in one section do not upset the entire working of the Department.

MARINE DEPARTMENT: The working of the Marine Department shows a big loss on account of the jump in the Premium Reserve from Rs. 10,90,000|- to Rs. 16,04,000|- and the adverse claims experience, which is due to the increase in the Foreign Marine Hull business. Your Company has, however, taken steps to reduce the Foreign Hull business and it is hoped that the Department will show improved working in future.

The loss experience on the import shipments also continues to be rather unfavourable owing to unsatisfactory state of affairs in the various ports of the country. Several representations have been made to the Government, and I feel that it is high time the Government had considered necessary amendment in the Port Acts so as to define more definitely the Port Commissioners' liability for loss or damage to the cargo whilst in their custody.

Another important development which is intimately connected with the Marine Insurance Market is the introduction of a Bill in the Rajya Sabha to codify the law relating to the Marine Insurance in this country. It is understood that the matter is presently engaging the attention of the Government of India in the light of the views and suggestions offered by the various bodies and State Governments. With the passing of this Bill, which has already received the support of the various Commercial, Shipping and Insurance Organizations, a great lacuna would be removed.

You are aware, we are reorganising our Overseas business on the basis of the experience gained in the past and in view of the political changes in some countries in recent years which has resulted in contraction of the Overseas business, but it is hoped that this will show a better overall working result.

As is evident from the Balance Sheet, the Company has a very strong financial position, the Reserves amounting to Rs. 95,00,000|-, and there is an appreciation of Rs. 25,00,000|- in its Investment portfolio. It is gratifying to note that the Company continues to command the full confidence of its patrons and constituents.

It is time the Government of India and the Insurance Industry sit together and seriously consider the problems facing the industry at present and evolve practical working formulae to put this important industry on a sound footing. The Government should help the industry in maintaining its reputation and developing its business which is to the ultimate good of the country.

I hope you will join me in expressing our sincere thanks to the Executives, Staff, Agents, Field-workers and other representatives both in India and abroad for their close co-operation which enabled the Company to maintain the progress during the year under review. I also convey my thanks to our valued clients whose support has helped the Company to achieve this position.

I now move that the Directors' Report and Audited Accounts and Balance Sheet of the Company for the year ending 31st December, 1959, be approved and adopted.

Thanking you.

Note: In the absence of Shri B. M. Birla, who is out of India, the speech was delivered by Shri M. L. Shah, who presided over the meeting.

H. E. H. THE NIZAM'S CHARITABLE TRUST

SIXTH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH, 1960

1. The Trust was created by His Exalted Highness the Nizam of Hyderabad on the 14th June 1954, with a corpus of the face value of Rs. 4,90,00,000 (Rupees four crores and ninety lakhs) for relief of the poor, support of religious institutions, provision of medical aid, advancement of education and for any other object of public utility in India in general and particularly for people in the former State of Hyderabad.

2. During the year, the number of Trustees was increased to the maximum permissible under the Deed of Trust by the appointment of Prince Mukarram Jah Bahadur and Sir Said-ul-Mulk, Nawab of Chhatari; and Prince Mukarram Jah Bahadur was unanimously elected the permanent Chairman of the Board of Trustees under Clause No. 7 of the Trust Deed. The Board now consists of:—

(i)	Prince Mukarram Jah Bahadur (from 1-2-1960	.. Chairman
(ii)	Sir Said-ul-Mulk, Nawab Chhatari (from 1-9-1959)	.. Member
(iii)	Nawab Zain Yar Jung Bahadur	.. ,,
(iv)	Shri V. P. Menon	.. ,,
(v)	Mr. Shavax Ardeshir Lal Khan Bahadur C. B. Taraporvala	.. ,,
		.. Secretary

3. During the period under review, eight meetings of the Board of Trustees were held to deal with the affairs of the Trust, including the consideration of applications received from various public institutions and individuals for donations, lumpsum grants, medical aid, scholarships etc.

4. The Trustees received during the year a very large number of applications from poor and destitute persons, from unemployed people and poor students. The procedure employed in dealing with the applications was to obtain, where possible, the report of District Officers and heads of hospitals and educational institutions and sift the recommendations before assessing the quantum of assistance in each case. In the absence of such recommendations, the Trustees themselves caused proper investigations to be made before granting relief. The applications dealt with during the year under review are classified under the following broad categories, showing the relief or assistance granted:—

A. (i) 246 poor and destitute persons and widows, who are unable to work and have, therefore, no other means of income, were granted maintenance allowances ranging from Rs. 5 to Rs. 20 per mensem.

(ii) Special maintenance allowances ranging from Rs. 25 to Rs. 50 per mensem were paid to 17 widows and poor and destitute persons who had no other source of income.

(iii) 931 poor and deserving students were granted scholarships ranging from Rs. 10 to Rs. 20 per mensem.

(iv) 33 students were awarded special scholarships ranging from Rs. 25 to Rs. 100 per mensem, for higher technical studies.

In all 5,388 beneficiaries (practically all of whom belonged to Hyderabad), including those who were recipients of financial aid before, drew either maintenance allowances or scholarships under the four categories referred to above, as on 31st March 1960, and the total of such payments during the period under review amounted to Rs. 7,28,400.

B. 1,174 patients (almost all of whom belonged to Andhra Pradesh) suffering from T.B., Cancer, Leprosy and other diseases were granted lumpsum financial aid for medical relief. The total amount of medical aid granted to such patients, during the period under report amounted to Rs. 1,05,817.40.

C. 1,069 poor and deserving students (practically all of whom belonged to Hyderabad) were granted lumpsum financial aid, ranging from Rs. 50 to Rs. 200, towards payment of their admission fees, examination fees and for purchase of books, instruments etc. The total sum of such financial aid, during the year under review amounted to Rs. 98,000.95.

5. During the year under report, foreign scholarships and lumpsum grants for higher education abroad (including passage money) amounting in all to Rs. 1.59,000 were provided by the Trust. Almost all the recipients were residents of Andhra Pradesh and care was taken to select only those who had first class degrees to their credit or exceptional merit. In all 32 students have or are receiving financial aid from the Trust in foreign countries. (Appendix 'A')

6. Special lumpsum grants aggregating Rs. 8,13,548.30 were given to Schools, Athletic Institutions, Sanatoria and other beneficial objects of public utility. Most of the beneficiaries belonged to Andhra Pradesh (Appendix 'B')

7. Recurring grants for periods ranging from 1 to 3 years were granted to various educational and technical institutions, involving an expenditure of Rs. 1,73,000 per annum. A large majority of these institutions are situated in Andhra Pradesh (Appendix 'C').

8. During the year under review, the Trustees had to hold in abeyance the policy they have hitherto pursued of judiciously investing surplus funds in safe and promising industries (thereby incidentally promoting the industrial development of India and relieving unemployment) pending the report of the Auditors appointed by the Auditor General of India in terms of the Stay Order passed by the Supreme Court on 21st December 1959 with the consent of the parties. Under the said Order, the Auditors so appointed have been specifically entrusted with the task of enquiring into "the truth, the legality and the propriety of the various transactions and investments of the Trustees" besides auditing the accounts of the Trust from its inception. The Auditor General has appointed Messrs. A. F. Ferguson & Co., Chartered Accountants, for this purpose, and they have commenced their task from the 24th March 1960, and have not completed it at the time of this report. In the meanwhile, the surplus funds have been placed in short-term deposits with various scheduled banks and the Trustees have decided to invest a sum of Rs. 50 lakhs in Government Securities (preferably of Andhra Pradesh) when the loans are floated during this year. They have also decided to invest the maximum permissible amounts in Government Small Savings Schemes, and Rs. 10 lakhs in sound Preference Shares yielding 8 per cent per annum. The Trustees wish, however, to draw attention to the fact that due to the relatively lower yield of Government Securities, the current and future years income is likely to diminish appreciably, unless the shortfall is made good by higher income from other investments.

9. As will be seen from the audited accounts, the market value of the assets of the Trust has increased to Rs. 6,17,00,000 as against Rs. 5,84,00,000 shown last year and the income of the Trust has gone up from Rs. 34,92,720 to Rs. 41,03,142 in 1959-60. The Trustees have built up a General Reserve of Rs. 49,88,660.46, after setting aside Rs. 30 lakhs in a separate Orthopaedic Hospital Fund Account. The net profit on sale of shares, amounting to Rs. 7,31,405.25, has been carried, in total, to the 'Investment Fluctuation Reserve,' which now stands at Rs. 27,31,405.25.

10. During the year under report, the Trustees received offers for the purchase, at a profit to the Trust, of the entire holdings of the Trust in three companies, as these investments were the subject of comments in certain quarters. In the light of the independent and expert advice obtained by the Trustees, they accepted the highest offers received for the same and the Trust has thereby secured capital profits amounting to Rs. 14,39,500. As these transactions were completed by delivery partly before and partly after the 1st April 1960, the capital profits relating to the former, amounting to Rs. 7,07,000, is shown in last year's accounts, while the capital profits relating to the latter, amounting to Rs. 7,32,500, will appear in the current year's accounts.

11. The Trustees have decided to set apart Rs. 30 lakhs in short-term deposits with scheduled banks to meet the capital cost of the proposed Orthopaedic Hospital. All arrangements for setting up and maintaining the Orthopaedic Hospital have now been finalised. The hospital will be known as "The Nizam's Orthopaedic Hospital," the construction and equipment of which have been entrusted to an autonomous Governing Board consisting of the Trustees and the Secretary of H.E.H. the Nizam's Charitable Trust, for the time being, and four nominees of the Government of Andhra Pradesh viz., the Secretary, Health, Housing and Municipal Administration, the Secretary, Finance Department, the Director of Medical Services, Andhra Pradesh, and the Professor of Orthopaedics and Orthopaedic Surgeon, Osmania Medical College. The Trustees have further undertaken to make, after the completion of the hospital, an annual recurring grant to the Governing Board of a sum not exceeding Rs. 7 lakhs, in two half-yearly instalments.

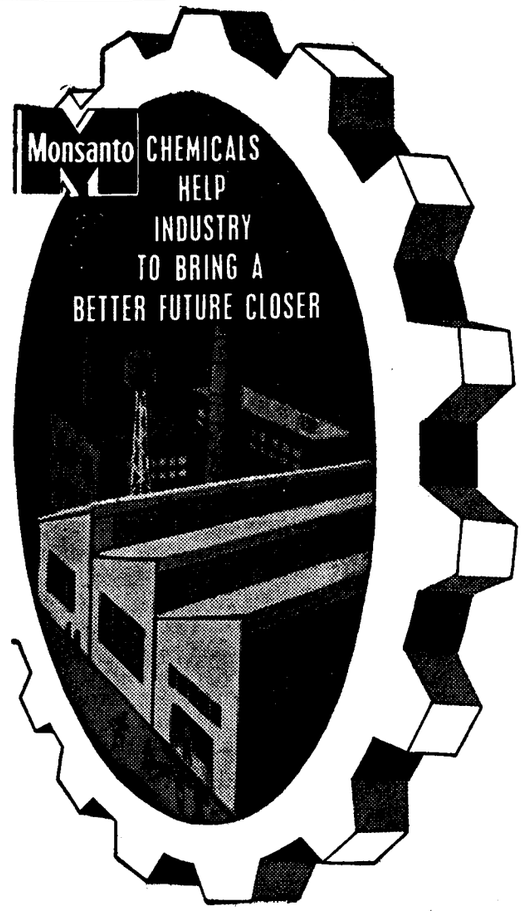
12. The other project to which reference was made in the previous Report, namely, the establishment of a school for training artisans and mechanics, is under the active consideration of the Trustees.

13. During the year under report, the Trustees framed Rules governing the grant of foreign scholarships from the Trust, and have invited, this year, applications for four foreign scholarships, two in Mechanical Engineering, one in Metallurgy and one in Pharmacology. In accordance with the above Rules, the Trustees have entrusted the selection of the candidates for foreign scholarships to three separate committees of experts who will make their recommendations after interviewing the candidates, if necessary.

(SD.) C. B. TARAPORVALA
Secretary

(Sd.) MUKARRAM JAH
(Sd.) AHMAD SAID
(Sd.) ZAIN YAR JUNG
(Sd.) V. P. MENON
(Sd.) S. A. LAL

Trustees



Monsanto works constantly both to develop new, better chemicals—and to improve those chemicals already used in every major industry.

PHARMACEUTICALS
acetylsalicylic acid, phenacetin, benzoic acid, phenol, phenolphthalein, germicides are but a few of the many Monsanto products in this field.

RUBBER
Monsanto's accelerators help speed vulcanisation, add quality. Anti-oxidants improve resistance, prevent early cracking, give increased flexibility.

TEXTILES
Monsanto Syton is widely used in spinning cottons and woollens, increases yarn strength, allows for reduction in twist.

PRESERVATIVES
Monsanto's pentachlorophenol chemicals help to preserve a wide range of products. Monsanto sodium benzoate helps prevent corrosion.

PAINT
Monsanto's chemicals are used extensively in the manufacture of high-quality paints, varnishes and lacquers.

SYTON is a Registered Trade Mark

Monsanto
chemicals for every industry.

MONSANTO CHEMICALS OF INDIA PRIVATE LTD.
Wakefield House, Sprott Road, Ballard Estate, Bombay 1.
Also at: Calcutta, Delhi and Madras.

Monsanto Chemicals Limited, London. Monsanto Chemical Company, St. Louis, U.S.A. Dependable service from Monsanto companies in London, Melbourne, Montreal, Paris, Bombay, Tokyo, Mexico, D.F., Buenos Aires and from sales representatives in all principal cities of the world.

L 29.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

A copy of the Prospectus having attached thereto the documents referred to hereafter has been duly delivered for registration to the Registrar of Companies, Bombay, as required by Section 60(2) of the Companies Act, 1956.

The Subscription list will open at the commencement of banking hours on the eighth day of October, 1960 and will close at the close of banking hours on the seventeenth day of October, 1960 or later at the discretion of the Directors, but not earlier than 12th October, 1960.

Application will be made to the Bombay Stock Exchange for permission to deal in and for an official quotation of the equity shares of the Company.

ANUH PHARMA LIMITED

(Incorporated under the Companies Act, 1956 on 19th February, 1960)

SHARE CAPITAL

AUTHORISED:	
5,00,000 Equity Shares of Rs. 10/- each.	Rs. 50,00,000/-
PRESENT ISSUE:	
1,00,000 Equity Shares of Rs. 10/- each.	Rs. 10,00,000/-

ISSUE OF SHARES FOR CONSIDERATION OTHER THAN CASH:

Out of the present issue of 1,00,000 Equity Shares of the face value of Rs. 10/- each, 10,000 Equity Shares of the face value of Rs. 10/- each are to be allotted as hereinafter mentioned to Dr. G. Krishna Murty, Shri Madhav Vasudeo Pathak, Shri Vinodrai Mansukhlal Shah, Mrs. Sharadabai Krishna Murty, Shri Chitrasen Krishna Murty (minor) and Shri Krantikumar Gudibanda in terms of the draft Agreement referred to, in Article 5 of the Articles of Association in part payment of the price for the sale of their business of Messrs. Anuh Pharma carried on by them in partnership, for consideration other than cash. The allotment of the aforesaid 10,000 Equity Shares is in payment of the price of the goodwill of the said business of the Vendors. Rs. 1,00,000/-

ISSUE OF SHARES FOR SUBSCRIPTION IN CASH:

The Promoters, Directors and their friends have agreed to subscribe for and take 10,000 Equity Shares of the Company of the face value of Rs. 10/- each by payment in cash for the said shares. Rs. 1,00,000/-

The balance of 80,000 Equity Shares of the face value of Rs. 10/- each is now offered for public subscription in cash at par in terms of the Prospectus. Rs. 8,00,000/-

Rs. 10,00,000/-

The present issue of Equity Shares except the Shares to be allotted to the Vendors as aforesaid for consideration other than cash shall be payable as follows:

On application — Rs. 2.50 per share.
On allotment — Rs. 2.50 per share.

The balance of Rs. 5/- per share will be called in two instalments of Rs. 2.50 each at the discretion of the Directors at intervals of not less than three months between each call and prior notice of at least thirty days shall be given in respect of each call.

Failure to pay allotment money or any cash when due will render shares liable to forfeiture.

Applications should be for a minimum of 50 shares or any multiple of 50 shares.

MINIMUM SUBSCRIPTION

The minimum subscription in respect of the present offer on which the Directors will proceed to allotment is Rs. 3,00,000/-.

FINANCIAL REQUIREMENTS

The estimated financial requirements for implementing the manufacture and research programme contemplated by the Company will comprise of the following:

(1) Part of the consideration payable to the Vendors. ...	Rs. 22,101/-
(2) Preliminary expenses including brokerage and remuneration. ...	Rs. 60,000/-
(3) Costs of land and building. ...	Rs. 3,00,000/-
(4) Costs of machinery, laboratory apparatus and other equipment. ...	Rs. 3,00,000/-
(5) Working Capital. ...	Rs. 3,00,000/-
	Rs. 9,82,101/-

While part of the above expenditure may be postponed, recourse may also be made to borrowings for part of the requirements as and when necessary.

DIRECTORS

SHRI P. R. SUBRAMANYAM, Stock Broker, Bombay (Chairman).
SHRI P. V. PAKVASA, Solicitor, Bombay.
SHRI N. T. KHANDWALA, Businessman, Bombay.
SHRI SEVANTILAL K. SHAH, Businessman, Bombay.
DR. G. KRISHNA MURTY, Consulting Physician, Bombay (Technical Director).
DR. SURESHCHANDRA C. SHETH, Honorary Physician, Dr. Balabhai Nanavati Hospital, Bombay.
DR. V. P. BHAT, Physician, Bombay.
SHRI M. V. PATHAK, Businessman, Bombay.
SHRI V. M. SHAH, Businessman, Bombay.

BANKERS:

(1) **Bank of Baroda Limited,**
12, Apollo Street, Bombay-1.
And their branches at New Delhi, Kanpur, Calcutta, Madras, Bangalore, Ahmedabad, Cochin, Coimbatore & Hyderabad.
(2) **The Union Bank of India Limited,**
Dalal Street, Bombay-1.
And their branches at Calcutta, New Delhi, Madras, Bangalore, Coimbatore, Madurai & Cochin.
(3) **Canara Industrial & Banking Syndicate Limited,**
Pherozshah Mehta Road, Bombay-1.
And their branches at Madras, Mangalore, Coimbatore, Cochin & Bangalore.

LEGAL ADVISERS:

Messrs. Tyabji Dayabhai & Co., Solicitors,
Lentin Chambers, Dalal Street, Bombay-1.

AUDITORS:

Messrs. Hariharan & Co.,
Chartered Accountants, 70-A, Stock Exchange Building,
Apollo Street, Fort, Bombay-1.

MANAGING BROKERS:

Messrs. P. R. Subramanyam,
70-A, Stock Exchange Building,
Apollo Street, Fort, Bombay-1.

OFFICIAL BROKERS:

(1) **Messrs. Maconochie & Co.,**
Post Box No. 291,
Mercantile Bank Buildings,
First Line Beach,
Madras-1.
(2) **Messrs. Somayajulu & Co.,**
337, Thambu Chetty Street,
Post Box No. 1263,
Madras.
(3) **Messrs. G. M. Pyne,**
Allahabad Bank Building,
14, India Exchange Place,
Calcutta.
(4) **Messrs. M. Nanjappaiah Jahgirdar,**
Post Box No. 71,
181, Cavalry Road,
Bangalore.

REGISTERED OFFICE:

100, New Citizen Bank House,
Carnac Road,
Bombay-1.

CONSENT

The consent in writing of the Directors, Auditors, Managing Brokers, Official Brokers, Bankers and Legal Advisers to the Company to act in their respective capacities has been obtained and has been fixed with the Registrar of Companies, Bombay as required by Section 60 of the Companies Act, 1956 and none of them has withdrawn the consent given.

OBJECTS

The Company was incorporated on 19th February, 1960 with the objects mentioned in the Memorandum of Association, a copy thereof is annexed hereto and forms part of the Prospectus. The main object of the Company is to acquire and take over as a going concern the business now carried on in partnership at Bombay under the style and firm name Messrs. ANUH PHARMA.

PROSPECTS

The business being taken over by the Company from the said Partnership Firm ANUH PHARMA has been marketing for a short period of one and a half years pharmaceutical products based on the valuable research made by Dr. G. Krishna Murty since 1936 resulting in a number of drugs of scientific and commercial value. The said firm has been doing business on a small scale without any capital equipment and with limited working capital from September, 1958 to February, 1960.

The raw drugs had to be bought in small quantities and at higher prices and so the products had to be priced high. The products manufactured were all for specific diseases, and they had to be detailed only to the medical profession for which the propaganda machine was insufficient because of limited capital. For want of capital, sales and propaganda experts could not be employed. And therefore the working results of the vendor firm during the period September, 1958 to February, 1960 as disclosed in prospectus have not been profitable.

The future of the Industry cannot be based on the initial working during this short period. The results of the research of Dr. G. Krishna Murty are well-known. The drugs on which he has worked have high scientific and commercial value. When the Company can buy raw material at low cost in bulk and when the products are manufactured at the Company's own factory the selling price can be brought down. When the Company can manufacture the active principles of these drugs, they can be exported to foreign countries. In addition, with an efficient sales and propaganda department the products now marketed and other new products can have a large turnover and yield ample profits to enable payment of fair dividend on the capital employed besides provision for research and expansion work. It is estimated that the turnover during the 13 months ending 31-3-1961 may be about Rs. 5,00,000/- and in the second year it is expected that the turnover will be about Rs. 10,00,000/- with scope for further increase.

AGREEMENT

One of the main objects of the Company as contained in Clause No. 1 of the Memorandum is to acquire and take over as a going concern the business carried on in partnership at Bombay under the name and style of "ANUH PHARMA" together with the goodwill thereof and all its assets and liabilities and to enter into an Agreement referred to in Clause 5 of the Articles of Association of the Company and to carry the same into with or without modification.

The consideration for the sale of the said business is to be satisfied by allotment of shares of the Company as hereinafter mentioned and partly in Cash.

The consideration for the Goodwill of the said business is Rs. 1,00,000/-. The said consideration of Rs. 1,00,000/- is payable in two instalments of Rs. 50,000/- each. The first instalment of Rs. 50,000/- is payable on the completion of the sale of the said business and after the registration of the Company, and the same shall be paid and satisfied by allotment to the Vendors or to their nominee or nominees 10,000 Ordinary Shares of the face value of Rs. 10/- each in the capital of the Company on which a sum of Rs. 5/- per share shall be credited as Paid-Up thereon. The Vendors shall accept such partly paid-up shares of Rs. 5/- per share to be credited as Paid-Up thereon as aforesaid in payment of the first instalment of Rs. 50,000/- payable as aforesaid in part payment of the first instalment of Rs. 50,000/- payable as aforesaid in part payment of consideration for the Sale to the Company for Rs. 1,00,000/- payable

to the Vendors for the Goodwill of the Vendors' business.

The second instalment of Rs. 50,000/- shall be paid on or before 30th June. 1961 and the same shall be paid and satisfied by a further sum of Rs. 5/- per share being credited as Paid-Up on each of the Shares allotted to the Vendors as aforesaid on or before 30th June, 1961. The Vendors shall accept the same in payment of the balance of the consideration money namely Rs. 50,000/- payable to the Vendors for the goodwill of the Vendors' business.

The said 10,000 Ordinary Shares of the Company to be allotted to the Vendors as aforesaid are to be allotted by the Company as stated in the said Agreement between the Company and the Vendors for the sale of the said business.

Part of the consideration for the Sale of the said business of the Vendors shall be the payment to the Vendors the value of Stock-in-Trade and other assets of the Vendors in Cash. The value of the said Stock-in-Trade and other assets of the Vendors is to be such sum as to be certified by Messrs. Hariharan & Co., Auditors of the Company to be the fair value thereof. The Auditors have now certified the value of the Stock-in-Trade and all other Assets of the Vendors as Rs. 1,49,557/-. The liability of the Vendors as on the said date is Rs. 1,27,456/-. Accordingly the amount payable to the Vendors in cash is Rs. 22,101/- as part consideration for sale of their business to the Company. (A copy of the said Certificate is available for inspection at the Registered Office of the Company on any week day from 11-0 a.m. to 4-0 p.m., and on Saturdays between 11-0 a.m. and 2-0 p.m. except on public holidays) as on 1st March, 1960 the date on which the Company has agreed to take over the business of the Vendors.

As the residue of the consideration, the Company has undertaken to pay and discharge and fulfil all the debts, liabilities, contracts and engagements of the vendors in relation to the said business and to indemnify the Vendors against such liabilities.

Under the said Agreement from the 1st March, 1960, the Vendors have agreed to carry on the said business in the same manner as heretofore carried on, so as to maintain the same as going concern and they shall from that date namely 1st March, 1960 be deemed to have been and to be carrying on such business on behalf of the Company from 1st March. 1960 and shall account and indemnify accordingly.

As part of the Agreement for Sale, the Company has agreed to pay a remuneration of Rs. 18,000/- per year to Dr. G. Krishna Murty for services rendered and to be rendered to the Company.

As part of the Agreement, the Company has agreed for the payment of royalty at the rate of 5 per cent of the net sales value (i.e. gross value less the trade discount) of the products standardized or the formulae given by the said Dr. G. Krishna Murty.

Dr. G. Krishna Murty has volunteered to accept a reduced royalty of 2½% on net sales value instead of 5% on net sales value (as per the agreement) with a view to help the Company.

Dr. G. Krishna Murty has further volunteered to forgo the royalty of 2½% of the net sales value for the period of the first two years with a view to help the Company in the initial stages.

The Company is fortunate in securing the services of Dr. G. Krishna Murty as its Technical Expert. Dr. G. Krishna Murty who is the founder of ANUH PHARMA is a highly qualified physician in the Ayurvedic System and has an excellent background of research experience in indigenous drugs for 30 years. Though an Ayurvedic Physician, he is well versed in modern clinical medicine, pathology and method of investigations in the allopathic system. He is essentially a research worker and a therapeutic clinician and as such has succeeded in finding out a number of indigenous drugs.

Dr. G. Krishna Murty has hitherto assayed clinically six vegetable drugs which are marketed by ANUH PHARMA by their registered trade names—RUDANIL, UGRATIN, NISPAN, SISANAL, PUSHADIN and ORBITRI. Besides these there are two more products e.g. ARUPIN and SAMANIL which contain more than one ingredient and these are in accordance with the principles mentioned in the Ayurvedic texts.

RAW MATERIALS

The main raw material viz. RUDANTI fruits are available in plenty in Konkan Region in the West Coast of Bombay and Mysore States and Goa. These fruits are seasonal being plucked in April and May. Other raw materials like Embelia ribes. Acorus Calamus, Balsamodendron etc. are also easily available in plenty.

PRELIMINARY EXPENSES AND BROKERAGE & REMUNERATION

The preliminary expenses including the expenses of this issue and including brokerage and remuneration which may be payable by the Company is estimated at Rs. 60,000/-.

A brokerage at the rate of 15 nP per share will be paid on allotments in respect of applications bearing the stamp of a Bank or a Member of the recognised Stock Exchange. The Managing brokers will further be entitled to a lump sum remuneration of Rs. 10,000/- for managing the issue.

APPLICATIONS AND ALLOTMENT OF SHARES

Applications for equity shares must be for 50 shares or multiples of 50 shares.

Application for shares must be made on the forms accompanying this Prospectus further copies of which may be obtained from the Registered Office of the Company or from any of the Bankers of the Company or from the Brokers of the Issue.

Applications must be completed in accordance with the directions contained therein and delivered before the closing of the subscription lists together with the remittance of the amount payable on application to the Company's Bankers or the Company's Managing Brokers and Official Brokers.

All cheques or drafts drawn on Banks situated at places other than those mentioned above should include a sum at the rate of 25 nP per cent (minimum 65 nP) of the amount remitted to cover all the commission and Bank charges; otherwise, the application is liable to be rejected.

Allotment will be notified by the despatch of an allotment letter.

Where no allotment is made the deposit will be returned in full and where the number of shares allotted is less than the number applied for, the balance deposit will be applied towards the amount remaining payable on the shares allotted and any balance thereafter remaining will be returned. The Directors reserve the right to refuse any application wholly or in part without assigning any reasons.



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Manufactured by CENTURY SPG. & MFG. CO. LTD., Bombay 1.

Agents for Delhi State:
Messrs. TEXTILE (India) AGENCIES
Shree Mahalaxmi Bullion Exchange,
1397, Chandni Chowk, Delhi-6.

Agents for Punjab:
Messrs. MOTIRAM MEHRA & CO.,
Old Cloth Market, Amritsar.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108 2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
June 1959 ..	118.7	97.6	115.9	120.3	108.2	109.3	109.1	115.6
July ,, ..	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
August ,, ..	121.7	98.3	115.5	119.4	109.2	109.5	109.5	117.1
June 1960 ..	120.3	109.5	118.5	139.6	127.2	118.6	119.8	122.9
July ,, ..	124.0	109.6	119.5	137.2	130.4	119.4	121.0	124.7
August ,, ..	123.9	106.7	119 4	137.0	130.1	121.0	122 3	125.0
20-8-1960 ..	122.4	104.7	119.6	135.9	130.0	121.1	122.4	124.0
27-8-1960 ..	123.5	104.2	119.6	137.2	129.2	121.6	122.7	124.9
3-9-1960 ..	124.1	104 5	119.6	137.0	129.4	121.8	122.9	125.2
10-9-1960 ..	124.1	103.2	119.6	138.8	129.2	121.2	122.3	125.3

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi	Bengal	U. P.	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras	E. P.	Bihar	All India†
									Madras June 1936 = 100			
1939 (Aug-Dec.)	103		—	—	—	105	104		106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	—	154	399	460	510	165*	462	167	164*	171
July	406*	425*	—	160	406	—	—	165*	467	169	164*	174*
August	—	—	—	160	—	—	—	—	470	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED: 23-9-1960 High	23-9-1960 Low	23-9-1960 Average	16-9-1960 High	16-9-1960 Low	16-9-1960 Average	9-9-1960 High	9-9-1960 Low	9-9-1960 Average	2-9-1960 High	2-9-1960 Low	2-9-1960 Average
Gold (per fine tola)	136.31	134.87	135.65	136 34	134.37	135.32	134.62	133.44	134.43	134.56	133.44	133.97
Silver (per 100 fine tolas)	227.00	225 25	226.14	226.62	225.12	225.86	225.87	223.94	224.84	225.19	222.62	223 88

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES: Demand	LIABILITIES: Time	LIABILITIES: Total (2+3)	Cash (Notes + Coins)	Balances with Reserve Bank	5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
(1)	2	(3	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60 48	306,34
1953-54 ..	526,75	328,25	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59	733,93	860,33	1,526,26	40,30	83,99	7.74	766,56	133,27†	58.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	728,20
Average of Fridays										
March 1960 ..	768,84	1154,11	1,922,96	56,88	79,67	7.10	930,20	166,32†	57.02	749,40
April ,, ..	800,17	1162,83	1,963 01	51,40	89.55	7.18	950,14	177,77†	57.46	729,23
May ,, ..	785,27	1193,71	1,978,98	48,84	90,72	7.05	964,21	167,88†	57.21	744 91
June ,, ..	790 17	1203,95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
July ,, ..	792,72	1215,71	2 008,43	48,19	112.01	7.98	979.13	147,95†	56.12	735.74
August ,, ..	792,95	1212,04	2,004,98	46,35	110,46	7.82	966,68	149,15†	55.65	739,09
Week Ending										
19-8-1960 ..	794,60	1215,39	2,009 99	46,93	113,38	7.98	961,15	149,88†	55.28	729.64
26-8-1960 ..	801,55	1212,08	2,013,63	45,50	110,62	7.75	955,23	148,41†	54.81	744,93
2-9-1960 ..	796 89	1193 75	1,990 64	48,04	107,60	7.82	981,59	147,67†	56.73	748,49
9-9 1960 ..	774 91	1193 65	1,968 56	46,86	111,79	8.06	979,44	146.81†	57.21	736.05
16-9-1960 ..	777,33	1184,68	1,962,01	46,12	93.91	7.14	981,74	145,89†	57.47	729,36

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public: Total	Deposit money with the public: Demand liabilities of banks	Deposit money with the public: Other deposits with Reserve Bank†	Total variations in money supply
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55 ..	1.920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+75.94
1958-59 ..	2,498,75	1 724,53	774,23	754,98	19,25	+109,92
1959-60	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+203,44*
February 1960 ..	2,620.36	1,826.19	794,16	778,57	15,59	+30,25
March ,, ..	2 703 13	1,862 72	840.41	818,62	21,79	+82,77
April ,, ..	2 746 34	1,912 94	833 40	812 81	20 58	+43,21
May ,, ..	2,724 89	1,895,82	829 07	809 97	19.11	—21,45
June ,, ..	2,703 26*	1,869 02*	834 24*	811.33*	22 92	—21,63*
July ,, ..	2,670,38*	1,826,20*	844,18*	814,00	30,18	—32,88*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

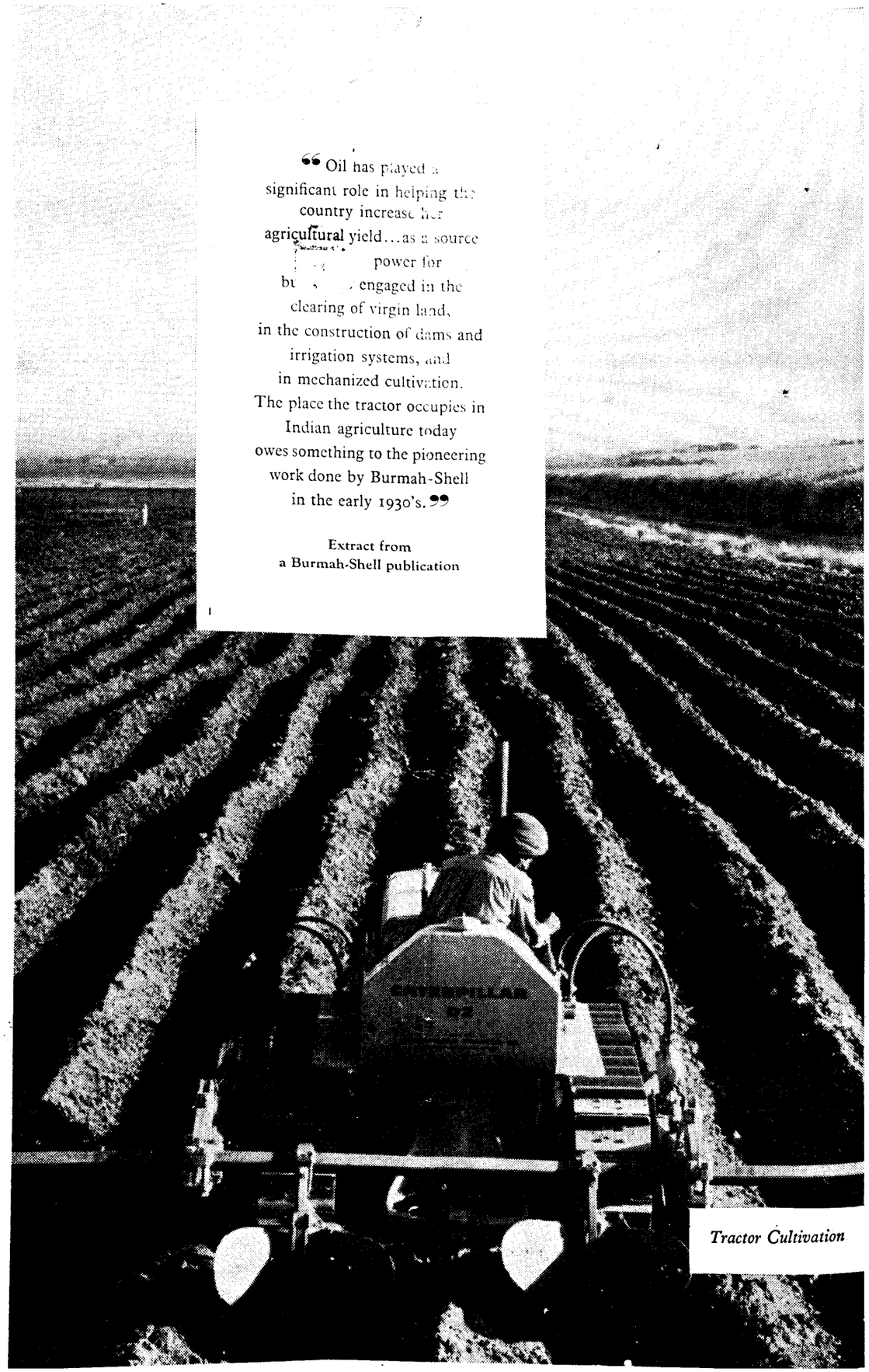
PURPOSE - WISE DISTRIBUTION OF WORLD BANK LOANS

JUNE 30, 1960

(Millions of U.S. Dollars, net of cancellations and refundings)

Purpose	Total	Areas: Africa	Asia and Middle East	Australia	Europe	Western Hemisphere
Grand Total	5,067.9	771.9	1,568.8	317.7	1,356.5	1,053.0
Development Loans: Total	4,571.1	771.9	1,568.8	317.7	859.7	1,053.0
ELECTRIC POWER						
Generation and Distribution	1,604.9	178.0	441.3	29.3	333.0	623.3
TRANSPORTATION	1,526.2	418.2	617.0	132.3	68.4	290.3
Railroads	778.6	263.2	348.9	37.3	2.3	126.9
Roads	388.4	87.8	112.0	50.9	—	137.7
Shipping	12.0	—	—	—	12.0	—
Ports and Waterways	226.3	17.2	136.5	—	46.9	25.7
Airlines and Airports	56.9	—	5.6	44.1	7.2	—
Pipelines	64.0	50.0	14.0	—	—	—
COMMUNICATIONS						
Telephones, Telegraph and Radio	23.9	1.5	—	—	.2	22.2
AGRICULTURE AND FORESTRY	375.7	31.2	84.7	103.4	87.8	68.6
Farm Mechanization	119.8	—	—	89.4	2.0	28.4
Irrigation and Flood Control	187.0	15.5	69.9	6.0	73.3	22.3
Land Clearance; Land and Farm Improvement	41.1	13.7	13.8	6.0	2.1	5.5
Crop Processing and Storage	7.0	1.0	—	—	4.2	1.8
Livestock Improvement	12.6	1.0	1.0	—	—	10.6
Forestry	8.2	—	—	2.0	6.2	—
INDUSTRY	835.4	103.0	350.8	52.7	280.3	48.6
Iron and Steel	338.1	—	302.0	13.4	22.7	—
Pulp and Paper	113.7	—	4.2	1.1	88.4	20.0
Fertilizer and other Chemicals	57.0	—	—	.3	56.7	—
Other Industries	94.0	—	5.2	23.7	58.8	6.3
Mining	149.0	101.0	—	14.2	12.0	21.8
Development Banks	83.6	2.0	39.4	—	41.7	.5
GENERAL DEVELOPMENT	205.0	40.0	75.0	—	90.0	—
Reconstruction Loans: Total	496.8	—	—	—	496.8	—





"Oil has played a significant role in helping the country increase her agricultural yield...as a source of power for bulldozers engaged in the clearing of virgin land, in the construction of dams and irrigation systems, and in mechanized cultivation. The place the tractor occupies in Indian agriculture today owes something to the pioneering work done by Burmah-Shell in the early 1930's."

Extract from a Burmah-Shell publication

Tractor Cultivation

THE EASTERN ECONOMIST

VOL. XXXV. NO. 15 NEW DELHI: OCTOBER 7, 1960. ONE RUPEE

UNDER SECRETARY TO G... 10 OCT 1960 PUBLIC DEPARTMENT

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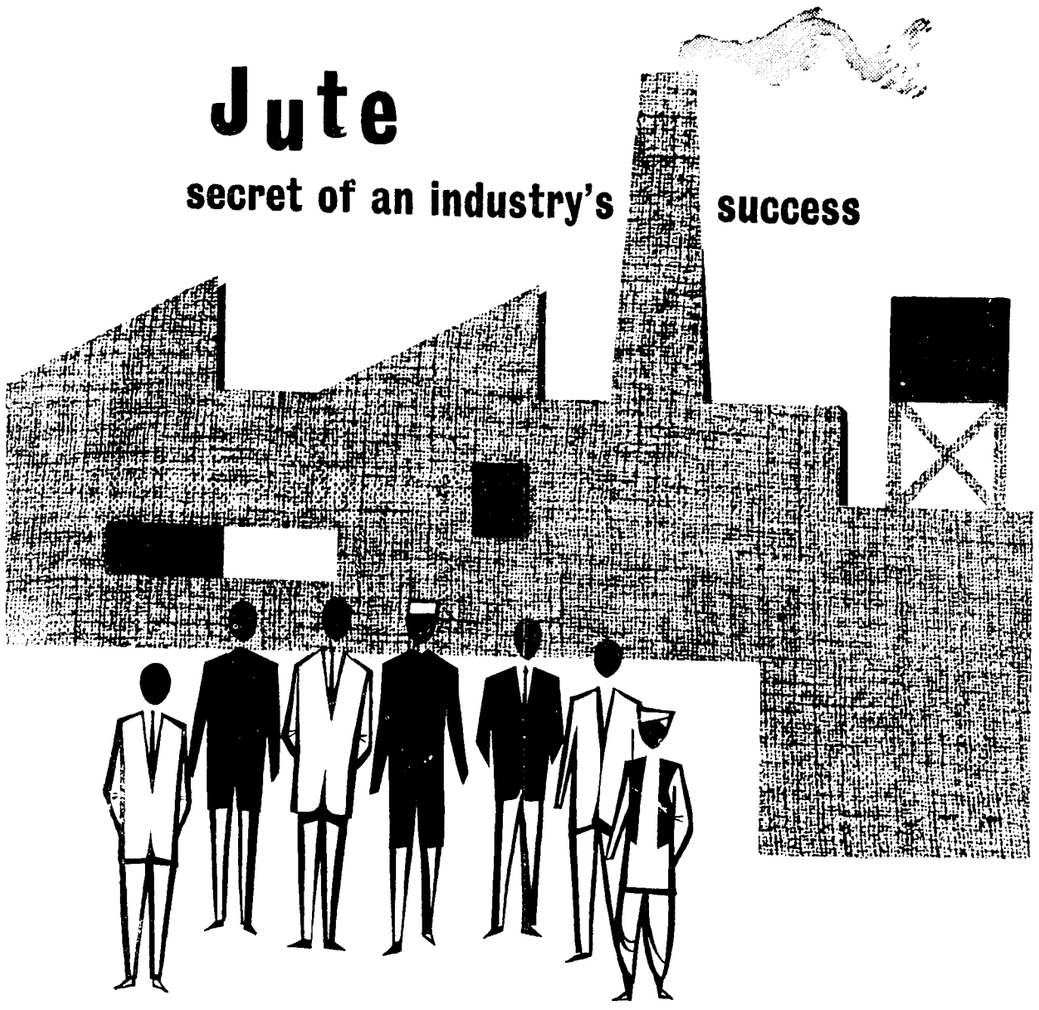
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With a membership of 70 companies, comprising 100 manufacturing units, the IJMA represents almost 95% of the total jute loomage in India.

Providing employment to millions of farmers, traders and mill-workers . . . earning about Rs. 115 crores annually in foreign exchange . . . contributing large sums in taxes to the State and Central Exchequers — the Indian jute industry occupies a prominent place in the nation's economy.

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The Indian Jute Mills Association looks forward to serving the Indian jute industry in ever-increasing measure in the years to come.

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IWT IJM 4292

The Eastern Economist

OCTOBER 7, 1960

Development Imports: How, When, How Much?

AT a time when the front pages everywhere are devoted to the international political debate, it may seem anachronistic to give *The Eastern Economist's* first page to import policy. There is, however, hardly any major economic problem in India which, over the next few years, can escape from the obsession of foreign exchange, and, because imports involve the expenditure of scarce foreign exchange, the priorities which now operate are of the highest national importance. It is a little odd that the current import trade policy for the licensing period October 1960 to March 1961 announced this week, has not been analysed critically either by businessmen or by the Press. On the surface, it has been made to look as though it contains only minor adjustments and that production is likely to be well maintained with only some token restrictions on certain consumer goods and a small reduction of Rs. 3 crores in the allocations of established importers. This superficial view, however, will not bear scrutiny. Beneath the skilful presentation of the new import policy and the Press release — which has attempted to sugar-coat the pill — there are hard realities which the country needs to recognise.

In the first place, there is a formidable list of items — twenty in all — for which the import policy is to be announced "later". These include certain varieties of paper, photographic negatives, watches, and tyres and tubes as well as some producer items. It is difficult to assess the order of magnitudes here, but if considerable restriction is imposed on this section — while the purpose of delay is the hope of avoiding cuts—quite severe hardship might be caused. In regard to the rest, the total savings on account of foreign exchange might be of the order of Rs. 25 crores in a half year and assuming, as is often contended, that our current imports are fairly tight, the actual cuts must cause some considerable dislocation in particular fields. But this is not in itself the major issue; the question is what is likely to happen to development imports in the future. The current trade policy has left the whole question of new orders in animated suspense. The position is that, except in respect of tied and sanctioned projects, no new orders can be placed. Development, as distinguished from maintenance, is at a standstill except for rupee imports.

If import trade policy for a year or two should continue on the basis of the half year trade policy now announced — and how can this be avoided unless very substantial credits for the Third Plan are immediately available? — a great hiatus will take place between development in the next two years as against the last three. This is, in fact, the beginning of a serious recession in the pattern of Indian development. This will not impede development in areas, such as steel and engineering, where local production rises as a result of investment which has already taken place. But if anyone should argue that the tempo in the first two years of the Third Five-Year Plan can be equal in terms of investment involving foreign exchange to what has happened between 1955 and 1959, he is clearly arguing without the facts. A sum of about Rs. 500 crores additional will need to be underwritten if the tempo of development imports is to be the same as in the last three years. This has not hitherto been underwritten and only the rupee payment sector is making headway at the present time and that, too, not markedly different in pace from before.

What can be done to make amends in local production and in any other form of self-help to avert the crisis? There is some considerable evidence that capacity has been created in excess of requirements in several industries, and that one can hold back on certain areas of the Plan in the light of the unutilised capacity which is becoming more apparent with the reduction in raw material imports. At the same time, obviously the best method by which we can obtain our imports is to study clearly our capacity for extending ourselves to the limit on the export front. Here too, there has been too little understanding of what can be done by processes of intelligent diversion from home to export markets.

If the new import policy should produce — as apparently it has been designed to produce — complacency, it will be doing a great disservice to the country. It should be understood — as, in fact, it is — as a stringent discipline applied to a country against a level of development it has so spaciously planned. Discipline implies new regulation and denial. New regulations must be reflected in the planning of new development, as well as in the planning of exports. We cannot escape from the foreign exchange bottleneck unless we analyse, far more carefully than we have hitherto done, the errors of past developments which have resulted in unutilised capacity. We must also recognise that we must export much more if our development is not to be left entirely at the mercy of our friends abroad. This and not complacency should be the fruit of the new import policy. It is obviously a call for action.

The Uttar Pradesh Debacle

THE State Congress elections in Uttar Pradesh, held on October 4, have created a crisis of a serious magnitude which threatens the Cabinet. After the last minute failure at the top level to bring about a compromise between the two contesting groups it was quite obvious that the showdown would be bitter and complete. The dissidents have won a total victory over the ministerialists in one of the most keenly fought elections, 663 members out of 674 having cast their votes. Mr. C. B. Gupta defeated the ministerial candidate, Mr. Munishwar Dutt Upadhyaya, and cap-

tured the presidentship of the UPCC by 363 votes to 309. The second key post of treasurership was won by Mr. Charan Singh, former Revenue Minister, defeating Mr. K. P. Tripathi, the Home Minister in Dr. Sampurnanand's Cabinet. These two strategic contests have put the dissident group firmly in the saddle. There have been other major victories for it, including, notably, the capture of all the four posts of vice-presidentship. Factional rivalries which were seething for at least three years past have now culminated in a rift between the organisational and legislative wings of the State Congress Party. And in the process the High Command has suffered a rebuff. One might ask to what purpose has this rift been driven into the open? Surely someone has badly erred. Probably Dr. Sampurnanand above all.

If there was any issue of principle, which may be described as such in this contest, it was the maintenance of the independence of the organisational wing to enable it to function as a critic of ministerial policies to bring them into greater alignment with the declared creed of the party. At the State level this function diminishes in magnitude inasmuch as the apex body of the party is seized of it at least in fundamentals. But some of the force in this claim of the dissidents has been lost by the noticeable stress which they have placed on the policies of the State Congress in terms of groups. Acharya Jugal Kishore, who speaks with authority for the dissidents, has given proof of this emphasis in the statement he issued in reply to the statement of Dr. Sampurnanand. The gulf between the two wings of the party in the State has grown wider and this is a development which cannot but be a source of great trouble.

Mr. C. B. Gupta's return to effective power in the U.P Congress Committee within three years of his historic defeat in the last general elections to the legislature, followed by another defeat at a by-election, once again demonstrates that frustration in the hands of men with capacity for organisation and winning mastery over the party machine can be a dangerous instrument. Technically Mr. Gupta may be right in protesting against his description as a dissident, but by accepting the leadership of the dissident group he has identified himself with it. His installation in the position of supreme control of the Pradesh Congress Committee has given an accession of strength to the dissidents.

Dr. Sampurnanand has made, unwisely it would seem, the presidential election to the PCC an issue of confidence in his Cabinet and on the eve of the election he announced that Mr. C. B. Gupta's victory would be taken by him as a vote of no-confidence necessitating his resignation and, as a corollary, the resignation of the entire Cabinet. Immediately after the declaration of the result of the election he reiterated his intention to resign and he has now sought the permission of the Congress Parliamentary Board to do so. The election dispute is an internal issue of the State Congress organisation and might have been treated as such. Dr. Sampurnanand was in error to extend its scope and interpret it as an issue of confidence. Confidence or no-confidence in the Ministry is strictly and purely a question on which only the legislature (or at the party level, the Congress Legislature Party) can pronounce a constitutional verdict. The Ministry, it must never be forgotton, whatever the internal party stresses and strains, is responsible to the legislature. To make it removable by the party wing outside the legislature will be introducing a dangerous extra-constitutional principle or convention in direct subtraction of the sovereignty of the legislature. The fact that this crisis of first rate magnitude has arisen in the premier state of India makes it all the more incumbent on the Congress High Command to safeguard the constitutional position.

Who will take Dr. Sampurnanand's place? Who can heal the breach which the factions of three years' standing have brought to a head? Will the Congress High Command learn that when dissidents are driven to desperate straits, they can, under the Congress constitution, defy the High Command? Is it too late to heal the breach? One comment heard in Delhi sounds grim. It is to the effect that only Pandit Pant himself as Chief Minister of Uttar Pradesh is equal to the task.

West Germany in Washington

A RECENT announcement from Bonn that West Germany will raise a fund of DM 1000 million (Rs. 113 crores) to aid developing countries has to be read in the context of the proceedings of the world financial institutions that met in Washington last week. Dr. Per Jacobsson, the Managing Director of the International Monetary Fund, as well as Mr. Robert Anderson, the US Treasury Secretary, even from the outset, had raised the problem posed by West Germany by its large current surplus. The British Chancellor of the Exchequer, Mr. Selwyn Lloyd, who also harped on the theme of disequilibrium in world payments, quoted figures to show how in eight years ending 1959, German reserves rose by $4.500 million, Italian by $2,000 million and French by just over $1,000 million. The fact is in spite of the piling up of foreign exchange reserves, West Germany has continued to pursue a hard money policy which has on the one hand intensified the inflow of funds from abroad for profitable investments in Germany and has made investments abroad relatively unattractive to the Germans on the other.

It was, however, evident at Washington that the persistent volume of criticism was not entirely lost on West Germany. As a matter of fact, the original speech of the President of the Deutsche Bundesbank, Dr. Blessing, which was circulated earlier, was withdrawn at the eleventh hour and the substitute speech was meant as a concession to the prevailing sentiment. Though it was made clear that West Germany had no intention of revaluing the deutsche mark, there was the undoubted recognition that the answer to her growing surplus was an increase in exports of development capital. The Federal Minister for Economics, Dr. Erhard, who outlined the Government's attitude, gave hints of three approaches; one, 'concrete' plans for raising DM 1,000m. in the private sector; two, Government efforts to make available, "very substantial public resources"; and three, mobilisation of the capital market.

It is possible that these may have been short of expectations. For one thing, there was greater reliance on the private sector on short to medium credits over an unspecified period. So far as the public sector was concerned, there were no positive arrangements for large long-term loans on easy conditions. Again, in view of prevailing high German interest rates, the mobilisation of the capital market may also prove very difficult. But there is no need to take a too pessimistic view.

As pointed out by our West German correspondent in a recent despatch, there is an increasing awareness in responsible sections of public opinion in Germany of the country's wider responsibilities in aiding developing countries in Asia and Africa. One of the moving spirits of the Development Fund project is Dr. Hermann Abs, who was one of the "three wise men" who visited India on a World Bank Mission. As one of the authors of the report submitted to the World Bank President, he is committed to the view that the assistance required by the developing countries cannot be in the form of long or short-term loans on normal commercial terms since the resulting debt service liabilities would certainly impose an intolerable strain on the balance of payments position of these countries.

This is the crux of the problem. As Mr. Iliff, Vice-President of the World Bank, showed in his address, if the tempo of progress in the underdeveloped world is not to be dangerously retarded, some other forms of development financing must be made available on a substantial scale. What these are, he did not dilate, though he threw some hints here. Firstly, there is the International Development Association. Though it has the virtue of flexibility in its lending policies, its resources are too small for it to play more than a minor role. Secondly, as Mr. Iliff urged, there is need for a greater reliance on the multilateral approach of which the Aid-India Club is a supreme example. It is also noteworthy that the promised German contribution to the Indus Development Fund will be in the form of an outright grant and it is the first time that any German contribution to a project in a developing country has not taken the form of a hard loan normally tied to the purchase of German goods. This will certainly set a new precedent. Finally, it must be clearly recognised that the responsibility of the developed countries is not confined merely to the provision of capital for financing development. Their tariff and trade policies should also be adapted to the continuous change in the structure of international trade. "The historic transformation which is going on in the underdeveloped world today," Mr. Iliff said, "defies any general solution but it does offer infinite possibilities to the practitioners of economic development." How far these will be explored and utilised will remain one of the great problems in the immediate future.

The Cost of Dearer Bank Money

THE recent credit curbs, especially the directive of the Reserve Bank of India to the scheduled banks for raising the rate of interest on all advances by at least half per cent, have already resulted in creating certain doubts as well as a hesitant trend on the stock exchanges. Rightly, the dearer money policy of the Reserve Bank of India has been interpreted as a new charge on the profits of the corporate sector, and it is natural to expect contraction in credit and slowing down in business activity as a result of the higher cost of money. What is urgent is to know the probable volume of this contraction, if it can be estimated, and the particular sectors of the industrial picture where it is likely to emerge.

It may be stated here that the Reserve Bank of India's dearer money policy in 1957 failed to curb expansion in credit. The conditions were, however, entirely different at that time. In the middle of May 1957 when the Bank Rate was increased from 3½ per cent to 4 per cent and the effective borrowing rate against usance bills was raised to 4-1|5 per cent. the latent expansionary trend had remained unchecked under the impulse of larger deficit financing and the rising prices. The tempo of deficit financing in the current year has been slowed down and the anti-inflationary measures recently undertaken, especially on the food front, are expected to hold the price line. The enhancement in the cost of money is an additional factor which is likely to contribute its weight in arresting the inflationary pressure.

A precise estimate of the volume of decline in bank advances as a result of this measure is not possible, especially because the busy season is expected to commence within a fortnight. However, it is possible to determine in which sectors of organised industry the impact of the curbs might be heaviest. If the percentage of gross profits yielded by an industry in relation to the capital employed is lower than the rate of interest payable to the bank, it is likely that the industry would prefer to lower its volume of output by reducing the size of credit, instead of incurring losses by paying a rate of interest higher than the yield on capital. On the basis of this principle which is widely applicable because of its intrinsic validity, the analysis of profits made by the Reserve Bank of India may be used for locating the industries under pressure. In the August, 1959 monthly Bulletin, the Reserve Bank of India had published figures of gross profits as a percentage of total capital employed in 18 major industries covering 1001 companies. The results related to the years 1955 to 1957. It was shown that the gross profits had steadily fallen, on the average, between 1955 and 1957 from 10.2 per cent in 1955 to 7.4 per cent in 1957. There were wide variations in the return on capital employed amongst the 18 industries under scrutiny. The mineral oils industry in 1957 stood at the top of the list with gross profits at 16.3 per cent of the capital employed; at the other end of the scale stood the vegetable oil industry with a yield of only 2.5 per cent.

Let it be assumed that the present rate of return on the capital employed in Indian industry corresponds approximately to the average for the period 1955 to 1957. This is a legitimate assumption because it represents an average of a good year, a bad year and a normal year. If it is further assumed that the average rate of interest paid by industry before October 1, was 6 per cent and that it is now to be raised to 6½ per cent, it is certain that the bank borrowings will decline in the case of vegetable oil, jute textiles and trade. Without doubt, there would be units in other industries as well where, even though the average rate of return for the industry as a whole had turned out to be higher than 6½ per cent, the yield would be lower than this figure. There are other marginal industries such as chemicals, coal, cotton textiles and shipping where the yield on capital employed was very near the crucial 6½ per cent level. The pressure of higher cost of money in the case of these industries would be severe, though not as harsh as in the case of vegetable oil and jute textiles. If advances on this account dropped even five per cent and industrial production fell proportionately the gain of more stable prices might be deemed to be heavily bought. The danger, however, is greater. It is likely that the higher interest rate will work very unequally between large and small producers. Thus does the socialist pattern of society lose on the swings what it might gain on the roundabouts.

A DELHI DIARY

BIFOCALS, PLEASE

WITH the United Nations splashed heavily on every front page, Delhi has been in two minds as to whether or not international affairs merit the extraordinary attention which the Prime Minister's presence in New York imparts to them. There are some querulous people who think the Prime Minister has exhibited a wrong sense of proportion, leaving the crisis in Uttar Pradesh to overflow, while our efforts to provide a bridge in New York are not notably successful. I myself cannot help feeling that, while Prime Minister's presence was necessary in order to acquaint ourselves with the intractable obstacles to agreement, the powerful manner in which he has expressed himself is not likely to make greater friends for us in the West. I believe our support for China's candidature has been overdone. This, in fact, was contrary to a statement made by Mrs. Lakshmi Menon in the Rajya Sabha that, on this occasion, India would not sponsor the entry of China into the United Nations. Second thoughts have prevailed, it is believed here, under the influence of Mr. Nikita S. Khrushchev. If this is the only concession we are to make to the Russian Prime Minister, it would be well worthwhile. How else can one become a bridge unless one has some particular point of contact with both sides? Perhaps, the Prime Minister has rightly decided that he must balance his support to the West on the issue of the Secretary-General of the United Nations with his support to the entry of China into the United Nations, her act of aggression notwithstanding. It is a nice balancing act, but the question arises: Does an act of balance produce a political bridge? In this particular case, it is anybody's guess, but the first reaction seems to have been that the Prime Minister has leant a little to the Russian side, thereby dislodging his contact with the Western frontier. I am one of those who believe, unrepentantly, that efforts of this kind are not to be judged by whether or not they are successful. The Prime Minister has placed India's point of view well, though, it seems to me, a little too angrily for diplomatic exchanges. On the whole, public opinion in India will support his demand that the smaller nations cannot be excluded from expressing their opinions in the General Assembly on every issue of importance. Europe and America, in other words, cannot monopolise world decisions. Asia and Africa intend to force themselves on the attention of the World Assembly and, if necssary, to break their way in. Surely in the year 1960, when "the winds of change" have already been felt in South Africa, no sensible person will deny the claim of Africa and Asia to speak their minds out as frankly as both Jawaharlal Nehru and President Soekarno did. We, however, must recognise that, having said our piece, we cannot compel the West, or for that matter, the U.S.S.R., to deviate very markedly from the path which they have planned for themselves. At present our powers are not commensurate with our rights. Authority is getting dispersed but all too slowly!

CHARITY AT HOME?

This is a melancholy thought. But perhaps there is some consolation to be found that a similar dispersion of authority is becoming noticeable at home. Thus, in Uttar Pradesh this week neither the Prime Minister's influence nor that of the Home Minister has stopped a major ministerial reverse. Does this imply that dissident groups are likely to prove as inconvenient in domestic politics as the Asian and African elements in the World Assembly? The dispersion of power abroad is naturally welcome by all Indians, but will the Congress High Command look with equal satisfaction at the dispersion of its own power under the operation of democratic processes such as we have recently seen in Uttar Pradesh? I venture (greatly daring) to doubt whether the High Command will recognize that just as diversity of opinion is necessary in the World Assembly, it is equally desirable at home. If we are to modify the distribution of international power, may not someone suggest that charity begins at home? The dissidents at home surely have as much right to be heard as those that exercise power.

THE SPIRIT OF INDIA

Let me extricate myself from this hazardous position by referring to something on which complete unanimity is possible. This is in paying a tribute to the pageant play presented by the Catholic schools of Delhi on September 29 and October 1. The theme "The Spirit of India" was splendidly conceived and presented by children of four convent schools, Carmel Convent, Convent of Jesus and Mary, Presentation Convent, and Mater Dei Convent.

It was a splendid tribute to India's past, the period of Independence and then, in a somewhat more adventurous mood, into the needs of the future conceived partly in terms of the Plans and partly in terms of India's becoming an arch of peace and concord in the world. There were good likenesses of past greatness in Asoka, Manu, Akbar, Shivaji and more recently to Tagore, until one came by, as a process of natural growth, to Mahatma Gandhi, the presentation of whose message was splendidly done avoiding the dangers of presenting a glorious legend in human form. The whole of the tribute had a singleness of conception that Hindus, Muslims, Sikhs, on the one hand, and great periods of Indian history—Buddhist, Hindu, Muslim and Christian—on the other, all looked as though they formed a single piece. Perhaps that is a grotesque over-simplification of the conflicts that there have been within, but as an ideal of unity it looked at least for two hours and a half to be a real and abiding thing. The moral was well driven home that unity is the source of strength and that unity had to be found in the Spirit of India—which was one of spiritual values arrayed against materialism, godlessness and impurity. Not, indeed, that this spiritualism had to be otherworldly; there was need for engineers, doctors, teachers, and, of course, practical businessmen, in every walk of life. The little doctors and engineers, I noticed, got the greatest cheers of all. But the emphasis was always on two-way progress and working with loyalty to a spiritual, yet practical, tradition; maintaining a balance between material progress and the lofty ideals of the Gandhian vision.

Hillaire Belloc once said in a debate in the Oxford University Union, where the subject was: "Should women in Oxford be admitted to University degree?", that the subject was nonsensical "for where all are perfect, there can be no question of degree." In much the same way, I will not choose to allocate praise. It seemed that the whole conception was so good that there can be no question of degree!

ARGUS

THE WEEK'S NOTES

External Aid

NEW PROBLEMS

THE ADDRESS of Mr. W. A. B. Iliff, Vice-President of the International Bank for Reconstruction and Development, last week is refreshingly frank in its approach to the new problems which are being posed in the sphere of external aid. To start with, he has attempted to focus attention on the emergence of country after country in Africa to the sovereign status. Very soon the total membership of the community of free nations will rise to 100 and it is only reasonable to assume that most of the new independent countries will join the World Bank. The state of their development in the economic, administrative and social spheres during their colonial status has left them totally unprepared to face the problems created by independence and the aspirations which it invokes in the hearts of millions for progress and development. The new administrations are hustled into launching programmes of development which must satisfy at least a fraction of the hopes held out before independence. Already requests for technical assistance to international agencies and aid-giving countries are taking diverse forms, besides putting on their resources the quantitative strain of numbers of personnel in demand. A collective broad approach on the basis of consultation is necessary to meet the new challenge.

Mr. Iliff has stressed the fact that so sudden will be the expansion of demand for external aid that the resources of the agencies prepared and willing to provide them will be stretched to their limit. Hitherto, with what would now appear a limited pressure on external resources, action at an individual level on the part of the aid-supplying agencies has met the situation fairly successfully. But the scene is rapidly changing even in regard to countries like India, Pakistan and others which achieved independence much earlier in the post-war period. The case of India has been singled out by Mr. Iliff as a representative illustration which is likely to be a common case in respect of aid-receiving countries. The external debts obtained by India for her development programmes are now beginning to mature for repayment in stages and even the partial obligations that are maturing are putting a strain on her balance of payments. The problem of the ratio of foreign debt repayment obligations to current earnings of foreign currencies is disturbing her balance of payments position, and this phase is likely to be experienced by some other countries too.

If the tempo of progress of developing countries is not to be seriously retarded, Mr. Iliff urges, "some other forms" of development financing must be adopted and placed at the disposal of the receiving countries. The consortium of creditor countries which met recently at Paris to give preliminary thought to India's Third Five-Year Plan and a similar consortium which is soon to examine Pakistan's Development Plan are indications of a new and dynamic approach. This technique of consortium approach needs to be extended progressively. Mr. Iliff, however, has cautioned aid-receiving countries that efficient and effective (realistic?) programming of plans is as important as estimating the magnitude of external assistance. The responsibilities are posed both ways by the new problems for external aid. Mr. Iliff has not elaborated what are the "other forms" development financing should take but it is fair to assume that by implication he means to utter caution against any rigid emphasis on tied loans.

Food

F.A.O. SURVEY

THE STATE of world Food and Agriculture for 1959-60 presented in the Annual Report of the Food and Agriculture Organisation is somewhat depressing. According to the preliminary estimates of this organisation, world production (excluding Mainland China) shows a rise of about 2 per cent in 1959-60 whereas in the previous year, production was some 5 per cent higher than in each of the two preceding seasons. It, however, points out that an encouraging feature has been that in the year under review much of the increase in world production was in densely populated Far East which is one of the most poorly nourished regions of the world. While total world agricultural production (excluding Mainland China) is estimated to have risen by about 2 per cent, production either fell in some regions like Africa or remained constant as those in Near East and Oceania. On the other hand, in the previous year, it had gone up everywhere.

On the question of production and population, the report points out that while the increase in production is a little less than the average for recent years, it slightly exceeds the estimated annual population growth of 1.6 per cent. Elsewhere, in the statistical section is contained a table giving the indices of per capita food production by countries and regions. While it contains figures up to 1958-59 (preliminary) it is not known why the figures for 1959-60 are also not given for purposes of comparison. On the other hand, a table is given in an earlier chapter of the indices of per capita food production for the regions alone to include the figures for 1959-60 also as shown in the table below:

(Base: 1952-53 — 1956-57 = 100)

Region	1948-49—1952-53**	1958-59	1959-60*
Western Europe	89	106	109
Eastern Europe & USSR	91	123	122
North America	99	102	101
Oceania	102	105	99
Latin America	97	103	100
Far East†	92	103	105
Near East	91	105	103
Africa	96	96	92
All Regions	**94**	**107**	**107**

† Excluding Mainland China.
* Preliminary
** Average.

It can be seen from here that taken by regions the per capita index rose only for Western Europe and the Far East and for all other regions, it declined. If the indices for the different regions were available, it should have been possible to provide figures for individual countries also for 1959-60. Apart from this, the report contains an interesting chapter on "Programming for agricultural development" which reviews some of the pre-conditions for agricultural progress from the standpoint of governments. While commenting on this chapter, the Director-General has made an observation that deserves reproduction, "The establishment of targets, the allocation of investment resources, or even the working out of detailed schemes ..... are essential," he says, "but by themselves they are not enough. They will have only a fraction of their potential effect unless means are found of enlisting the co-operation of thousands, often millions, of farmers". Though this may sound as commonplace, the ultimate success of agricultural production must surely revolve around the extent to which such co-operation is enlisted.

Common Market

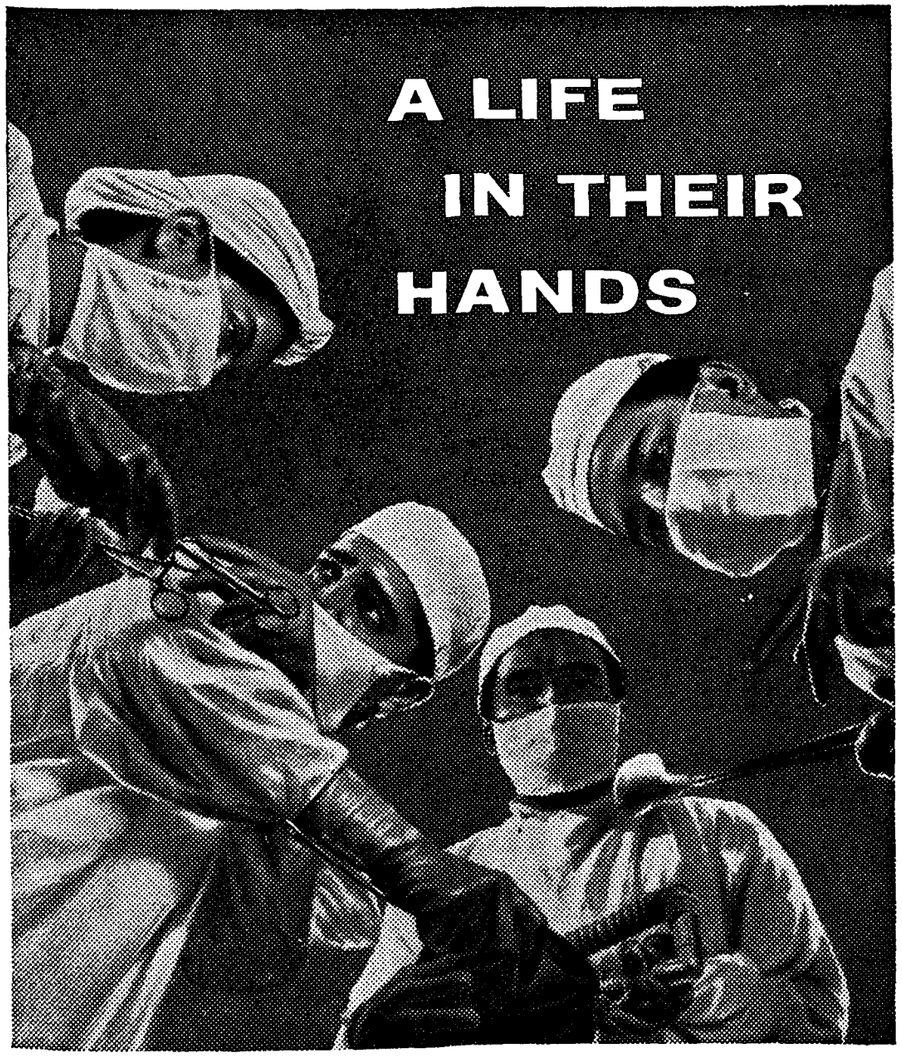
IMPLICATIONS FOR ASIA

IN A note submitted to the Ninth Session of the Commission on Asian and Far Eastern Affairs of the International Chamber of Commerce, to be held in Karachi in December, the Rapporteurs have analysed the implications of the European Common Market and European Free Trade Association on the trade and economies of Asian countries. They point out that most of the Asian countries have expressed their concern over several aspects of the European Economic Community and especially the provision of the Rome Treaty pertaining to common tariffs, quotas, agricultural policy and association of overseas territories and countries with the six European countries. Apart from resulting in higher tariffs or greater restrictions on trade with the outside countries, they apprehend that the promotion of intra-regional trade of the EEC by means of reduction and ultimate abolition of the import duties and import quotas may have some adverse effect on the trade of the Asian countries particularly semi-manufactured and manufactured goods. There is also the fear that the preferential treatment now granted to the products of the metropolian country will now be extended to the products of all the countries of the Common Market, besides leading to monopolistic tendencies and stimulating agreements on prices among the exporters of capital goods. Though in the case of the European Free Trade Association, the tariffs and quotas for the goods of third countries will remain the same as before, it is pointed out that exports of some of the goods, particularly semi-manufactured and manufactured goods, to countries of the Free Trade Association are likely to be adversely affected because of the competition they will have to face from the products of the other EFTA countries which will bear lower rates of duties in the transitional period and no duties later on. They, therefore, suggest that the Asian delegations to the GATT should study the two schemes carefully and understand its implications. In particular they suggest that, among other things, the scheme of agricultural protection in the Community with its paraphernalia of quotas, a common marketing organisation and minimum prices requires modification, the common tariffs of the European Economic Community should be as near as possible to the tariffs levied by the low tariff member-countries of the community and that the Common Market and Free Trade Association should agree to the principle that in case total imports of the area of any commodity from the non-member countries are continuously lower as compared to the average imports before the schemes came into operation, the external tariff on the item in question should be suitably reduced.

THE PROSPECTS

The note also examines the feasibility of establishing a common market or a free trade area in Asia. While it concedes that such an economic integration aiming at specialisation of industry and freer flow of trade would protect the economies of the countries from some strong competition coming from outside the region, it also points out how for a number of years to come, it would be difficult for the countries of the area to think in terms of uniform programme for the removal of import and export duties and other restrictions on foreign trade. Viewed from the present levels of intra-regional trade in the ECAFE region, the prospects for a common market do not seem to be quite bright. But it points out there is no reason why steps should not be taken for promoting intra-regional trade and establishing institutions in which the countries of the region may work in co-operation with each other. Specifically it suggests two steps for the promotion of intra-regionol trade: one is that the countries of the region should undertake to gradually extend the most favoured import and export tariffs and quotas applicable to any country in the world to all the countries of the region as well. The second is the question of free trade being allowed in certain selected commodities between the countries of the region may be examined by a group which may be appointed for the purpose. It is quite likely that the resulting experience in mutual co-operation flowing from this as well as from the opportunities for industrial development that will arise by specialising in the manufacture of different items in different countries may lead to a greater awareness of the advantages of a larger market eventually.





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The World Abroad

WHAT INFLATION DOES

By

ODYSSEUS

WHAT does inflation do?

All people with debts owed to them, and claims to fixed sums, lose more and more purchasing power the longer and more rapidly that inflation continues. But workers at all levels of income can (sooner or later) secure higher money incomes. Those organised in trade unions or professional bodies exercise greater pressure more quickly than others. But the longer that inflation goes on, the higher go all incomes in the existing brackets of income and surtax, so inflation takes more from the better paid, more responsible producers. The Finance Minister, too, has a vested interest in rapid inflation because it automatically brings "buoyancy of revenue." On Budget day, he can secure an easy cheer by announcing with a flourish that he does not propose to "impose fresh burdens" on taxpayers. But just leaving income taxes, surtax, and profits taxes as they are must give higher yields because rising incomes in depreciated money are pushing taxpayers into higher brackets of progressive taxation.

Graham Hutton, in his authoritative and popularly written "Inflation and Society" (Allen & Unwin, London. July, 1960, Price 15 sh.), observes that ten years ago the ordinary British weekly wage earner could not have dreamt that he would ever be liable to surtax, which begins—as forty years ago—at £2,000 p.a. But today a number of weekly wage-earners are paying it. And he adds wryly, by 1969, if inflation proceeds as in 1949 to 1959, one-third of all the UK's weekly wage earners will be surtax payers! (With 1938 as 100, purchasing power of the £ had fallen to 50 in 1949 and to 36 in 1958).

FIVE RESULTS OF INFLATION

In all countries with progressive taxation (Are you listening there in New Delhi?) the result of inflation is:

(1) Increasingly to penalise those in positions of responsibility in government, industry, commerce, and public life;

(2) Progressively to add to the "buoyancy" of the State's tax revenue, thus giving the Finance Minister an automatic hedge against the inflation that he is inflicting on others;

(3) Relatively to benefit, and therefore to stir up demands for increased wages and salaries from, the best organised groups, and therefore also to stimulate more and more groups to organise themselves;

(4) To advantage the lower income-earners whose MONEY incomes can rise farthest before getting into brackets of progressive taxation, in which heavy taxes become payable.

(5) Increasingly to punish all claimants to fixed money incomes in the future: pensioners, holders of policies with the Life Insurance Corporation of India (unless they have taken out "with profits" policies in which case the extent of their loss will be mitigated, but to what extent is another matter!) holders of all fixed interest securities at medium or long-term (government bonds, industrial debentures, preference shares), owners of properties leased for medium or long terms at fixed money rents, recipients of annuities bought by down payments earlier, owners of patents, copyrights or other "know-how" who have foolishly granted royalties or licences at fixed money fees, beneficiaries of trusts, covenants, and any other funds the money income from which depends on fixed interest securities.

The social discontents, envies, jealousies, and unrest set up between (a) all such claimants to fixed money incomes and (b) all other income receivers in a democracy have become all too well-known in too many countries since 1918. Governments try to alleviate them by granting different reliefs: raising old age state (but not privately secured) pension rates, for example. But this only creates new tensions and injustices. Above all, it leads to competition between the political parties to outbid each other for the votes of the groups most aggrieved by inflation. Graham Hutton asks us to note that these groups are mainly those which are unproductive (the retired, dependent, or sick) and/or those hitherto unorganised. Thereupon new bodies spring up to group those suffering most from inflation, organised as much for party-political as for economic or equitable purposes.

What is the result, then, of the Finance Minister's decision either deliberately to promote, or negatively to allow, inflation to snowball along?

It is generally to inject into democratic politics, by an inflation conceived as a policy to AVOID awkward social or political decisions, such a doubly awkward collection of dilemmas as would never have been willingly or wittingly incurred at the outset, had the Finance Minister and his advisers realised what they were piling up for themselves and their unfortunate fellow citizens. Should the party in office be outbid for votes and the Opposition come into power, the incoming party is likely to run away from its doubly awkward dilemmas by falling back on further inflation, thus making them quadruply awkward! And I cannot repeat often enough that inflation is not an economic but a political problem. That is precisely why Graham Hutton is at pains to warn us that the process of undoing democracy proceeds cumulatively until controls reach out into every branch of life and the ultimate end is collapse, as in the Roman Empire, or as in Germany under Hitler.

INFLATION DISINTEGRATES THE NATION

That society flourishes which promotes best the interests in common of its citizens, which integrates them. Inflation disintegrates the nation by adding to the inevitable stresses between groups and by creating new resentments. One lot of people with fixed incomes have their standards of living forcibly cut. They are forced to sell capital if they own it. Another lot who can push their incomes up do so, despite liabilities to heavier income tax—e.g. those not yet in the highest brackets, or those who can make even bigger trade profits, after tax, than the rise in money costs would warrant. These people buy the capital of those forced to sell.

Inflation makes most businesses highly profitable in paper money; they can pay their taxes, all their rising costs, and good dividends. Other businesses, especially exporters (countries with balance of trade deficits please note!) may be badly hit; so may their workers and shareholders. The interests of the old and retired are set in opposition to those of the young or middle aged; those of the unproductive against those of the productive; those of the prudent who saved at long term fixed interest for the future against those quick in-and-out operators who make their profit by not holding on to

any money. The interests of all who save, contribute, build, and create for a long-term future are set against those dependent for profit on the highest velocity of circulation of money. Thus does inflation tear to pieces any close-knit nation.

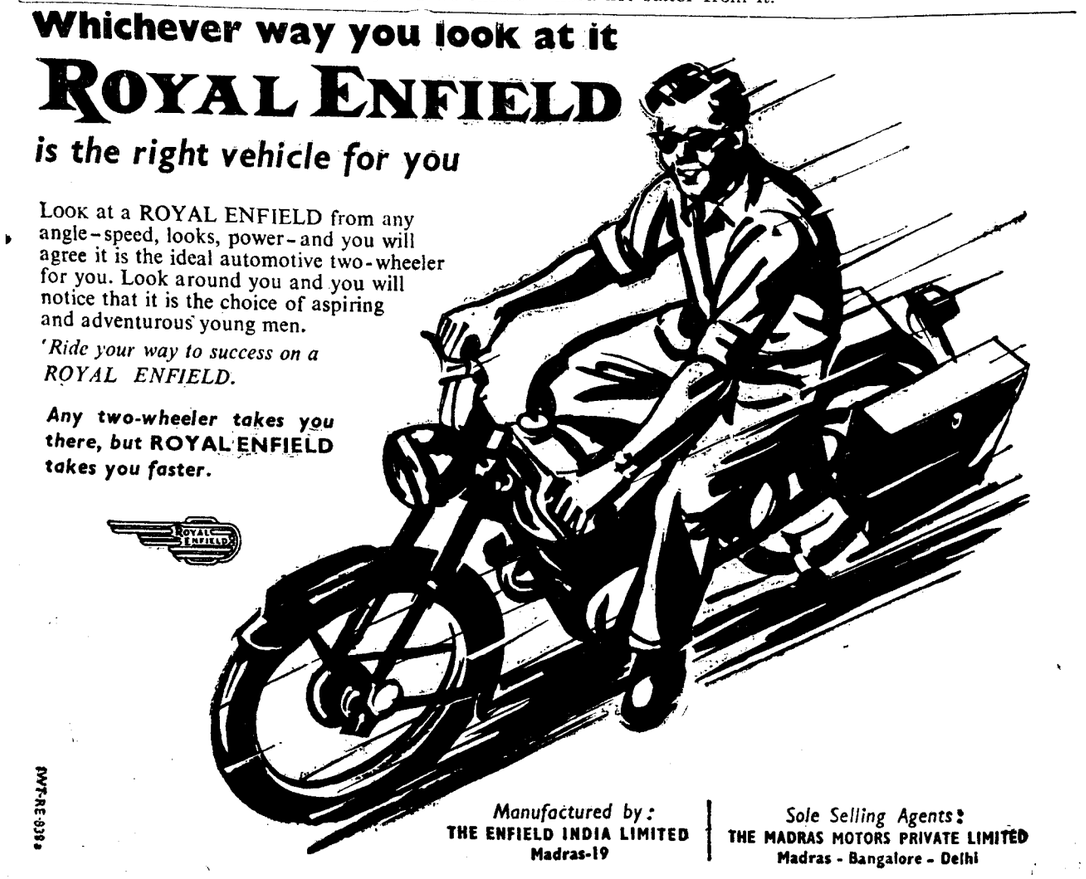
With a stable currency, those firms make money which are efficient in supplying demand; those which are inefficient lose money and are squeezed out. Resources are thus re-allocated more profitably and the national income grows. But inflation causes arbitrary, windfall distribution of inflationary profits, which have nothing to do with efficiency or productivity.

Businesses MUST make more profits in an inflation in order to be able to replace their old capital equipment at much higher prices. The higher replacement costs must be covered by savings—either by the business ploughing back its profits (in which case its shareholders must do without), or by new savings from individuals or institutions. Governments MUST allow enough "profiteering" in an inflation for there to be enough savings, for otherwise, as Graham Hutton rightly insists, society's capital would run down, dragging employment and standards of living with it. So that the more that the Finance Minister inflates, the more dilemmas he piles up. If he taxes more and more windfall profits away, he himself must allocate them to productive investment, which makes society more and more state controlled, and eventually totalitarian. Or he must leave windfall profits to the companies which make them, which means that new savings are only available to existing concerns. This makes for a static economy. It is, I have often submitted here, the duty of directors not to plough profits back but to pay them out in dividends, so that the shareholder can exercise his function of deciding what the most profitable sphere for new investments is. If Thomas Edison had worked in a period of violent inflation, he could not have found investors to lend him money and we should have had to wait years before the gramophone came into general use.

This leads me on to another important point made by Graham Hutton: Of all the distortions of inflation possibly in the long run the most dangerous to society is that which disrupts the appropriate, normal, "indicated", requisite pattern of development and growth. The capital structure of a society at any moment implies, in its very proportions, a logical pattern of further investment for both its replacement of outworn assets and its extension and expansion (cf. Edison's new gramophone, Watson-Watt's invention of radar). This pattern is a schedule over time. Building and other durables fall due for repair slowly, and therefore in small yearly proportions; less durable assets, like machines, fall due in greater bulk every year; other short purpose capital assets may only last two years or even less. By undermining confidence in savings, investment, and the future value of money, inflation saps this structure, much more for long term, less for short term investment. This tilts the pattern towards short term investments and more quickly turned-over profits in depreciating money. Long term assets are neglected. So the entire process of production, distribution, consumption, and investment, is at sixes and sevens. The rates of growth of the economy in its component sectors—agriculture, services, houses, communications, etc., etc.,—go awry, tilted towards the present and away from a remote future. Windfall profits, on short term capital, quickly transferable, "in-and-out", impede a steady, compounded rate of growth.

I have done. Next week we will discuss another topic. I leave you with this thought:

There are many mistakes for which economists must accept responsibility. Inflation is not one of them. Inflation results from a political decision taken by the Finance Minister. If he does not want inflation, you need not suffer from it.



The European Scene

EUROPE'S BACKWARD AREAS

From Our Special West European Correspondent

PARIS, October 1.

THROUGHOUT modern times, the nations of Europe could be fairly easily divided into a prosperous and progressive north-western group and a southern and eastern group of Mediterranean and Slav peoples whose economic development has not differed greatly from that of their North African and West Asian neighbours. The line of demarcation was not simple because it cut through the middle of a nation that is politically one but economically two (Italy), because it required classing Portugal with the Mediterranean group and because Ireland had to be excluded from the north-western group and placed among the backward; now it has been further complicated by the disappearance of many of the latter class into the Soviet empire. But in what remains of non-Soviet Europe, this rough division still stands, and — this is what is less known — it has been becoming more evident since the war. Although, as we shall see, some creditable progress has been made in the backward parts of Europe, the immense economic expansion that has occurred in north-west Europe in the last decade has had these two striking results: it has diminished the differences between the nations of the prosperous group, and it has widened the gap between them and the undeveloped nations of the south. In other words, inside the group comprised by Britain, Scandinavia and the Common Market countries, there has been both rapid progress and a levelling up, while the poorer Mediterranean nations — just like the overseas developing economies — have seen the gap widening between them and the advanced industrial powers.

Thus in the 20 years since the beginning of the war, national income per head has grown by 45 per cent in the industrialised West European nations, but only by 29 per cent in the southern group. This widening disparity may be seen in other indicators: industrial production per head is now only one-quarter of the West European figure; the rate of capital formation is less than two-thirds of West European saving, which means of course that, as far as investments account for economic progress, the gap will go on widening; the contribution of the poor group to the imports of industrialised Europe has fallen by one-third in 30 years, and their share of world trade has diminished by almost as much. The phenomenon of the rich getting richer while the poor, for all their progress, fall further behind is familiar in comparisons between the West and Afro-Asia; here we see it inside Europe itself.

The per capita figures for the backward European economies would probably look a lot worse were it not that they enjoy a privilege denied most of the overseas developing nations: the possibility of exporting a part of their surplus population as migrants — as migrants moreover who contribute to the payments balance by continuing, with the tenacious loyalty of the poor, to send remittances home to a country to which they have no intention of returning. This factor is most important for South Italy if we count as migration not only the constant movement of Italians abroad but their transfer to the booming industrial regions of North Italy. In Ireland's case, emigration has continued (as throughout the past two centuries) to annul the increase in the population, and it has been helpful in Greece and Portugal. Nevertheless, among the whole it is only Ireland and Yugoslavia that have managed to keep their agricultural labour force stable; all the others have had more people on the land after the war than before. The first objective of economic progress, to get people out of low productivity occupations such as agriculture and small industry into big industry where their productivity can be multiplied several times, is not even in sight for countries like Turkey and Portugal.

Leaving aside the special case of South Italy, which was anyhow dealt with here last week, the backward economies of Europe can be classed according to their performance over the past decade. Portugal and Ireland have put up the worst showing, with rates of growth so inadequate as to constitute stagnation, and with governmental indolence and ignorance being passed off as laissez-faire liberalism. Turkey and Spain have both tried valiantly but unwisely to get out of the rut by putting their trust in inflation, and this ended in both cases where inflation always ends: in disorder, national bankruptcy and a lot of cardboard "achievements" that collapsed before the first puff of international competition. Turkey was forced into a rigorous deflationary reform in 1958 and Spain in the following year; the consequences of this cure have been obscured in Turkey by the recent revolution but in Spain's case, while disappointing as I wrote from San Sebastian in the summer, they are by now encouraging enough for Madrid to be considering non-resident convertibility for the peseta Greece and Yugoslavia have done best. Greek performance is due to the fact that the disillusion with inflation now going on in Spain and Turkey was achieved as long ago as 1953-54, when devaluation, stabilisation and total reform of the monetary system put an end to the wild post-war inflation. Yugoslavia (and I say this who am no admirer of dictator Tito) stands in a class by itself. While still definitely belonging in the group of Europe's backward areas, this economy has achieved progress in agriculture which the ECE holds up as a model to the other members of the group, has been the only one to save more than 20 per cent of her national income and has invested 9 per cent of the national product in industry (against 3 to 5 per cent for the others), thus managing to transfer labour from the land to the factories.

Granted this disproportion between progress in each economy, some general observations may be made about development experience in the group. As everywhere else, industrial expansion has been faster than agricultural expansion: annual rates of growth of 9 per cent and 3 per cent, respectively, are a common contrast. This discrepancy has been paid for in inflationary pressure on food prices and in a failure of traditional exports of primary produce to finance imports needed for industrialisation. The resulting external deficit has run down exchange reserves to the point where progress, even in industry, has had to be throttled back, leaving

all governments face to face with the problem they should have tackled first: the increase of agricultural productivity so that it can absorb the revenues generated by industrial investment, and the promotion and diversification of agricultural exports to bear the foreign exchange cost of national development. In short, these backward countries, like many others, have been fascinated by the industrial achievements of the West and missed the point that the root of their backwardness lay in an agriculture that has been stagnant for centuries. Just lately, Greece, Yugoslavia and Ireland have succeeded in increasing agricultural efficiency. The ECE experts who recently surveyed the agriculture of these countries gave advice that no doubt has application elsewhere. They warned against putting much more money into vast irrigation projects which at once generate revenues out of proportion to their delayed return in extra crops; rather, effort should be concentrated on improving dry farming methods and on (this point came out last week regarding South Italy) settling more people on the best land instead of trying to upgrade poor land. They warned against increasing the fleet of tractors except where manpower shortage made this essential. They advised more attention to animal husbandry, which is characteristically neglected in poor countries. Finally, they praised Yugoslav ingenuity in improving output with small investments and simple equipment.

In the matter of industrialisation, these nations have fallen into one or the other of two contrary snares: the bigger ones (Spain, Turkey, Yugoslavia) have had too much State enterprise, leading to inflation; the smaller ones (Greece, Portugal, Ireland) have had too little, and by leaving everything to a non-existent "free enterprise" have stagnated much too slowly. The limitations of State enterprise are being recognised in Spain and Turkey, while in the smaller countries (as in South Italy) the lesson has yet to be learnt that industrial progress will never be adequate until the State plays a more active role. Still, industrial progress has been heartening in most of the region, and if these nations could escape the cycle of inflationary-deflationary expansion-contraction and manage to keep the rate of increase of industrial output steady at about 7 per cent a year for 20 years, they would attain the present West European level of industrial production per head. (By then of course West Europe will have current American standards.) That is largely, but not entirely, a question of maintaining investments at the maximum permitted by the size of the agricultural surplus and/or the export surplus (and since exports are mainly primary produce, that comes to the same thing.) I say "not entirely" because the different returns achieved in these countries for comparable sums of investment show that numerous other factors are involved: the degree of co-ordination of investments, the spread of literacy and technical knowledge, the efficiency of markets and the credit system, the attractiveness of speculative diversions, etc.

The main point, however, is certainly the size of export earnings. Whatever the ultimate causes — lagging agriculture, domestic inflation — the development crisis everywhere shows up as a foreign exchange shortage. The export performance of all these countries has been disappointing; they have not participated in the global expansion of international trade and their share in world commerce has fallen in 20 years from 3.1 per cent to 2.2 per cent. Above all, they have lost their stake in West European markets, because they are still offering traditional produce which advanced industry has learnt to do without or at least to use more economically. Only those, like Yugoslavia, that have succeeded in attuning their export list to the needs of modern industrial economies have been able to keep exports expanding. The parallel with the export failure of other developing countries, not excluding India, is too plain to need stress.

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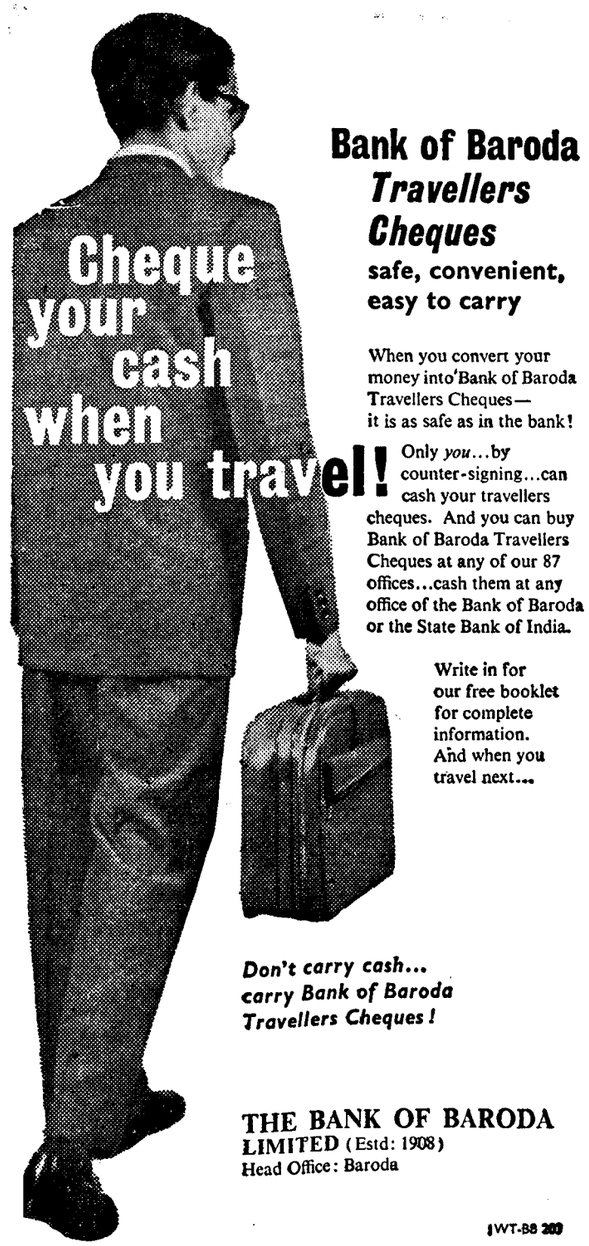


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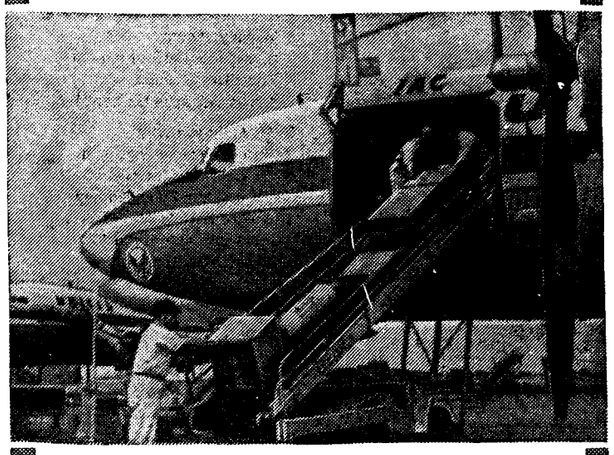
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Economic Report from the U.S.

RISE IN WORLD PRODUCTION AND TRADE

By GUY SIMS FITCH

WASHINGTON, SEPT. 28.

WORLD production and trade are expanding. The inflationary threat has to a large extent been met as many countries are experiencing a high level of prosperity with relative price stability, and an increased flow of capital from the industrialized nations holds out the promise of accelerated economic progress for developing lands. It is against this backdrop of economic criticism, of a kind virtually unknown since the end of World War II that the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) are holding their 15th annual meeting here in Washington. This optimism is reflected in the annual reports the two United Nations Organizations have presented to the meeting.

The IMF, which helps stabilize the international balance of payments accounts of its member nations, points out in its report that industrial production among the free countries— Communist States by their own choice are not members of these two U.N. bodies—rose 10 per cent last year, and international trade six per cent. Most of this rising trade is now conducted in convertible currencies which can be exchanged freely. This has helped widen the channels of commerce, and reflects the fact that the leading trading nations, by and large, have built up their monetary reserves to the point where they no longer need to restrict their international payments as they did in the past. In this regard, the IMF report notes that in the year ended last April 30, nations with balance of payments problems drew $165.5 million from the Fund's currency pool but others repaid $537.3 million, more than three times as much. Furthermore, IMF officials foresee continued increases in world trade and further strengthening of the international payments system in the year ahead.

The country that now faces the largest balance of payments problem is the United States, which by its liberal policies of the past 15 years has contributed significantly to the improvement of international economic conditions. Here, too, the IMF sees many reasons for optimism. For one thing, the turn around in the U.S. international financial position reflects the very success of U.S. policy in rebuilding war-torn Europe and aiding other nations. For another, the U.S. Government has in the past year turned a large internal budget deficit into a surplus, and over the years has consistently followed enlightened monetary and credit policies at home. Finally, with world economic conditions strong and U.S. exports soaring, there is good reason to expect that the U.S. payments deficit will be substantially reduced this year. Many other countries also have been following enlightened and constructive policies. In keeping with their growing economic strength, for instance, nations in Western Europe have been repaying their dollar debts and have been reducing their restrictions on the purchases of dollar goods. A number of Western countries, moreover, have indicated that they are ready to undertake larger aid efforts for developing lands than in the past. This is a goal keenly desired not only by the two U.N. bodies but also by the United States, which has been shouldering and will continue to shoulder the major assistance load. Their need for economic assistance notwithstanding, the developing countries—many of them largely exporters of raw materials—also have experienced some improvement in over-all trade position. The IMF figures show that as a group countries exporting raw materials of all kinds actually had a $1,000 million surplus in their payments balance last year, as against a deficit of about that same size in 1958.

Nevertheless, the situation of the developing lands is the one that seems to require the most urgent attention right now. It is to this problem that the IBRD—or World Bank, as it is more popularly known—has addressed the main burden of its report. The bank, as its name implies, is concerned principally with making funds available for economic development programmes of its member states. And it sees an important and heartening change taking place in this field, in the form of increasing supplies of capital from industrial nations, particularly in Western Europe, coupled with a new awareness of the need to evolve effective ways of providing the funds to aid the developing countries. Much of the projected increased investment in economic development is still in the blue-print stage. But in its report, the Bank is able to cite a number of significant steps that are preparing the way not only for increasing the export of more development capital, but also doing it with a wider base of participation among the industrial countries, with a greater co-ordination of their efforts, and on more flexible terms of repayment than have heretofore generally been available.

First and foremost, there is the formation of the International Development Association (IDA), now coming into being as an IBRD affiliate. IDA will help promote economic advancement by making loans to developing lands on terms more flexible than those of the Bank's own loans. As of this writing, some 15 countries already have made nearly $700 million available to IDA, including $320 million from the United States. When all 68 member states (the present World Bank complement) have joined, IDA's total initial capitalization will be $1,000 million. In addition, the old Organization for European Economic Co-operation (OEEC) is in the process of being replaced by the new Organization for Economic Co-operation and Development (OECD), in which the United States and Canada will be members along with the countries of Western Europe, and which will embrace development assistance as one of its chief concerns. The United States also has joined with eight other leading industrial nations to form the Development Assistance Group (DAG), with the objective of studying ways of better co-ordinating economic aid to developing lands. Another new organization just starting operations is the Inter-American Development Bank (IADB), a regional body designed to help finance development projects in Latin American countries. The United States also is the largest contributor to this organization, which, like IDA, will offer special development financing on more flexible terms than are usually available from conventional sources. There also are cases of less formal co-operation among World Bank members. An example is the $1,050 million plan to harness the waters of the Indus Basin for the use of India and Pakistan development projects.

Finally, the Bank took on a new role during the past year when, as part of its technical assistance endeavours, it became executing agency for the projects of the U.N. Special Fund. This means that in the important realm of pre-investment studies, the Bank will be surveying the feasibility of specific development projects, with one such survey already completed and five others under way. All this, of course, is in addition to the Bank's regular lending activities. In line with the current needs and capabilities of its member nations, nearly all the $659 million lent by the Bank last year went to countries in Asia, Africa and Latin America, with only $69 million going to Europe. If the IMF report can be said to describe a new era of international economic prosperity and stability, the IBRD report can be said to describe a new era in international economic co-operation, one that has as its principal objective the acceleration of economic growth in developing lands and around the world.

Australian Economy

RAPID GROWTH IN POST-WAR ERA

By Rt. Hon. H. E. HOLT,
Treasurer of the Commonwealth of Australia

AUSTRALIA'S economic growth in the post-war period has been rapid and sustained. It has, in fact, been a major aim of the Australian Government's policy to promote and maintain the maximum possible development of resources without jeopardising economic and financial stability.

A major factor in our post-war economic growth has been the strong upward movement in population. A considerable addition to the capacity and output of the Australian economy was required to meet the needs of the increased population and employ the growing work-force. In fact, the economy has expanded much more rapidly than population. Let us look at the record.

In the past decade, rural production has increased by more than one-third. The pastoral industry accounts for almost one half the gross value of rural production. Wool production, chiefly fine merino wool, has risen by more than 50 per cent in the past decade. The average weight of fleeces has been increased by selective breeding and the carrying capacity of the land has been added to by scientific pasture improvements and pest eradication including the highly successful introduction and spreading of the rabbit killing virus, myxomatosis. Meat production has also gone up appreciably in the past decade. Production of grain crops has fluctuated with seasonal conditions, but the general trend has favoured greater output. Sugar production has also increased. These are the products that earn the bulk of Australia's export income.

Mineral production has been increasing even more quickly. Over the last ten years, mineral production has increased by more than 50 per cent. Production of lead, zinc, silver, coal, uranium and copper has risen sharply. Each of these minerals is produced in sufficient quantity to supply the home market as well as to contribute to Australia's export income, 10 per cent of which now comes from minerals.

The manufacturing industries, however, have been the fastest growing sector of the economy. Changes there have been rapid and dynamic, transforming the very nature of the economic base. Ten years ago manufacturing industries had a net value of recorded production slightly less than that of all primary industries. By 1958-59 the contribution of manufacturing was more than half as great again as that of the primary industries.

Some indications of the speed of Australia's industrial growth can be found in the figures for steel, cement and electricity production in the past decade. In the past ten years steel production has almost trebled, and production is currently running at about 3½ million tons a year. Nevertheless, the development of the economy is so rapid that demand for steel is tending to run ahead of supply. Over the same ten-year period, cement production increased by 1 million tons to 2.7 million tons. Electricity production, which is now about 23,000 million kilowatt hours a year, has more than doubled over the same ten years.

While existing industries have been expanded and modernised, there have come up some completely new industries. Among these are the industries producing motor vehicles, petroleum products, chemicals, tinplate, diesel electric locomotives and heavy earth-moving equipment. Each year sees further diversification and expansion of secondary industry in Australia.

How has this rapid growth in the economy been brought about? It was in part made practicable by the increase in population, in particular the increase in the number of new settlers from abroad, who added to the work-force at a time when the number of Australian-born entrants to the work-force was relatively small because of the low birth rate in the nineteen-thirties. However, an increase in numbers by itself would not have sufficed, as the experience of many countries shows well enough.

The successful application of science to the problems of the agricultural and pastoral industries, and the adoption of advanced production and managerial techniques in manufacturing have been important factors. These have to be backed by the investment of large sums in new equipment and so on, and supported by an enlargement of the whole economic structure—its transport and power facilities, schools, hospitals and the rest.

This has meant that throughout the post-war decade Australia has been investing a very large part of its national product. The high savings rate of the Australian people, and a large amount of self-financing by Australian businesses have helped to make this possible. In addition, the Government has devoted substantial amounts of taxation revenue to capital works expenditure. Lastly, the combination of rapid growth and economic and political stability has attracted large amounts of capital from abroad.

Rapid growth in the economy has presented the Government with the not unfamiliar problem of reconciling rapid and sustained economic growth with internal stability and a sound balance of payments. Particularly in the past twelve months, internal demand has been increasing rapidly and there are some indications that labour and material shortages have developed or are imminent.

The Government's aim is to maintain economic expansion in conditions of internal and external equilibrium and in furtherance of this aim it has adopted a number of measures designed to reduce the pressure on costs and prices. One of these measures, of interest internationally, was the virtual abolition of quantitative restrictions on imports announced last February.

To sum up, the decade of the 1950's saw one of the most rapid and sustained rates of economic growth in Australia's history. Much of this growth was groundwork upon which we will build in the 1960's. The population is continuing to increase rapidly and the number of new entrants to the work-force should increase even more rapidly owing to the post-war boom in births. The expanding internal market is bringing with it valuable gain in greater efficiency at a larger volume of output. Looking ahead, we see every reason to expect continuance of rapid economic growth.

WORLDGRAM

India

Central Revenue Collections: The revenue realised from important dutiable items in the first four months of the fiscal year 1960-61 amounted to Rs. 230.14 crores. Of this Rs. 57.16 crores were collected during July, 1960. The corresponding figures for the first four months of the fiscal year 1959-60 were Rs. 199.84 crores and Rs. 51.40 crores for July 1959. Details under various heads are as follows:

(In lakhs of rupees)

	July		April July	
	1960	1959	1960-61	1959-60
1. Customs	12,63	12,52	49,36	47,50
2. Union Excise Duties (excluding coal cess and salt cess)	33,20	29,51	130,43	111,21
3. Corporation tax	3,63	1,39	19,12	8,19
4. Income Tax	7,09	6,16	24,92	25,95
5. Estate Duty	0,11	0,19	0,46	0,30
6. Taxes on Wealth	0,14	0,24	0,95	0,83
7. Expenditure Tax	0,03	0,03	0,07	0,11
8. Gift Tax	0,03	0,02	0,13	0,12
9. Railway Passenger Fare Tax	N.A.	1,18	3,37*	4,35
10. Opium	0,30	0,16	1,33	0,98
Total	57,16	51,40	230,14	199,84

N.A. Not available.
* Provisional up to June.

*

British Loan To India: Further evidence of Britain's continuing interest in India's development plans was the Treasury announcement in London on September 23 that further loans amounting to a total of £35,000,000 are to be made. India's Minister of Finance, Mr Morarji Desai, and the British Chancellor of the Exchequer, Mr Selwyn Lloyd, discussed the possibility of further loans during Mr Desai's recent visit to London for the Commonwealth Economic Consultative Council meeting. The Treasury announcement stated that it was agreed that the United Kingdom would make a fresh loan of £5,000,000 to finance a broad range of Indian imports from the United Kingdom during the present financial year—the final year of India's Second Five-Year Plan. This brings the amount of United Kingdom loans to India during the year to £15,000,000. The statement continues:: "As regards India's third Five Year Plan, which is to come into operation next year, Mr Desai explained India's need for assurances of future financial assistance to enable India to place orders within the next year or so for which payment would be made in subsequent years. In response, the Chancellor of the Exchequer informed Mr Desai that the United Kingdom would be prepared, as an initial act of assistance for the Third Five Year Plan, to make further loans amounting to £30,000,000 to finance orders to be placed in the United Kingdom for the capital goods required for implementation of the Plan. "In addition, it was agreed that further discussions should take place to explore the possibilities of finance from the United Kingdom Government and from private United Kingdom sources to meet the foreign exchange cost, estimated at roughly £20,000,000, of the proposed extension of the Durgapur steelworks in India. "The external costs of the first stage of this steelworks have already been met to a substantial extent out of earlier Government loans and private credits from the United Kingdom."

Tungsten Carbide Factory at Poona: At the beginning of this year a Swedish company, The Sandvik Steel Works Co., Ltd., obtained from the Indian Government a licence permitting them to build a Tungsten Carbide factory in Poona, about 200 kilometres east of Bombay. For the planned tungsten carbide production in India there will be a new company formed, Sandvik Asia Limited, with a share capital of Rs. 6 million. Out of this figure 40 per cent will be Indian capital and 60 per cent Swedish capital. The factory will produce Coromant tungsten carbide as well as finished products with tungsten carbide tips. The production will start as from 1961 and will gradually increase during the coming years. The factory is to be started under the supervision of Swedish production methods. As soon as possible, a staff of Indian technicians will be trained. The main part of the machinery and furnace equipment, which cannot be obtained in the open market, will be of Sandvik's own construction. In so far as Indian machines are available, these will be ordered from local suppliers. Swing Limited, AB, manufacturers of safety razors and razor blades, are to transfer their plant at Sandviken, Sweden, to India, where a factory will be established near Bombay with representatives of Indian industry, according to the Managing Director, Mr George Zeidlitz. The new company, Indo-Swing Private Limited will have a share capital of Rs 10,00,000. Some of the Swedish factory's workers will take up posts with the Indian company. Swing's sales organisation in Sweden will be retained. At the same time, it will act as agents for Indian export goods to Sweden.

U.S.S.R.

Ten New Hydro-electric Stations: The U.S.S.R. will build 10 more big hydro-electric power plants, in addition to those envisaged by the Seven-Year Plan to keep up with the rapid advance of the national economy and of the heavy industry particularly. The total capacity of the new electric stations will run into 10 million k.w. One big hydro-electric station will be built on the Vakhsh River, near the city of Stalinabad, capital of the Tajik Republic. The station will have the world's tallest dam—300 metres high. The blueprints have been completed for a hydro-electric station that is to go up near the city of Cheboksary on the Volga. It will be the third largest project on the Volga, after Stalingrad and Kuibyshev.

*

Automatic Checking Machine: The Kalibr plant in Moscow is a major supplier of control and measuring instruments. So far a big army of checkers are working in the national economy. However, in many places this responsible and painstaking job has been taken over by automatic machines bearing the Kalibr plant's trade mark. Recently a test model of an automatic electronic checking machine which measures and sorts out high-precision bearings was manufactured and delivered to the bearing industry. One such machine replaces ten checkers. Another important work of the factory designers are standard units for automatic checking machines. This will make it possible to design and launch serial production of such machines much faster.

*

Machines for Pattern Making: Pattern making is one of the most labour-consuming jobs in foundry work. Highly skilled pattern makers have to perform a great deal of work by hand. The Institute of Wood Working Machinery decided to try and improve on the work of pattern-makers. A group of research workers together

with rationalisers and engineers of the Stankolit plant has produced an automatic unit for cross-cutting sawed timber. Recently two such units went into operation at the plant's pattern-making shop.

China

Steel Production: A nationwide drive to increase production and at the same time to practise strict economy is sweeping through China's steelworks, from Anshan in the north-east to Szechwan and Yunnan provinces in the south-east. July and August are months of extreme heat and heavy rains in most parts of China. But despite the disconcerting weather, China's steel workers are boosting output. Determined to keep the production graphline climbing, they took effective measures to counteract the weather long before summer set in. As a result initial successes for the third quarter are reported from Kunming, Shanghai, Chungking, Taiyuan, Wuhas and Urumchi in Sinkiang. Workers of Kunming in the south-western province of Yunan scored notable victories in July. In the first 20 days of the month their output of steel and rolled steel rose 53 and 110 per cent respectively over the corresponding period of last month. Steel works in other parts of the country have reported similar successes.

United Kingdom

Britain to Repay Further £20 Million to IMF: It was announced in Washington on September 28 at the annual meeting of IMF by the Chancellor of Exchequer, Mr. Selwyn Lloyd, that Britain will repay a further £20 million to the IMF. This repayment is in discharge of outstanding U.K. obligations to IMF incurred originally in 1956, when Britain sought assistance from the Fund to help with balance-of-payments difficulties. In August, Britain paid £25 million to the Fund, representing an advance payment covering the monthly instalments due for the rest of this year. The further payment of £20 million now announced means that only about £30 million of the original amount borrowed is left outstanding. The United Kingdom Government has made these advance payments as part of its policy of accelerating the discharge of its obligations whenever possible, and also with a view to helping IMF in its task of stabilizing the general world payment situation.

U.A.R.

Russia to help in laying railway lines: An agreement between the U.A.R. and the Soviet Union had been reached on the execution of projects to the value of 285 million roubles. The new protocol amending the 1957 agreement between the Syrian Region and the Soviet Union provides for leaving the door open for future contracts to the value of not less than 100 million roubles. Northern Region Minister of Communications has declared that agreement has been reached to replace the Homs-Akkary, Tartus, Lattakia railway line by the direct line between Aleppo and Lattakia. The Minister added that the railway lines contract provides for the delivery of 81 million roubles worth of goods and equipment to the Northern Region with the possibility of an additional 61 million roubles worth of future contracts. This is in addition to technical experience, supervision of work, the provision of rails and sleepers, road testing machines as well as the iron and steel necessary for metallic constructions. Besides, the door is left open for concluding contracts concerning goods, wagons, locomotives, signals and telecommunications equipment. The entire line from Kameshli to Aleppo and Lattakia will be completed by the end of 1966.

France

Renault Automobile Production: During the first seven months of 1960, the Renault Company produced 361,544 automobiles compared with 287,595 during the same period of last year, which is an increase of approximately 25%. In addition, the Agricultural Tractor Division produced 9,907 tractors. In July, Renault produced 43,509 automobiles including 35,771 "Dauphines", 3,611 "4 CVs", and 3,008 Estafettes," 1,268 tractors were also produced in July.

Australia

Big skim milk sale to India: A Melbourne exporting house, Nederveen & Co. Pty. Limited has obtained a contract to supply the Government of India with 500 tons of skim milk powder at a cost of about £50,000. The milk powder will be produced by two Victorian butter factories controlled by subsidiary companies of Peters Ice-Cream (Victoria) Ltd. Shipments will be made to Bombay immediately. The Indian Government had sought tenders for the order from all soft currency areas. Twice previously, Nederveen & Co. has obtained contracts to supply milk powder for India, once for 500 tons and next for 200 tons.

*

Coal Plant Gift to Thailand: A coal-handling plant made by a Queensland company, to operate at a huge brown coal field at Mae Moh (Thailand) was shipped recently by the Australian Government under the Colombo Plan. The plant designed and made by Scotts of Ipswich Pty. Ltd. was shipped in parts because of 300 ton weight. It will handle lignite for the generation of electricity to supply a large rural area around Mae Moh 500 miles North of Bangkok.

Yugoslavia

Maize Production: The first unofficial estimates of this year's maize production of about 6 million tons point out to the fact that Yugoslavia is still among the leading world producers of this crop. The figures on production of maize in the world show that Yugoslavia is fourth behind the United States, the Soviet Union and Brazil. Characteristically, the increase in maize production in Yugoslavia proceeds at the most rapid pace. Thus, for instance, the quantities produced last year were three times above the average 1930-39 production. Yugoslavia has achieved a steady increase in maize yields, thanks to the crops of hybrid maize which are being used of late. So far, hybrid maize is sown only on the quarter of the total surface under maize, so that the average yields are still low.

During his recent visit to Madras State, Mr. Lal Bahadur Shastri, Minister for Commerce and Industry, participated in two important functions that are of importance to the industrial future of the State. One was the laying of the foundation stone of Rs. 6-crore Pulp and Paper Plant of the Seshasayye Paper and Boards Ltd. at Pallipalayam Village in Salem District and the other the commissioning of the Rs. one-crore factory for the manufacture of insulators, both high-tension and low-tension, transformer bushings and the associated hardware, started by the Seshasayye Industries Limited, at Vadalur near Chidambaram. Speaking at the latter function, Mr. Shastri pointed out how the total production of high-tension and low-tension insulators in India was not more than 20,000 tons annually and they had to import about Rs. 1.5 crores worth of these materials. It was imperative, therefore, he said, that they should develop their indigenous capacity.

NEWS IN BRIEF

INDIAN

The Government of India have constituted a special Reserve Fund of Rs. 20 lakhs, under the Employees Provident Fund Scheme, to help subscribers or their nominees in the event of employers failing to pay in full the provident fund accumulations in the subscribers' accounts.

*

During 1959, the Central Board of Film Censors granted certificates of exhibition for 1,771 foreign films and 876 Indian films. Only 57 films were refused the certificate. Of these eight were Indian films.

*

The Government of India has decided that export of maize grit obtained as a residue in the process of starch manufacture through the wet milling of maize (provided the commodity is called "maize residue" obtained in starch manufacture) would continue to be licensed freely up to the end of July, 1962, says a Press note issued by the Chief Controller of Exports and Imports, Bombay.

*

A delegation led by Mr. C. M. Poonacha, Chairman of the State Trading Corporation, left for East European countries on October 1, to explore possibilities of increased trade.

*

It is reported the United States may shortly give India another two lakh bales of cotton under Public Law 480. A few months ago, the U.S. agreed to make available four lakh bales of cotton under a similar arrangement to relieve the acute shortage of this raw material for the textile industry.

*

A target of 30,000 acres of additional land under fruits and 5,000 acres for rejuvenation of the existing gardens is proposed for the third Plan of Rajasthan.

*

The Government of India has decided to release a quota of 50,000 tons of linseed oilcake and 15,000 tons of coconut oilcake for export outside India to all permissible destinations, excluding the Portuguese possessions in India during the period October, 1960, to March, 1961, says a Press note issued by the Joint Chief Controller of Exports and Imports, Bombay.

*

About 2.5 lakh metric tons of millets will be obtained by India from the United States under a supplemental Public Law 480 deal concluded in Washington on September 23.

*

While opening the public enquiry into the question of continuance of protection to the bicycle industry beyond 1960, Mr. K. R. P. Aiyangar, Chairman of the Tariff Commission, disclosed that most of the bicycle manufacturers have requested the continuance of protection to the industry for some more years ranging from 3 to 10 years at the existing rates of duty.

*

A production target of 200,000 tons of alloy, tool and special steel per year has been provided in the Third Five-Year Plan. Of the target, the public sector is expected to contribute 130,000 tons. The contribution of the private sector is expected to be 70,000 tons.

FOREIGN

The Commonwealth Developmest Finance Company has completed arrangements for a 15-year loan of £1m. to Dunlop Nigerian Plantations of Calabar, Nigeria, a subsidiary of Dunlop Rubber Company.

*

German official thinking on the problem of the Six and the Seven is coming down on the side of a European Customs Union. Expert proposals are to be submitted by Germany and Britain at the Paris meeting of the Committee of 21 in October.

*

The Agricultural Engineers' Association has announced that plans have now been approved by the British Government and other members of the Central Treaty Organization—Iran, Turkey and Pakistan—for the opening of a new Agricultural Machinery and Social Conservation Training Centre in Iran.

*

The International Monetary Fund has entered into a standby arrangement with El Salvador to permit that country to draw up to the equivalent of $11½m. for a period of six months.

*

More than 3,500 business and professional men in Canada are receiving complimentary copies of selected British trade and technical journals to boost Britain's exports. Under a joint scheme by the Dollar Exports Council and the Periodical Proprietors' Association of London, copies are being sent for periods of up to six months.

*

The U.K. balance of payments on current account was in deficit to the extent of £9m. in the second quarter of 1960.

*

New Zealand's import schedule for 1961, announced recently by the Customs Minister, is based on an unchanged global total of £240m. A feature, however, is the increased flexibility, which will make some domestic manufacturers more competitive, and widen the range of goods.

*

Associated Portland Cement Manufacturers of London, is to establish a £A4m. cement factory near Geelong, Mr. Henry Bolte, Premier of Victoria, announced recently.

*

Daily average crude oil output in the U.S. in the week ended September 16 amounted to 6,630,000 barrels, compared with 6,640,000 in the corresponding week of last year, according to the American Petroleum Institute.

*

According to Mr. Konstantin Petchou, who heads the Soviet State Committee for Automation and Mechanisation, the Russians have developed a process in open hearth and blast furnace operations which are 30 to 40 per cent more efficient over the most modern U.S. iron asd steel plants.

*

For the first time in 20 years, Norwegians may now buy a car without a special permit. Practically all import restrictions have now been lifted, except in the case of ships.

Special Article

ARBITRATION ARRANGEMENTS IN INDIA

By

SHRI G. L. BANSAL

Secretary General, Federation of Indian Chambers of Commerce and Industry.

THE PRIMARY and fundamental purpose of arbitration is to effect a "summary and extra-judicial settlement" of controversies as between disputing parties. Arbitration, in the commercial sphere, connotes the process by which businessmen submit disputes which arise in the ordinary course of their business to one or more persons whom they select to decide their case. The increasing recourse by businessmen to arbitration 'vis-a-vis' litigation, in modern times, is due to the inherent defects in the latter, such as delays in settlement of disputes, heavy costs and the like. In this light, arbitration is more than an adequate substitute for litigation. Not only does it provide a speedy settlement of disputes, but the costs involved are not prohibitive and future business relations between disputants also remain unimpaired.

With business developing at a tremendous pace and consequent increase in the practice of arbitration, many countries including India have invested it with legal validity. Arbitration laws have been enacted by them recognising it as a semi-judicial process which provides for the enforcement of arbitral awards in the Courts of Law. The Indian Arbitration Act which was passed as early as in 1940, regulates arbitration within the country and recognises it as a valid method of settling disputes. Under this Act an award by a Tribunal is more or less final and is enforceable in a Court of Law. A Court of Law can interfere in arbitration proceedings only when there is a difference of opinion among the contestants on the selection of arbitrators or when an arbitrator proves to be incompetent and no method to choose an alternate arbitrator is prescribed in the arbitration agreement. Furthermore, even when an award is referred to a Court of Law it generally pronounces judgments in accordance with the terms of the award. Only in cases where special circumstances obtain and which warrant changes in the judgment, do the Courts alter the award of a Tribunal.

Any study of arbitration arrangements available within a country can be conveniently made in two parts: (a) arrangements for settling disputes where both the parties are nationals of the same country, and (b) arrangements for settling disputes arising in the course of international trade i.e. where the contestants are of different nationalities.

ARBITRATION IN INTRA-NATIONAL TRADE

As far as disputes arising between Indian businessmen are concerned the existing facilities within the country would seem to be quite adequate. Many Chambers of Commerce have established Arbitration Tribunals whose services may be availed of to settle disputes arising between their members or between their members and non-members or outsiders. The establishment of such Tribunals has, however, taken place in accordance with varying conditions obtaining in particular branches of trade or in particular regions. The arbitration facilities for settling disputes among Indian businessmen can also be divided into two categories viz., arbitration Tribunals dealing with disputes arising in certain specific commodities and tribunals dealing with all types of disputes. Those specialising in disputes arising out of particular commodities or trade have developed considerably and their working has proved highly successful. Their services are mostly utilised by their members in disputes among themselves or with non-members. Outsiders generally do not avail their services much though they have ready access to them. Others which deal with disputes of a general nature are established by the more important Chambers of Commerce and are located in all the major ports in the country. But their services are not utilised to the same extent as of those dealing in disputes arising in trade of specific commodities. This is due to the absence of a standard clause of arbitration in business contracts. The popularity of the Tribunals dealing with specific commodities or branches of trade is due to the fact that they are well organised and efficient. Moreover, there is a practice among businessmen of this category to include a standard clause of arbitration in their contracts. By and large, the development of arbitration facilities within the country for settling disputes among Indian businessmen are satisfactory but more has to be done by way of propaganda, education etc. to make arbitration a standard practice.

ARBITRATION IN INTERNATIONAL TRADE

Arbitration arrangements for settling disputes arising in the course of international trade have somehow not reached the level of development which would ensure a smooth and speedy mode of settling disputes. Excepting a few commodities the arbitration clause inserted in an agreement generally mentions a foreign tribunal and in case of disputes the arbitration proceedings have to be held in that country where the tribunal is situated. Due to the high costs involved under these arrangements the Indian traders are not in a position to present their cases properly and mostly lose by default. Further in the case of a dispute arising out of verification of standards, greater veracity is attached to the inspection certificates issued by foreign surveyors rather than those issued by the Indian chambers of commerce. These difficulties can be overcome by concluding proper arbitration agreements with the countries we trade with. At present, particularly in the case of general export trade, disputes under arbitration are normally looked after by our Trade Representatives abroad. In cases where complaints are to be locally investigated they are handled by the Director General of Commercial Intelligence and Statistics or Export Promotion Councils or Commodity Boards concerned. In the import trade also the arbitration clause inserted in the agreement is generally that of a foreign tribunal. In these cases also difficulties of presenting the case effectively before foreign tribunals are formidable and justice may not always be got. This does not however has anything to do with the impartiality of foreign tribunals. The point to be emphasised relates only to the initial handicap with which the Indian parties have to start.

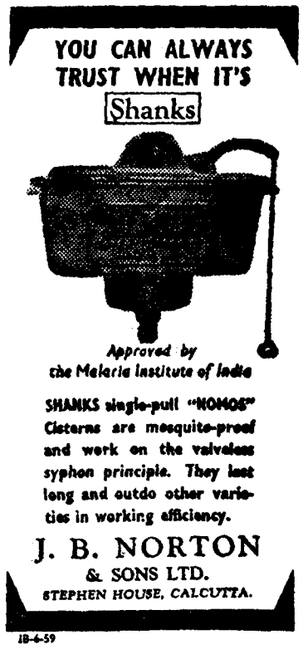
The Federation of Indian Chambers of Commerce and Industry in view of its responsibilities towards the Indian Business Community as also in the interest of a smooth and steady flow of international trade successfully entered into arbitration agreements with the American and Japanese Arbitration Associations as early as 1955. These Agreements have gone a long way in protecting the interests of Indian importers and exporters trading with these countries. The Federation is further endeavouring to conclude arbitration agreements with the Federal Republic of Germany, the German Democratic Republic, Poland, Czechoslovakia and the Soviet Union. Arrangements with the Federal Republic of Germany and the German Democratic Republic are in the advanced stage of finalisation. Negotiations are also in progress with other countries and it is hoped that they would yield fruitful results.

UNITED NATIONS CONVENTION

One of the major difficulties encountered in this sphere of arbitration in international trade in the past was that of enforcement of arbitration awards in foreign countries. The validity of these awards was constantly in danger of being put in doubt, and its effects were often uncertain or unsettled owing to the differences in legislations from country to country and due to the difficulty of ascertaining the law governing the validity of such awards. The purpose of having an arbitration clause in a contract was nullified as it was difficult to enforce an award in another country. The procedure for enforcement was cumbersome and difficult in-as-much as the award had to be recognised by the courts of both the countries. This lacuna has been done away with now by the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards, 1958. All the signatories to this convention, India being one of them, guarantee under Article III that they shall "recognise arbitral awards as binding and enforce them in accordance with the rules of procedure of the territory where the award is relied upon". By virtue of signing this convention, awards made under Indian arbitration agreements with foreign countries are enforceable in all the signatory countries and 'vice versa'. This facilitates our entering into arbitration agreements with many countries.

In the ultimate analysis what is more important is not the provision of numerous facilities or arrangements but to make our businessmen and traders arbitration conscious. It is more a question of making them realise the advantages flowing out of this system for settlement of disputes in trade and commerce and establishment of arbitration as a standard practice among them. This calls for an effort to be made in educating our businessmen and propagating among them the necessity and advantages of arbitration. Specially in international trade, the need is for the Chambers of Commerce to require all the exporters registered under them to include a standard clause of arbitration in their contracts. The registered exporters can have recourse to Federation's arbitration arrangements and include in their contracts its provisions in this respect. Even trading organisations like the State Trading Corporation may consider the feasibility of including arbitration as a means of settling disputes arising out of its dealings. This will be a pointer to the business community in general. The present facilities available in the country are adequate and it is to be hoped that the increasing popularity and utilisation of arbitration will lead to smoother flow of trade and commerce which in turn will bring brighter prospects for the future.





THE BUSINESS WORLD

Steel: Shortage of Technicians?

By CROESUS

COMING in the wake of the disconcerting news that the third blast furnace at both Rourkela and Bhilai could not be commissioned in time due to short supply of metallurgical coal as a result of inadequate transport facilities, (neither of which changes, by the way has been accepted by the concerned ministry), it was indeed heartening to find Mr. K. D. Malaviya, Minister for Oil and Mines, disclosing that three big discoveries of metallurgical coal, which are expected to make India self-sufficient in grade one coal for decades to come (sic), have been made in Bokaro and Raniganj areas. Of course, as usual, when questioned about the quantitative and qualitative estimates of the new deposits, Mr. Malaviya gave a guarded and, therefore, not a quite satisfying reply. He said: "We have yet to prove the quantitative dimensions of the new deposits. Investigation of a detailed quantitative projection in this regard is being handed over to Indian Bureau of Mines".

Be that as it may, atleast in so far as the country's requirements of metallaurgical coal, in particular for the indigenous steel industry, are concerned, it does not now seem necessary to bother ourselves as much as hitherto. But this still leaves the problem of inadequate railway transport unsolved, although we may expect that, with the new find of coal deposits, the quality of coal that would be available for the railways would improve and, with it, also the railway transport facilities, to some extent. Nevertheless, it does not appear that the steel plants in the public sector can yet afford to remain complacent. For, if the report of Mr. Leo Werts, the Ford Foundation Man Power Consultant to the Union Ministry of Steel, is to be believed, the Hindustan Steels Ltd. is faced with a serious shortage of trained technical personnel. It is believed, Mr. Werts has, in his report, analysed the factors responsible for current and future shortages of trained technical personnel in the heavy industries and suggested measures to overcome them. The position, as he seems to view it, is quite serious. If, as he says, as much as about 40 to 45 per cent of key positions, such as those of managers, superintendents and foremen, have been vacant since April last in Rourkela, Bhilai, and Durgapur, the position is indeed serious and should cause considerable anxiety. As per Mr. Werts' estimate, it would appear that even to operate at current capacity, about 1,400 more foremen are needed at Durgapur and Rourkela, while a further 1,000 would be needed to meet the requirements of expansion of these two steel plants during the Third Five-Year Plan. In addition to these, when the proposed fourth steel plant is also put up at Bokaro, the additional number required of engineers alone would be 740 !

All these only go to show that the most urgent need of the country, if it must proceed with its present heavy industry-biased plans, is a comprehensive programme of technical training. I think Mr. Werts has done well, therefore, in suggesting the appointment of a high level technical advisory committee, comprising officers from both the public and the private sector steel plants, not only to draw up such a programme, but, what is even more important, to implement it speedily. In this connection, the following relevant extracts from the Fourth Annual Report of the International Finance Corporation bears reproduction.

"Before embarking on a new project or expansion, it is established practice in the best modern business to make intensive studies covering requirements for management, plant location, labour supply, capital, markets and profit margins. Comparable studies are relatively rare in projects presented to IFC. This is often due to the sponsor's inexperience, to the lack of proper trained personnel or outside experts, or because of reluctance to take the time or spend the money required for such studies. Even experienced companies considering foreign industrial ventures often neglect to investigate factors which they would study as a matter of course in their own countries."

Obviously, nearly every one of the factors mentioned in the above extract applies to our steel projects. The tragic aspect of it is that some of them are there, although they need not be there. Take, for example, the shortage of personnel. According to the finding of Mr. Werts, this does not seem to be always due to the absence of the required personnel. Even when such personnel is available, it would appear, there have been delays, because the final decisions happen to rest with the Ministers. It is fantastic that even so responsible a body as the Board of Hindustan Steel Ltd. should not have the authority to appoint personnel, Indian or foreign, at all levels. Evidently it is not fully realised by the powers-that-be that delay in employing essential personnel will not only cause serious damage to capital equipment but also lead to a postponement of the date for reaching the production target, let alone the effect on the cost or the quality of manufacture. It is to be hoped that atleast now, when their attention has been pointedly drawn to this serious lacuna, the authorities would wake up and act.

Expanding Demand for Tinplate

(Contributed)

TINPLATE is a confusing material: how many laymen realise that it consists mostly of steel? The familiar "tin" which is an indispensable feature in any urban household in India contains on an average rather less than 1% of tin, approximately 1/40th the thickness of human hair, applied by dipping, or more recently electrolytically, to a rolled sheet steel base.

This popular failure to identify steel with tinplate probably does not stop with the lay public. Government's 30-member Iron & Steel Advisory Council has not seen fit to include the representation of tinplate interests in it, either manufacturers, fabricators or consumers. Yet the fact is that some 140/150,000 tons of this material worth Rs. 15/17 crores is required annually in India by fabricators employing some 25,000 men. More important, tin container production occupies several lakhs of workers packing and distributing consumer goods worth Rs. 250 to Rs. 275 crores, and accounting for something of the order of 2% of the national income.

A visitor to the Western world is bound to notice amongst other features the tremendous volume of sales of canned products. The price stability of the markets of these countries is to no small extent dependent upon the ready availability of essential articles packed so as to enable safe and ready distribution and efficient preservation. Though many competitive materials have entered the field (aluminium, thermoplastics, cardboard, foil and laminates), the use of tinplate continues to grow as living standards improve. In Britain—and the picture is similar in the USA—between the years 1954 and 1958, a period which witnessed a spectacular rise of plastics as a packaging medium, the tonnage of tinplate used for packaging increased by 51%. Indeed, a tin container manufacturer claims to be the largest single user of steel in Britain. Such is the position of tinplate in the more highly industrialised economies that since the war, 25% of steel expansion in the West has been devoted to it.

In India tinplate is used for the bulk packing of liquid and semi-liquid products or for consumer packaging in smaller containers. Despite the wide use of tanker wagons, approximately one-third of the tinplate is consumed in packing kerosene, the familiar four-gallon can having an extensive afteruse as a domestic utensil in the rural areas. Tinplate's most significant use, however, is probably by the growing industries packing processed foodstuffs, dairy products, food oils, cashews and other foods; drugs and pharmaceuticals; paints, varnishes and chemicals; lubricating and brake oils, etc., requiring tamperproof containers which will get their goods to the consumer unpilfered by the ingenious and abundant rocketeers in spurious goods. The table set out in this article shows that according to the National Council of Applied Economic Research 41% of tinplate is in fact used for packaging foodstuffs.

By the end of the Third Five-Year Plan, according to the same table, an 80% growth in plate consumption will have taken place, a figure which is based on the anticipated growth of the consumption of packaged goods as the pattern of spending changes with Plan-generated income increases. It must also be based on the reasonable assumption that the new alternative materials, namely, aluminium, plastics and laminated foil/plastics/paper combinations, the manufacture of which is now steadily developing, will only affect quite marginally the demand for tinplate.

This is because tinplate, and no other material of similar cost, provides the answer to the acute packaging problems arising out of the country's exacting climatic variables, the vast distances, the inadequate transportation facilities responsible for localised glut and the wastage of valuable food products, e.g. fish in Kerala, pineapples in Assam, mangoes in North Bengal, apples in Kumaon.

Similar factors and the flow of imports from the West account for the strong demand in the markets to which we export goods packaged in tinplate. This is being exploited by the tinplate fabricating industry which expects this year to be responsible for between 3% and 4% of the engineering industry's exports. More important are the exports in tinplate containers, the exact value of which is more difficult to assess. Cashew exports in tins total Rs. 15 crores; that much is certain. For the rest—if the figures of one major fabricator are typical—it may be claimed that approximately Rs. 5 crores worth of canned fish, vanaspati, vegetable oils, toilet goods (to 16 different countries), canned fruits, vegetables, confectionery and biscuits are exported. This clearly is just a beginning of potential exports.

What are the prospects of the packing industry's developing at the rate forecast by the National Council of Applied Economic Research? By the end of the [illegible] tinplate can and will be manufactured in Tatanagar and Rourkela from billets, called tinbar, made in the country. In the short run, however, disturbing news keeps appearing. Only half the country's requirements are made in India; the rest are imported. Next year, however, there is liable to be a serious loss of The Tinplate Company's production on account of the fact that Tatas will be shutting down, for an overhaul which will take six months, the mill which up to now has been used for producing their tinbar. It is understood that the Government has under examination ways and means of making good the shortage. If action is not promptly taken by the authorities either to make available an alternative local source of supply of tinbar or to permit its importation, there may be a shortfall of as much as 35,000 tons of tinplate, a material of which there is already some scarcity. Some one hundred and twenty firms registered with the Development Wing as tinplate fabricators and the many small units which operate under the aegis of the State Departments of Industries have been complaining bitterly about acute shortages which they have chronically faced over the last three years and which have now been brought to a head.

A substantial excise duty was imposed this year by the Finance Minister, primarily to check consumption and secondarily to spread the base of indirect taxation. It would appear that in the interest of price stability, of beating the food adulteration racket, and of continuing the expansion of many small-scale packing industries, realistic planning perspective is required. This industry seems to have a good case for imports worthy of careful consideration inasmuch as the domestic shortfall is arising out of an exigency and denial of import licensing would hit some non-conventional exports at a critical time when their diversification is urgently required. What the country may gain by not making temporary imports may well be lost in health, inflation and unemployment. Furthermore, if the necessary expenditure of foreign exchange is not made to keep this important packaging material in reasonably free supply, a good deal more than just food packing development and the volume of goods available for sale (worth 15 to 20 times the cost of the tinplate) on the home markets is at stake. The growth of packaged exports will be seriously inhibited because the period of gestation in establishing new export markets is long and the ability of packing industries to develop exports is inextricably tied up with the development of the home markets.

REQUIREMENTS OF TINPLATES FOR DRUMS AND CONTAINERS

(In tons)

Consumer Group	1960-61	1965-66	1970-71
1. Milk and allied products	3,800	10,000	20,000
2. Fruit, vegetable and fish industries	2,600	10,000	18,000
3. Confectionery and biscuits	5,700	9,000	12,000
4. Vanaspati and other edible oils	35,700	54,000	80,000
5. Cashew	4,900	7,600	10,000
6. Other food products	4,400	10,000	20,000
Food Products Total:	**57,100**	**100,000**	**160,000**
7. Paint and varnishes	4,500	8,000	15,000
8. Pharmaceutical and toilet industries	4,200	10,000	20,000
9. Petroleum products	50,000	85,000	130,000
10. Other non-food products	7,100	14,000	25,000
Non-Food Products Total:	**66,400**	**117,000**	**190,000**
11. Tea chests	1,500	3,000	5,000
12. Miscellaneous uses	15,000	30,000	45,000
Grand Total:	**140,000**	**250,000**	**400,000**

Extract from "Appraisal of Steel Demand", a report of the National Council of Applied Economic Research Published by the Council of Scientific & Industrial Research — Table 56

Business Notes

Raw Cotton

INTENSIVE PRODUCTION

THE IMMEDIATE problem facing the country today is the need to bring about a substantial increase in the domestic cotton production, as Mr. Madanmohan R. Ruia, President of the Cotton Buyers' Association, observed at the last Annual General Meeting of the Association. How serious this problem is will be obvious from the sharp decline in the total availability of raw cotton that developed during the last season, when there was an unprecedented failure of the cotton crop in the country. The total crop in 1959-60 was no more than 37.50 lakh bales (commercial), as against 46.83 lakh bales in the previous year. Together with carry-over of 18.47 lakh bales, the total availability was no more than 55.97 lakh bales. As against this, the overall mill consumption alone was 44 lakh bales, which too was possible due to the liberal imports that could be arranged. Even so, after providing for exports and extra factory consumption, the carry-over at the end of 1959-60 was hardly 9½ lakh bales, or in other words, about three months' mill consumption on the basis of the present average monthly consumption of 3.3 lakh bales. In all conscience, this is a serious enough situation, and it is not surprising, as Mr. Ruia averred, that the authorities should have been obliged to tighten control measures with a view to ensuring equitable distribution until the arrival of new crop cotton. Being only too conscious of the difficulties of the situation, thus, Mr. Ruia could at best counsel patience for the time being. He, however, thought that the possibility of a normal crop during the current season (which the latest weather reports seem to point to) should raise hopes that the present restrictions would not last.

But all this is no lasting solution to the problem. The problem basically is one of increasing the indigenous production of raw cotton both substantially and speedily, and it is not too much to say that the future of the entire cotton trade — and also our cotton mill industry — hinges on how effectively this problem is tackled. Now, production of any crop can be increased either by bringing more area under cotton or by raising the per-acre yield. Let us see what are the possibilities in regard to cotton in either of these directions. In the context of the prevailing food shortage, we must rule out, both for the present and for as long as we can visualise in the forseeable future, any large-scale diversion of the area under other crops for raising more cotton. For even more urgent than self-sufficiency in cotton is the question of self-sufficiency in foodgrains. Therefore, we are left with a Hobson's choice, that is to increase the productivity per acre, which is deplorably low today. If we can combine the rapidly expanding irrigational facilities with the use of more fertilisers, it should not be difficult to increase the size of our cotton crop somewhat. But only a collective effort made by the farmers, the Government, and the cotton trade can ensure results. And, to the extent that the proposal to set up an expert body to inquire into production, price fixation, and allied questions, recommended by the Indian Central Cotton Committee and accepted by the Union Minister for Food and Agriculture, is promptly and effectively implemented, the task in question becomes feasible.

New Issue

ANUH PHARMA

ANUH PHARMA LIMITED, that has been formed with the main object of taking over as a going concern the partnership firm of Anuh Pharma, will be entering the capital market on October 8. The subscription list will open on October 8 and close on October 17, 1960. or later at the discretion of the Directors, but not earlier than October 12, 1960. The authorised capital of the company is Rs. 50 lakhs divided into 5,00,000 equity shares of Rs. 10 each. The issued capital is of Rs. 10 lakhs consisting of 1,00,000 equity shares of Rs. 10 each. Out of this, 10,000 shares would be allotted to the vendors for consideration, and 10,000 shares have been arranged to be taken up by the Directors and their friends. The balance of 80,000 equity shares of the full value of Rs. 10 each is offered for public subscription at par. A sum of Rs. 2.50 per share is payable on application and Rs. 2.50 per share on allotment. The balance of Rs. 5 per share will be called in two instalments of Rs. 2.50 each at the discretion of the Directors at intervals of not less than three months between each call and prior notice of at least 30 days shall be given in respect of each call. Full particulars will be found in the prospectus published in the issue of this journal dated September 30, 1960. The company proposes to make indigenous drugs of various kinds. The concern in its new form will strengthen the predecessor enterprise and equip it for larger responsibilities. Optimism about its bright future is justified.

Industry

PAPER PRODUCTS

IT GOES to the credit of Paper Products Ltd. whose Silver Jubilee was celebrated the other day that from a humble beginning it has risen to its present position of strength. Its turnover last year was almost Rs. 110 lakhs and a complement of about 500 workers and staff on the rolls. This fairly is a good achievement when the turnover of the company of a mere Rs. 35,000 in its first year is taken into consideration. The new factory of Paper Products Limited which was inaugurated very recently by Mr. Manubhai Shah is located at Thana. The cost of the new factory building, including land, electrical installations and furnishings works out to approximately Rs. 20 lakhs. The factory has been planned to accommodate the expansion envisaged in the near future.

While giving the background of the Paper Products Ltd. Mr. S. L. Talwar, the Managing Director, in his welcome address at the Silver Jubilee celebrations and inauguration of the new factory at Thana highlighted the importance of the packaging industry in the developing economy of the country. Now that emphasis is being laid on increasing exports, it is imperative that there should be a planned development of flexible packaging industry in the country. As to how it could be attained is answered by Mr. Talwar in a four-fold approach which provides for the creation of an independent development council for the packaging industry, liberal licensing of raw materials, and specially, equipment for this infant industry; proper distribution of benefits and concessions to the packaging industry for providing packaging material for export products; and establishment of a packaging institute devoted solely to the problem of finding ways and means of making the best use of indigenously available materials and creating protective and functional packages to suit our climatic conditions. These suggestions are worthy of close consideration.

FROM THE CAPITAL'S CORRIDORS

IMPORT POLICY

THE import policy for the current half year, October 1960 to March 1961, has been announced. As indicated earlier in this column, the commercial imports bill has been pruned further.

Import of cotton fabrics, velvets and velveteens has been totally banned and drastic cuts have been effected on many items of consumer interest, such as, wines, whisky, sheet and plate glass, time-pieces, etc. Import quotas of established importers have been scaled down in the case of a number of other items whose indigenous production has gone up. These items include pipes or tubes flexible. malleable iron pipe fittings, cast iron pipe fittings, iron and steel wire ropes, boot and shoe grindery, copper manufactures, brass manufactures, leather belting, electric insulations, house service meters, industrial and street light fittings, paste board, mill board, water meters, vulcanised fibre sheets, certain chemical items such as hydrosulphite of soda, bleaching powder, calcium carbide, textile preservatives carboxy methyl, acetic acid, anhydrous ammonia, certain items of motor vehicle parts such as gaskets, radiator assembly, shock absorbers, piston assemblies, piston rings, thin walled bearings and certain items of drugs and medicines. The quota for raw films has been reduced from 66-2/3 per cent Gen. and 66-2/3 per cent Soft to 50 per cent Gen. and 50 per cent Soft. Newsprint imports have been reduced by 10 per cent.

Although the quota for drugs and medicines n.o.s. has been scaled down, a provision has been made according to which quota licences issued for specified items can also be utilised for imports of drugs and medicines not otherwise specified so that adequate quantities of drugs and medicines may still be imported within the lower cost ceiling. The reduction in the quota for raw films has been effected on an understanding with the film industry which has shown its willingness to reduce the length of films. The industry, it is said, has voluntarily fixed the following ceilings on the length of films: Bengali films 12,000 ft. Hindi films 13,000 ft.; Tamil films 15,000 ft. Cut in newsprint imports also is not envisaged to hit the newspaper industry; the gap will be made good by indigenous production. Reduction of established importers' quota in the case of some items to nil also does not mean that a total ban on these imports has been imposed. Imports of some items in this category, for instance palm oil, will be effected through other means.

ACTUAL USER LICENSING

With a view to make adequate provision to sustain industrial activity and to ensure adequate utilisation of the country's industrial potential, the list of items for which actual user licensing will be undertaken has been expanded to include calcium molybdate, molyte and other molybdenum products, ferro tungsten, ferro-molybdenum, ferro-titanium, ferro-phosphorus, ferro-calumbium (also known as ferro-nibium), ferro-selinium, silico-manganese, silico-spiegel, feero-silicon zinconium, ferro-boran, panel pins of size 1" and below, ball bearings of 1" in bore internal diameter and below, knitting machines (including hosiery machines and embriodery machines) etc. for replacement purposes, cam Dobbies, linen thread, cadmium carbonate, cadmium chloride, cadmium iodide, cadmium nitrate, cadmium oxide. cadmium sulphate, compounded nickel, electroplating salts like Albo Wivo, Hexa-volt etc., potassium permanganate, sillica gel, tyre retreading moulds, synthetic ion exchange resins for softening and demineralising of water and other liquid.

The basic period for fixing quotas has been extended to include the year 1957-58 in the case of powdered milk containing not less than 18 per cent cream intended for infant feeding and tape and wireless recorders, all sorts (import of magnetic tapes, magnetic perforated films, spares and recording wire only is permitted). In the case of some items such as solubilised Vat dyes other than banned types, wheeled and Crawler tractors above 50 D.B.H.P., shovels, excavators, motorised graders, vibrating soil compactors, vibrators, stone granulators, tar and bitumen boilers sprayers, core drilling machine, concrete mixers, asphalt mixers, and mortar mills, and some motor parts, the basic period has been extended to include the year 1958-59.

QUOTAS INCREASED

Quotas for the import of spare parts of sugar manufacturing machinery and spare parts of earth-moving machinery have been slightly increased. The face value provisions for the import of certain items such as bolts and nuts, ball bearings, garage tools against licenses for certain machinery items have been liberalised.

Some more items have been brought under Export Promotion Scheme. Imports of (a) abrasive grains. glass paper, felt bob and putty powder, (b) essences, (c) graphite, (d) polishing rouge, (e) art silk yarn not less than 300 D and asbestos mantle yarn, (f) hemp twine, and (g) fishing hooks will be allowed against exports of (a) monumental stones and granite slabs, (b) vegetable and food products, canned or bottled (other than mango chutney), (c) pencils, (d) lenses, (e) gas mantles, and (e) shark fins and fish maws.

The period of validity of licences has been extended in respect of motor vehicle parts and films made from transparent cellulose or viscacella. The period has been extended from nine months to twelve in respect of the former and from six months to nine in respect of the latter.

Imports of mercury will be canalised through State Trading Corporation. This has been done to reduce speculative spurt in its prices. The Pakistan OGL has been extended for a further period of six months.

With a view to curtailing procedural delay in the issue of licences, the scheme of "Repeat" licensing introduced during the period October 1959 — March 1960, is being continued during the period October 1960 — March 1961.

ANNOUNCEMENT INCOMPLETE

A spokesman of the Ministry of Commerce and Industry, explaining the new import policy, pointed out that the cuts in the quotas of established importers will save the country about Rs. 3 crores. The overall effect of the policy, however, is not yet clear for import programme for 20 items has still to be finalised. These items are: card clothing and card accessories; dates; cardamoms; cassia and cinnamon; cloves, all sorts, whether ground or unground; nutmegs; mace; betelnuts; cork manufactures, not otherwise specified; printing paper; paper including poster and stereo and all coated paper except art papers, all sorts not otherwise specified excluding cigarette paper and packing and wrapping paper; filter paper; packing and wrapping paper; cotton yarn of 80 counts and above; photographic negatives and printing paper — excluding X-ray films; watches; giant motor, motor cycle and bicycle tyres and tubes and flaps and solid tyres, but excluding tractor and off-the-road tyres and tubes; diamonds unset and imported uncut, excluding bort and industrial diamonds; wheeled and Crawler tractors upto and including 50 D.B.H.P.; surgical instruments; apparatus and appliances, not made mainly of rubber and also not made mainly of glass; machine tools (for established importers).

The policy in regard to these items will be announced only after the return of the Finance Minister, Mr. Morarji Desai, from United States when the results of the deliberations of the "Aid-India Club" will be clearly known. Last week-end's announcement is aimed at keeping the economy "ticking" and allows for "some expansion" within the foreign exchange resources available.

Imports during the first seven months of the current year totalled Rs. 613 crores and exports Rs. 408 crores, leaving a trade deficit of Rs. 205 crores. The deficit for the full year is, however, expected to be no more than for 1959, namely Rs. 264 crores. The outlook for the remaining five months is considered 'hopeful' because of the seasonal spurt in exports towards the end of the year.

A pertinent comment heard in the Capital on the import policy of the Government of India is that whereas every six months the Ministry of Commerce is called upon to cut down imports even of such items as the life-saving drugs, the Ministry of Industry has been allowed to go on merrily licensing industries which do not form the core of the development plans. Again, some of the Union Ministries are also allowed to go in for programmes involving quite an appreciable amount of foreign exchange, which the country can very well postpone for a future date. In this connection it is pointed out that railways can go slow with the dieselisation programme of theirs and establishment of more than one atomic power station can be deferred for some time. It is high time, it is stressed, that not only import policy but industrial expansion should also be linked to the availability of foreign exchange.

JUTE GOODS EXPORT OUTLOOK

Considering the present trend, it is expected that exports of jute goods from this country this year will be maintained at a slightly higher level than last year. Exports during the first six months of the current year amounted to 39,202,000 tons as against 37,607,000 tons during the corresponding period last year. Compared to the period July to December, 1959, exports in the first half of the current year were down by 88,480 tons, but this comparison is not of much significance because of the seasonal influence; exports during this period always are on the high side. Exports of hessian and "other" jute goods have registered a significant rise, those of sacking having registered a slight fall. In terms of value, exports of jute goods in 1959-60 amounted to Rs. 111.92 crores, as against Rs. 101.91 crores in 1958-59. Higher jute goods prices since December, 1959, have resulted in a comparatively better return at Rs. 30.58 crores in the first quarter of this year.

Traditional buyers of Indian jute goods, especially in the USA, are said to have reacted adversely to the renewed evidence of price instability after almost a year of comparative quiet; the current prices are considered to be rather high in view of the fact that the main virtue of jute fabrics is their cheapness, and jute bags have to compete with paper bags and bulk handling in the industrially advanced countries. Restoration of price stability around lower levels is considered to be essential if the Second Plan target of 900,000 tons of jute goods exports annually is to be achieved.

Among the factors which have been helpful in increasing exports of jute goods in the recent past are recovery in the off-take by Argentina, entry of Japan into the Indian market for the first time with the half-year off-take of 5,000 tons, and increased shipments to Belgium, West Germany, Egypt and Sudan. China and U.S.S.R. have maintained their off-take. There has been a decline, on the other hand, in the shipments to some other important markets such as Australia, UK and USA. There has also been a drop in exports to East and West Africa. This has been largely due to high prices of Indian goods and greater competition from Pakistan.

The last few months have witnessed distinct revival of the jute goods industry on the Continent. The UK industry, which substantially increased its production in 1959, does not appear to have suffered any ill-effects from the reduction in the protective "mark up". The French industry, whose production was declining in 1959, has since staged a recovery. West Germany has stabilised its production, while liberalising its imports. Belgium continues to hold its share of the American market for carpet backing and its production in 1959 was well above the 1958 figure. Japan is understood to be increasing its loomage to meet the growing domestic consumption.

India's main competitor, Pakistan exported during the year ending June last an estimated 1,96,800 tons of jute goods as against 1,37,300 tons and 1,03,000 tons in 1958-59 and 1957-58 respectively. Pakistan's exports to UK, Australia, Cuba, Burma, Argentina, and East and West Africa have shown improvements in 1959-60 over the previous year's figures, whereas India's exports to these countries have declined.

Out of approximately 8,000 looms installed in Pakistan, about 7,800 are said to be presently in regular operation, most of them working on 2 and 3 shifts. The Pakistan Industrial Development Corporation has plans to install 4,000 more looms in the next two years.

WIDE HESSIAN

In India, wide hessian which is exported to USA, for use in making tufted carpets, has done well both in production and exports. Exports of this rose from 20,000 tons in 1958-59 to 30,000 tons in 1959-60. Exports of cotton bagging, a low cost wide-mesh fabric used in USA, went up from 30,000 tons in 1958-59 to 45,000 tons in 1959-60. Other specialities have more or less maintained their position, except twine whose exports have declined sharply because of competition from Pakistan. At the end of 1959, 521 broad looms had been installed in the Indian jute industry. This figure has since risen to 676. Another 190 such looms are to be installed shortly.

The world demand for jute goods in 1960-61, on present indications, is expected to be maintained at or above the previous year's level.

The fourth delegation of the Indian Jute Mills' Association to USA and Canada, which visited these countries in October and November last year, has exphasised the primary importance of maintaining burlap prices in line so that burlap can compete favourably with paper in the bag market. The delegation anticipates a further, though slower, growth in the demand for wide hessian and considers that there should be a growing market for burlap luminated with other materials. The Indian Jute Mills' Association proposes to send another delegation to the USA in the coming winter. This delegation will also visit Argentina.

RAISING COKING COAL OUTPUT

Impression appears to be gaining ground here that in order to step up coking coal output, the Government of India may have to slightly increase its prices. Knowledgeable circles reveal that if coking coal is not available from new mines in substantial quantities or, alternatively, production from the existing mines in Jharia does not increase, the Government may be compelled to readjust its steel production programme under the Third Five-Year Plan.

LICENSING OF FERTILIZER FACTORIES

The Government of India, it is understood, is planning to introduce ordinary system of licensing for



Shakespeare once observed "Beauty is an innate craving of man—so he seeks to dwell in lovely parts of the creation." No age has ever been immune to this captivating spirit of Beauty, the balm of life. Even mother Sita of our epic age fell a victim to the attractions of beauty when she noticed an illusory golden deer, and longed for having it, which resulted in the out-turn of a chain of momentous events in the social life of that epic age.

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the establishment of fertilizer factories in the private sector. Some applications, it is expected, will be considered at the meeting of the Licensing Committee to be held shortly.

As already reported, the Government is contemplating fixing of a retention price for fertilizers to be produced both in the public and the private sectors. It is presumed that this retention price would not be below the level at which fertilizers produced by the public sector units are sold.

IMPRESSIONS OF DR. PAUL KREBS

Views of Dr. Paul Krebs, who visited India and Pakistan early this year as Economic Adviser to Dr. Hermann Abs, one of the three members of the International Economic Mission—popularly known as the Three Wise Men Mission—on the future economic development of the Indian sub-continent, make an interesting reading. Dr. Krebs has made a powerful plea for increasing economic aid from the Western countries for this region. In particular, he has urged for more West German capital investment in India.

The following are some extracts from his report:

"Whatever happens in India and Pakistan in the years to come will have its profound effects, both countries being, politically as well as economically speaking, two of the most important developing countries, and by the number of their inhabitants being foremost among the non-Communist States in the East, upon practically all other countries of the Far East. A decisive reversal of these two countries' political course, for instance in the direction of Communism, will, to say the least, have a strong influence also on the Near and Middle East as well as on Africa."

"India and Pakistan together have a population of about 500 million, and this population is increasing each year by about 10 million souls. Economic development in Pakistan, and particularly in India, is far more advanced than in Africa, barring the South African Union, and other overseas areas. Both countries, therefore, constitute an enormous potential market for the sale of our own industrial manufactures and those of our Western neighbours. For the present and for some years to come, one has to admit that the purchasing power, and thus the potential demand for investment and consumer goods in these countries, admittedly still is and will be far beneath our own level, even beneath the level in countries like Brazil and Argentina....In addition, difficult foreign exchange problems will continue to call for artificial restrictions as to normal imports, especially consumer goods imports....Despite all the difficulties which India and Pakistan are having to fight, I venture to predict that in the not too distant future —in India I should say in no more than 15 to 20 years, and in Pakistan a generation from now at the earliest— the effective, realizable demand for commodities will have become substantially greater, provided, however, that the necessary volume of financial aid and technical assistance expected from friendly nations, combined with energetic efforts on the part of both these developing countries, is forthcoming at the right time and is economically and otherwise suitably applied so as to ensure that economic growth is organic and befitting the local circumstances."

"First and foremost both countries must concentrate all their energies on increasing the volume of agricultural production. This, by itself, is an enormous task in which the human factor plays a commanding role, and it would be fatal if both Governments were to give way to the temptation to rely on the delivery of American surplus food and neglect their own agricultural programmes."

WHY RAPID DEVELOPMENT?

"It may seem regretable for many reasons that India and Pakistan are trying to force ahead industrial development in relatively too short a time. On the other hand, we cannot but admit, after having studied the conditions in these two countries, that they have no choice but to enter this field. I shall try to explain to you why the Western world must become more active, but also more sensible than before, in promoting industrial development in these and other areas. In Western Germany we must do so in our own interest, so as not to lag behind our competitors. I am far from denying that many objections might be raised against the development plans of the pre-industrialized countries, for instance against those conceived in Pakistan and India, both as regards their nature and organisation and the speed at which the various projects are to be realized. But, if my prognosis is correct, 15 or 20 years are only just sufficient for a fundamental and systematical preparation in developing these future markets which are being studied with increasing attention and coveted by other countries, particularly Great Britain and the USA."

"The general conditions in India and Pakistan, their raw material resources, their economic problems and needs, certainly differ in many respects from those in other developing countries. This must be taken into account in judging the situation and the nature and measure of foreign assistance. It is necessary, therefore, to make a careful study of each individual developing country before undertaking to carry out an assistance progremme. This applies both to State assistance and private capital exports, either in the form of capital goods deliveries or by direct investment in agencies or manufacturing plant."

"Apart from these differences, practically all of the important developing countries, barring those like Brazil where the agricultural and industrial potential is in an advanced stage already, are faced with certain identical or at least similar problems. The first and foremost is the necessity to produce sufficient nourishment for populations which are growing at a terrifying rate in many developing countries, especially India and Pakistan. In the second line, the populations must be provided with other bare necessities without which life is not worth living, that is proper clothing, simple consumer goods, adequate housing, electricity, and last but not least education and technical training for as many people as possible, so that they are fit to be employed in the administration, in agriculture and industry."

"ON THE SPOT" ASSISTANCE

After discussing the changes brought about by partition in the economies of India and Pakistan, Dr. Krebs says: "It is true that here assistance has been granted by the West in many respects, not in the least by the Federal Republic of Germany and a number of large German concerns. But, if economic development is to proceed according to plan, assistance of this kind (technical and material assistance for both industry and agriculture) must become considerably greater, particularly on the spot."

"After Independence in 1947, the old, qualified personnel in India and Pakistan had to cope with a specific handicap in that they, first of all, had to become accustomed to their role as 'masters of their own house'. From one day to the other they were confronted with the task to make decisions in particular when sudden difficulties arose, and to train young people to succeed them in the administration and in business. This process of adaptation will take some time yet to be completed. It is held back by the typically oriental aversion with respect to systematical work and personal initiative, which contrasts with a natural disposition in these parts to make great plans. The philosophy of the man in street, especially the villager, who is always looking more or less towards the next world and believes in predestination, makes it very difficult to induce people to work more and accept modern economic prin-

ciples and production methods. Therefore, one of the chief questions which the Mission repeatedly put to Ministers of State and officials, particularly to the planning authorities, was: 'Are you willing and able to enforce your economic plans in the rank and file, so to speak, that is among the peasants in your villages and the workers in your factories? Provided you receive adequate foreign assistance, will you succeed in taking proper precautions at the right time and in the right place to give your people suitable training in agriculture and industry, procure raw materials, fertiliser and insecticides, seed and credit, so that your plans may be carried out in time?' The fate of both countries, Pakistan perhaps more than India, and the perpetuation of their present political structure largely depend on an affirmative answer to this question."

LESSON LEARNT FROM EARLY MISTAKES

"As a result of our conversations, and after visiting farms, factories and training establishments, we are convinced that responsible quarters in both countries are fully aware that this problem is eminently important. Former mistakes of economic policy, especially in the field of agriculture, have taught a good lesson." (Here Dr. Krebs makes mention of the steps taken by the two countries to improve their agricultural economy).

"The mistakes which both countries made in former years, among other circumstances, gave rise to a serious balance of payments crisis in 1957-58, produced mainly by (1) an inordinately liberal import policy, and (2) excessive investments which had to be financed largely by 'deficit spending', the foreign exchange requirements of which had to be met by drawing on the foreign exchange reserves, the measure of domestic savings and income derived from taxation and foreign aid having been grossly overrated. The crisis was aggravated by a very unfavourable development of the 'terms of trade' and crop failures. As a result, the foreign exchange reserves of both India and Pakistan, which had been substantial after World War II, were reduced to a hardly bearable minimum. The more lavish money supply, which was not supplemented by a proportionate rise in the supply of commodities, brought forth inflationary tendencies, particularly in Pakistan. Here the bottom of foreign exchange reserves was touched at about $260 million. In India the lowest point was reached at about $640 million, which is almost unbearable considering the substantial dependence on imports, the relatively small volume of exports, and the large volume of indebtedness towards foreign creditors. Since that time exchange reserves have gone up slightly thanks to import controls and other restrictive measures."

"I am aware that complaints are frequently made about the lacking qualification of entrepreneurs and technical personnel in India and Pakistan. Other difficulties, too, have prevented German firms from acquiring an interest in manufacturing and other businesses in these countries. But, as experience shows, suitable partners can be found there provided that careful and patient investigations are made. Consultations with local credit institutes, development banks, chambers of commerce, and the like will eventually lead to satisfactory results. Institutions have been established recently both in India and Pakistan whose purpose it is to make it easier for foreign investors to prepare and carry out private investment projects. The Bankers' Mission found that in almost all of the places they visited new consumer goods industries have been built up with foreign technical and capital aid. Nearly all of them operate to full satisfaction and show good profits in spite of relatively high taxes."

"As far as India is concerned, which is much more advanced industrially than Pakistan, and if suitably assisted might take the hurdles much faster than her neighbour despite the present problems and difficulties, our need to think differently is even more acute. So far, German private investments in India's industries are negligible compared with those of Great Britain and the U.S.A. Today India has much more positive and flexible attitude toward private foreign participation than a few years ago. That this country, like Pakistan, desires to attract foreign capital, the Mission were able to find out on their visit. In both these countries considerable tax reliefs, whilst still inadequate, are now being granted to new manufacturing concerns which come under the Five-Year Plan. Such relief will enable foreign investors to survive the initial operating years with a minimum of tax burden."

"Competent personalities in India, too, gave us the impression that they seriously intend to take the lesson of past mistakes. We found that the Third Five-Year Plan, which is to begin in April, 1961, is first and foremost intended to raise the volume of agricultural production. By increasing the grain crop from 75 to 105 million tons the country is to be made independent of imports within the five years. Top priority is given to investments in the fields of water and power supply. fertilizer and insecticide production, irrigation, drainage, and communications. Certain industrial projects may seem out of proportion and over-hasted. In this respect, matters must be corrected as far as possible in co-operation with the assisting countries. However, contrary to the opinion of many critics, the proposed extension of iron and steel capacities and the industries needed to improve iron and steel output, which is already proceeding, partially with Soviet aid, would seem logical and right for the above mentioned reasons. However, measure and timing of these investments require careful examination on the basis of a correct estimate of the requirements, the available economic and manpower resources as well as transport facilities."

"Contrary to other developing countries which are carrying out or are contemplating steel projects on a large scale more or less for ambitious reasons, India has sufficient and easily accessible ore and coal resources. Nor must we forget that India can produce steel cheap, cheaper than the West. In the meantime, the domestic demand for iron and steel has grown so considerably in many sectors that the country is forced to meet these requirements by extending the capacities, because it is impossible for foreign exchange reasons to satisfy the demand by importing steel."

A NOTE OF CAUTION

"But, India, too, ought to realize more readily than is the case here and there that precautions must be taken in time to assure that the development plans are carried right down to the front, that is in the Provinces and in the last village. Good beginnings have been made, but they are not anything like adequate to enable the envisaged increase in production to materialise within a short time. In India many believe the country already has enough technical and managerial personnel to operate existing and new factories. This is a grave mistake. Though both in India and Pakistan workers today, if properly trained over a number of years, are able to attain about 90 per cent of the European workers' productivity (this we were able to prove in quite a number of well-managed enterprises), this will only be possible as far as new factories are concerned, if foreign countries do their share in providing qualified workers and managers and in training local personnel. A contribution of this kind on our part is one of the chief conditions for sound industrial development, and one should not hesitate to explain this over and again to Government agencies and business partners in India and Pakistan."

DELEGATION TO GATT

The Indian delegation to the forthcoming meeting of GATT, it is learnt, will be led by Mr. N. Kanungo, Minister for Commerce in the Union Government. Other members of the delegation will be Mr. T. Swaminathan, Mr. D. C. Joshi, Mr. G. L. Bansal and Mr. M. G. Mathur (from the Ministry of Commerce and Industry).

PUBLIC DEPARTMENT

COMPANY AFFAIRS

THE KHATAU MAKANJI PREPARES FOR RENOVATION

Although there was a shortfall in the output of indigenous cotton, the supply was made good by imports. As is revealed by the results of the Khatau Makanji Spinning and Weaving Company Ltd., the additional supply of foreign cotton, which was made available at a premium of 20 per cent under the export incentive scheme, expanded the company's manufacture of superfine varieties to meet the growing demand in the market. During the year to June 30, 1960, the company made a net profit of Rs. 72.73 lakhs out of which Rs. 34.20 lakhs were transferred to provision for taxation and Rs. 17.52 lakhs to general reserve. The directors have recommended the payment of dividend, subject to appropriate reduction of tax, at the rate of Rs. 5.71 per share on preference shares which gives 4 per cent free of income tax. On ordinary shares the dividend proposed is at the rate of Rs. 32 per share.

An estimate of company's preparedness to bring about renovation can be made from the fact that new machinery of the value of Rs. 26.34 lakhs was received during the year. Orders for new machinery of the value of 59.03 lakhs for replacement and renovation were placed.

MYSORE SPINNING'S SATISFACTORY RECORD

The annual report of the Mysore Spinning and Manufacturing Co. Ltd. reveals that efforts are being made to stream-line the mills of the company with a view to bring about rehabilitation and renovation. The company has purchased from Minerva Mills Limited their Bleach and Dye House and adjuncts, together with the dyeing and bleaching machinery for a total consideration of Rs. 8.8 lakhs in order to develop it into a full-fledged and up-to-date Processing Factory for carrying on joint operations of bleaching, dyeing, mercerising and printing of cloth of both the Mills more efficiently and economically. Following the programme of renovation and expansion, the company has received under the export promotion scheme permission to instal 144 automatic looms. The company is also received permission to instal a Waste Spinning Plant which could spin the soft wastes of its mills as also of Minerva Mills Ltd. which, at present, have to be sold in the market. A licence has also been received for the import of new Whitin Combers from the U.S.A.

To finance a portion of the above capital expenditure the company proposes te issue further equity capital to the extent of Rs. 9.93 lakhs and offer the same at par to the existing shareholders in the proportion of one new ordinary share for every three ordinary shares held on a date to be decided upon later by the Board of Directors.

During the year to Feb. 29, 1960, the company made a profit of Rs. 7.35 lakhs. After making certain adjustments Directors have proposed to transfer Rs. 3.5 lakhs towards machinery rehabilitation reserve. Dividend at the rate of Rs. 7 per share of Rs. 50 each less income-tax is proposed to be paid on ordinary shares. Another dividend of Rs. 2.25 per share (less tax) is proposed to be paid on 4½ per cent cumulative preference shares of Rs. 50 each.

KINNISON JUTE'S FINE PERFORMANCE

The chairman of the Kinnison Jute Mills Co. Ltd. in a statement has pointed out that the current year has been a reversion to the unhappy state of affairs. The quality of the 1959-60 crop was not up to the standard of 1958-59. In view of the fact that U.S. consumption was maintained at a high level, world offtake considerably improved. With the demand for goods and the satisfactory stock position in Calcutta the I.J.M.A. in its efforts to increase exports decided as a first measure to unseal one per cent of its loomage as from May 2, 1960. But the short raw jute crop and tight situation for fibre which developed made further unsealing impracticable. In order to meet the need of the industry and also with a view to curbing speculation in raw jute and manufactured goods the Government of India made licences available for the import of jute cuttings from Pakistan.

The Directors of the company appear to be quite conscious about the needs for modernisation. They have pointed out that despite the growing scale of indigenous manufacture, there will always be necessity for the import of certain types of machinery.

During the year to March 31, 1960, the company made a profit of Rs. 34.70 lakhs which shows a fair amount of improvement over the previous year's results. After providing Rs. 7.94 lakhs for depreciation, Rs. 6.64 lakhs for taxation and Rs. 3 lakhs each for machinery replacement reserve and general reserve, there is a sum of Rs. 13.94 lakhs at the disposal of the directors. An interim dividend at the rate of 3½ per cent on cumulative preference shares and Rs. 7 on each ordinary share was declared on June 13, 1960. Now the directors have proposed the payment of a final dividend at the rate of 3½ per cent on cumulative preference shares making the total of 7 per cent and Rs 13 per ordinary share making a total of Rs. 20 per annum.

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COMMODITY NEWS AND NOTES

U.K. SIGNS INTERNATIONAL COFFEE AGREEMENT

Britain has signed the International Coffee Agreement for the "coffee year" in respect of Kenya, Uganda and Tanganyika. The signing took place in Washington on September 26 at a meeting of the Board of Directors of the International Coffee Agreement. Under the agreement, Kenya, Uganda and Tanganyika will have an export quota for the year of 2,380,000 bags of coffee beans. This is 200,000 bags less than the first estimate of exportable production. If the estimate is revised upwards in March 1961, then the quota will be increased by the same amount as the estimate is raised. The announcement goes on to say that although the three East African territories voluntarily restricted their exports last year by a unilateral declaration, they had not hitherto accepted the obligation of full membership of the agreement. They will now play a full part in the agreement for the coming year. The announcement ends by saying that the decision to accede to the agreement in 1960-61 and to accept the quota on exports "was taken in a spirit of international co-operation and understanding of the problems of other major coffee-producing countries, as well as in the light of East Africa's own problems."

WORLD RICE PRODUCTION

World production of paddy in 1959-60 is now estimated at the record figure of nearly 139,000,000 tons, according to the latest report of the Commonwealth Economic Committee. "The current crop has, however, been adversely affected by weather conditions in a number of Asian countries," the report adds. In a general review, the report says: "Exports of rice so far this year have been nearly half as great again as in the corresponding period of 1959, Burma, Thailand, South Viet-Nam, and the United States all showing a substantial increase. Thai rice prices hardened during the month ending mid-August, heavy sales being followed by a restriction on exports from September; Cambodian prices also continued to rise." Giving details of weather damage to the current crop, the report says: "In India, heavy flooding has been reported in Orissa, although damage to crops appears less than apprehended; insufficient rain in East Pakistan at planting time has, however, reduced the autumn crops by about one-third (details of the main winter crop are still to come). "Planting conditions in Burma were favourable and, despite some shortfall in rain thereafter, an increase in production is looked for, as a result of the reclamation and improvement schemes which have permitted an increase in the area sown; plantings in Thailand were delayed by lack of rain, but the acreage was expected to equal that of last year."

Favourable weather in Japan has encouraged hopes of another record crop, but because of heavy rains the Philippines crop is expected to be somewhat below that of last year; Formosa's crop suffered from a typhoon, while in South Korea crops have suffered from drought followed by a typhoon. Burma exported 1,208,000 tons (about half-a-million tons more than in the corresponding period of 1959) during the first half of this year. India took more than in the whole of last year; consignments to Ceylon rose by nearly one-half.

SUGAR PRODUCTION AND STOCKS

According to the Indian Sugar Mills' Association the total sugar production for the season 1959-60 upto 31-8-60 was 24,05,000 tons as against 19,10,000 tons produced last season by this date. The off-take of sugar from factories during the month of August, 1960, was 1,76,000 tons as against 1,66,000 tons during the corresponding period last season. The total despatch upto 31st August, 1960, was 16,68,000 tons as against 17,43,000 tons by the same date last season. The total closing stock of sugar with factories on the 31st August, 1960, was 8,94,000 tons as against 5,06,000 tons on the same date last season.

ASBESTOS DEPOSITS IN ANDHRA PRADESH

Reserves of 256,200 tons of asbestos in the Brahmanapalle and Chinnakudala belts in Andhra Pradesh have been estimated by the Geological Survey of India. The reserves, which lie within a depth of 660 feet along the dip slope, are of high grade and chrysotile variety. India produced 9,666 metric tons of asbestos during 1950 to 1959. The produce was exported to United Kingdom, Thailand, Japan, Belgium, Italy and West Pakistan. The value in terms of rupees from the exports during 1951 to March 1960 is of the order of 23,35,000. Of the produce the quantity utilised in the manufacture within the country is estimated at 13,354 and 22,745 metric tons during the years 1958 and 1959 respectively.

DISCOVERY OF THE SINGRAULI COALFIELD

Nearly 676 million tons of coal in two seams with an area of 6.3 square miles in the Singrauli coalfield in Madhya Pradesh have been proved by the Geological Survey of India. The recently discovered Singrauli coalfields extend over an area of 800 square miles in the State of Madhya Pradesh. The geology of the area indicates that the seams are likely to extend over a larger area and, therefore, the potentiality of the coalfield as a whole is considered fairly substantial

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BEGG SUTHERLAND DIVISION
SECRETARIES & TREASURERS

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Cawnpore Textiles Ltd. — Champaran Sugar Co. Ltd.
Brushware Limited — Saran Engineering Co. Ltd.

Secretaries for : Beta Picker & Co. Private Ltd.
Agents for : Royal Exchange Assurance.

THE TATA IRON AND STEEL COMPANY LIMITED

Conversions of Fractional Certificates into whole bonus Ordinary Shares

The last date for the submission of Fractional Certificates issued by the Company for conversion into whole shares, which was fixed as Saturday, the 1st October, 1960, has been extended by the Directors to Friday, the 31st March, 1961.

Dated this 28th day of September, 1960.

By Order of the Directors
For and on behalf of
The Tata Iron and Steel Company Limited
Tata Industries Private Limited
Managing Agents

J. J. Bhabha
AGENT

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M. J. Maclaren
General Manager

THE TATA IRON & STEEL COMPANY LTD.

NOTICE

Extension of date for submission of coupons and applications in respect of new Ordinary Shares

Notice is hereby given that the extended period for submission of coupons in respect of the new Ordinary shares in terms of the Company's Circular dated the 12th October, 1959, expires on the 29th September, 1960. As some shareholders have not yet exercised their right to obtain shares by submitting the requisite new Ordinary share coupons, the Directors have extended the period for submission of such coupons to 31st December, 1960, and the Company's bankers have accordingly been authorised to receive applications on and after the 1st October, 1960, up to but not later than the 31st December, 1960, in respect of such coupons provided that along with each such application with the required coupons and the moneys to be received with such application interest at the rate of 9% per annum (which the Directors have decided to charge) shall be paid to the Company's bankers as under:

(i) For applications with new Ordinary share coupons from **resident** shareholders from 16th December, 1959, to the date of payment; and
(ii) For applications with new Ordinary share coupons in the case of non-resident shareholders from 1st June, 1960, to the date of payment.

The Directors have also resolved that the last date for receiving applications in respect of new Ordinary shares from the non-resident shareholders which was 29th September, 1960, be extended up to 31st December, 1960, provided that along with each application and the moneys to be received with such application interest at the rate of 9% per annum thereon (which the Directors have decided to charge) from 1st April, 1960, to the date of payment shall be paid to the Company's bankers.

No applications received from resident shareholders on and after the 16th December, 1959, and from non-resident shareholders on and after the 1st June, 1960, in respect of new Ordinary share coupons and no application received from non-resident shareholders on and after the 1st April, 1960, in respect of rights to new Ordinary shares will be entertained by the Directors unless interest is paid as aforesaid. No such application will be entertained after the 31st December, 1960.

The above extension of date does not apply to applications in respect of "A" Second Preference shares or "A" Second Preference share coupons, the last date for submission of which was 29th July, 1960.

Dated at Bombay this 28th day of September, 1960.

By Order of the Directors,
For and on behalf of
The Tata Iron and Steel Company, Limited,
Tata Industries Private Limited,
Managing Agents,

J. J. Bhabha
Agent.

Company Meeting

INDUSTRIAL FINANCE CORPORATION OF INDIA

Speech delivered by Shri K.R.K. Menon, Chairman, Industrial Finance Corporation of India, at the Twelfth Annual General Meeting of the Corporation held on the 24th September, 1960.

Gentlemen,

I have pleasure in placing before you the Annual Accounts of the Corporation and the Report of the Board of Directors for the year ending 30th June, 1960. Printed copies of the Accounts and of the Report are before you. These have also been circulated to all the shareholders. I shall, if you agree, take them as read.

2. The year that has passed has been a noteworthy one for the Corporation from many points of view. Our gross profit for the year came to Rs 2 crores 50 lakhs, which represents an increase of nearly 25% over that of last year. Our reserves now exceed Rs one crore, after finding a sum of the order of Rs 50 lakhs to meet a bad debt that we wrote off in 1957. We have put away Rs 10 lakhs this year also towards repayment of the Government subvention received in the past, and I confidently hope that the balance of our debt to the Government on this account, which now stands at Rs 28 lakhs, will be repaid in the course of the next three years, if not earlier. The total amount of loans approved by your Board of Directors during the year aggregated Rs 17 crores 92 lakhs, out of which final sanctions were issued for Rs 9 crores 15 lakhs, the balance Rs 8 crores 77 lakhs having been held over pending receipt of Government's orders. The total amount approved by us during the year, viz., Rs 17 crores 92 lakhs, besides being a very big advance from our last year's figure of Rs 3 crores 79 lakhs, is also better than the highest figure ever reached by us previously, viz., Rs 15 crores 18 lakhs in 1955-56. Progress was made in the field of underwriting also, the total for the period ending 30th June, 1960, being Rs 1.87 crores. And last, but not least, during this year, our efforts, dating from as long ago as 1951, to obtain credits in foreign currency, were crowned with success with the sanction by the DLF of the United States Government of a loan of 10 million dollars to us towards the end of the year for being sub-loaned to industrial concerns in this country.

3. Loans continued to constitute the bulk of our business operations. We had reached in 1955-56 what till now has been the peak, viz., Rs 15 crores 18 lakhs. It will be recollected that this figure represented a marked advance on the previous two years' figures of Rs. 7 crores 34 lakhs and Rs. 5 crores 27 lakhs respectively. The peak year of 1955-56 was followed by three years of steady fall—11.91 crores in 1956-57, 7.79 crores in 1957-58 and 3.79 crores in 1958-59. It is all the more gratifying therefore that this has been followed in 1959-60 by the remarkably steep rise to Rs. 17 crores 92 lakhs. It is noteworthy that this phenomenal improvement in our loan operations during the last year, though it partly reflects the strident advance in industrial production that has been taking place recently, cannot be attributed to any easing in the foreign exchange situation or the liberalisation to any appreciable extent in the licensing of the import of capital goods in that year. Out of the Rs. 17 crores 92 lakhs mentioned by me, only Rs. 5 crores 68 lakhs represent loans to concerns which obtained import licences during the year 1959-60; Rs. 1 crore 46 lakhs represent loans to concerns which had obtained import licences in previous years. The balance, Rs. 10.78 crores, is, in the main, accounted for partly by loans to concerns who were to utilise our rupee loans for obtaining foreign currency credits from the Central Government or directly from foreign financial institutions, and partly by loans to concerns—mostly sugar co-operatives—the large bulk of whose capital goods requirements were planned to be obtained by indigenous fabrication. This latter factor has indeed been a very welcome development, particularly the institution by Government of the consortia for the manufacture of sugar factory machinery in the country. We in the I.F.C. may, I think, look forward with great hope to further and faster progress in this line in the period covered by the Third Five-Year Plan, in the confident expectation that we should thereby be enabled to play our part adequately in our function of industrial financing, in spite of the continued deficiency in foreign currency resources which has been the major obstacle in our way during the past few years.

4. I must, however, make it clear that impressive as has been our achievement in this regard in the past year, the picture that I should have been able to present to you today would certainly have been a very much brighter one indeed if only we had had a certain amount of foreign currency funds also at our disposal. In January, 1960, when we were negotiating for a foreign currency loan from the Development Loan Fund of the United States Government, the position was that, for want of import licences alone, loan applications aggregating Rs. 6.15 crores had had to be treated as withdrawn, and out of the remaining applications which we then had on our hands, there were applicants who were counting on foreign exchange credits of the total value of as much as Rs. 20.93 crores to be able to implement the schemes for which our financial assistance had been sought. These figures provide an index of the significance of the foreign currency component in the financing by our Corporation of large-scale industrial enterprises in India at present. Every little assistance in this direction helps, and we have therefore reason to be thankful to the Development Loan Fund authorities for the loan of Rs. 4.7 crores in U.S. dollars which they sanctioned to us in April this year. How much of a real need even this small loan has helped to serve can be gauged from the fact that already we have received requests for this entire amount, and we are hoping to process these before the end of a couple of months or so from now. Considering that there was a good deal of initial apathy to be overcome, arising from the fact that, except for individual loans not exceeding a hundred thousand dollars—which is less than 5 lakh rupees—loans from this D.L.F. credit can be availed of in dollars only, and must be utilised for purchase of capital goods exclusively in the U.S.A., I think we may rightly claim that we have made good and swift use of the facility already given to us. I confidently hope that this will pave the way for further credits from the D.L.F. in the future. I am also hopeful that, with the continued good offices of the Government of India, we should succeed in persuading the World Bank, at whose doors also we have been knocking persistently during the last few years, to give us a substantial loan in convertible foreign currency to meet the pressing needs of our constituents.

5. You will no doubt be interested to know what the main terms and conditions of the D.L.F. loan that we have already obtained are. Briefly, the loan will be available to the I.F.C. for grant of sub-loans to industrial concerns in the private sector in India for approved projects in any industry except textiles including manufacture of wearing apparel and made-up textile goods, ship-building, tobacco, beverages, petroleum refineries and hotels. Each specific project for which a sub-loan is given by us out of the D.L.F. credit will need to be approved by the D.L.F., if the sub-loan exceeds two hundred and fifty thousand dollars, which is roughly the equivalent of 12 lakhs rupees. The payment of the sub-loans will be made to foreign suppliers of capital goods, materials and services, on behalf of the loanee concerns in India, by arrangements made by the D.L.F. through a bank in the U.S.A. The sub-loans will be for periods ranging from 5 to 25 years according to the needs of the industrial concerns. Repayment will be made in Indian currency. Purchases of capital equipments, materials and services out of the sub-loans must, as already stated, be made in the U.S.A. only, except where the loan is for less than $100,000 in which case, purchases can be made in any country included in Code 899 of the International Co-operation Administration Geographical Code Book of the U.S.A. Government; this includes U.K. and most of the Western European countries. The sub-loanee, i.e., the Indian concern, will have to give an undertaking that the procurements of the capital equipments, materials and services are made in the U.S.A. or elsewhere, at reasonable prices approximating to the lowest competitive price having regard to quality, time, cost, delivery, etc.; this is certainly a wholesome provision which should curb any tendency towards extravagance. Cost of shipment of capital equipments and materials under sub-loans of amounts above $100,000 will be financed only if these are transported in U.S. vessels. 50% of the gross tonnage of such items will have, in any case, to be transported in privately owned U.S. commercial vessels if such vessels are not declared unavailable. Import duties, tariffs, etc., will not also be financed out of the sub-loans. The rate of interest to be charged by the I.F.C. on the sub-loans has not yet been decided, but it will not, under our arrangements with the D.L.F., exceed 8% p.a. in any case.

6. I will turn now for a moment to our rupee resources on which we have been wholly dependent up to the end of the past year. As I have stated in the Annual Report before you, we went in for a bonds issue again last year, and it proved to be a tremendous success, the required amount of Rs. 5 crores having been over-subscribed within a few hours of the list being opened. In accordance with the usual practice we retained an additional sum of Rs. 48 lakhs 87 thousand out of the total amount subscribed, which resulted in the total allotment aggregating Rs. 5 crores 49 lakhs. The bonds were for 12 years this time, as against 10 in the preceding year, and the rate of interest offered was 4% only as against the previous year's 4½%, the discount offered being also less, at 0.25% as against the previous year's 1%. I am sure you will share with me our gratification at this encouraging sign of public confidence. You will also be interested to know that, out of the sum of Rs. 5 crores 49 lakhs which was allotted in all, as much as Rs. 3 crores 81 lakhs were accounted for by allotments to the private sector alone, and Rs. 1 crore 68 lakhs to the Life Insurance Corporation of India.

7. Coming now to the distribution of our loan approvals as among the various industries, Sugar continued to take the first place in the past year also, followed by Paper and Rayon. It is to be noted that the bulk of the loans to the Sugar industry (Rs. 4.20 crores out of Rs. 5 crores) went to co-operative societies, the total amount of our loans to which now stand at Rs. 18 crores 89 lakhs distributed among 32 societies located in Assam, Andhra Pradesh, Gujarat, Maharashtra, Madras, Mysore, Punjab and Uttar Pradesh. Out of these 32 sugar co-operatives, 28 availed of loans to the extent of Rs. 14.11 crores. Of these, barring five which are still in the construction stage and one which has already repaid the loan availed of by it, the output of the remaining 22 during the year under review came to 2.45 lakh tons of sugar; this is equivalent to nearly 10 per cent of the country's entire production of sugar. The societies have put the loans advanced by us to proper use, and, in the matter of meeting their commitments relating to the payment of interest and repayment of principal, their record has been satisfactory, which is gratifying in view of the fact that quite a few of these societies are still in the initial stages of production and have had their share of the many teething troubles which beset newly set up factories.

8. In the matter of the actual drawal from us of amounts against loans approved there was appreciable increase during the past year, the total disbursements having aggregated Rs. 8.41 crores as against Rs. 7.48 crores of the preceding year. We continued to make interim payments against approved loans on the same liberal scale as we did in the past, and this has helped considerably towards eliminating the delays that usually arise in connection with the completion of legal formalities before loan documents are finalised. A sum of the order of Rs. 6 crores was paid out during the year under report by way of interim loans alone.

9. A larger percentage of loanee concerns was inspected in the course of the past year than in the previous one, and I am glad to say that in the case of the large majority of them we were completely satisfied with their progress in implementing their schemes and with their general financial position and the progress of their production. Quite a few of them also declared handsome dividends with our prior concurrence. The defaults committed by loanee concerns in the payment of interest and repayment of principal tended to come down further in the past year, the percentage being 1.2 and 4.3 as against 1.4 and 5.4 respectively of the previous year. I would add that, in spite of our vastly increased activities, our administration expenses were not allowed to shoot up on Parkinsonian lines. As a percentage to our gross income they came down in the past year to 4.66 from 5.11 of the previous year, and 15.65 of four years prior to that.

10. I am glad to say our relations with the various Chambers of Commerce and other similar organizations continued to be as close and friendly as in the previous year, and so were our relations with our loanee concerns too. We went ahead during the year with the programme that we had initiated a few years ago of having suitable non-officials nominated as our representatives on the Boards of Directors of our loanee concerns, and I take this opportunity to thank these gentlemen on my behalf, and on behalf of our Board of Directors, for the very valuable work they have done in this capacity.

11. It is also my very pleasant duty before I conclude, to convey our hearty thanks to the members of our five Advisory Committees—non-officials and officials—for the very able and effective assistance they have rendered to the Corporation. My thanks are due also to my colleagues on our Board of Directors for their very valuable co-operation and wise counsels, and their generous response to the many calls I have had to make on their time. Finally, I have also great pleasure in conveying the thanks of the Board of Directors, as well as my own, to the General Manager and the entire staff of the Corporation for another year of loyal and devoted work on their part.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
June 1959	118.7	97.6	115.9	120.3	108.2	109.3	109.1	115.6
July ,,	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
August ,,	121.7	98.3	115.5	119.4	109.2	109.5	109.5	117.1
June 1960	120.3	109.5	118.5	139.6	127.2	118.6	119.8	122.9
July ,,	124.0	109.6	119.5	137.2	130.4	119.4	121.0	124.7
August ,,	123.9	106.7	119.4	137.0	130.1	121.0	122.3	125.0
27-8-1960	123.5	104.2	119.6	137.2	129.2	121.6	122.7	124.9
3-9-1960	124.1	104.5	119.6	137.0	129.4	121.8	122.9	125.2
10-9-1960	124.1	103.6	119.6	138.1	129.2	121.3	122.4	125.2
17-9-1960	123.6	104.5	119.6	139.0	129.5	121.4	122.6	125.2

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103		—			105	104		106			—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	159	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	—	154	399	460	510	165*	462	167	164*	171
July	404	423	—	160	406	483*	515	165*	467	169	164*	174*
August	402	421	—	160	410	483*	515	—	470	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED: 23-9-1960 High	23-9-1960 Low	23-9-1960 Average	16-9-1960 High	16-9-1960 Low	16-9-1960 Average	9-9-1960 High	9-9-1960 Low	9-9-1960 Average	2-9-1960 High	2-9-1960 Low	2-9-1960 Average
Gold (per fine tola) —	136.31	134.87	135.65	136.34	134.37	135.32	134.62	133.44	134.43	134.56	133.44	133.97
Silver (per 100 fine tolas)	227.00	225.25	226.14	226.62	225.12	225.86	225.87	223.94	224.84	225.19	222.62	223.88

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	454,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,03	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333,83	1,750,77
Average of Fridays										
June 1959 ..	1,740,14	25,24	1,765,39	117,76	178,01	295,77	16.75	128.87	1,340,75	1,765,39
July ,, ..	1,698,91	23,54	1,722,45	117,76	172,01	289,77	16.82	131,85	1,300,83	1,722,45
August ,, ..	1,670,76	23,63	1,694,39	117,76	163,01	280,77	16.57	134,95	1,278,68	1,694,39
June ,, ..	1,860,95	26,56	1,887,51	117,76	149,26	267,02	14.15	125,34	1,495,15	1,887,51
July ,, ..	1,827,14	25,64	1,852,77	117,76	140,01	257,77	13,91	128,54	1,466,47	1,852,77
August ,, ..	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
Week-Ending										
26-8-1960 ..	1,776,59	27,99	1,804,58	117,76	123,01	240,77	13.34	132,15	1,431,65	1,804,58
2-9-1960 ..	1,795,33	8,51	1,803,85	117,76	123,01	240,77	13.35	131,42	1,431,66	1,803,85
9-9-1960 ..	1,808,22	14,73	1,822,94	117,76	123,01	240,77	13.21	130,52	1,451,66	1,822,94
16-9-1960 ..	1,792,60	21,65	1,814,25	117,76	123,01	240,77	13.27	131,76	1,441,72	1,814,25
23-9-1960 ..	1,783,97	21,29	1,805,25	117,76	123,01	240,77	13.34	132,75	1,431,72	1,805,25

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits: Central Government	Deposits: Other Governments	Deposits: Banks	Deposits: Others	Deposits: Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,79	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51.82	13,60
1957-58* ..	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,81	25,57	28,23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	38,92	258,90	12,22
Avr. of Fridays														
June 1959 ..	51,47	14,50	81,48	119,90	267,35	95,58	452,93	25,29	93	17,02	28,59	62,37	305,15	13,56
July ,, ..	57,01	23,49	81,19	161,83	323,52	54,65	468,18	23,61	5,56	11,57	24,46	69,14	320,74	13,10
August ,, ..	57,38	37,65	84,17	155,45	334,65	63,80	488,44	23,70	3,88	15,23	21,44	74,08	340,57	9,55
June 1960 ..	73,15	13,28	107,89	90,72	285,05	111,02	481,08	26,63	28,14	13,57	45,94	122,56	228,03	16,21
July ,, ..	63,54	20,24	120,31	132,35	336,44	73,49	494,93	25,70	13,72	21,02	32,81	125,06	260,19	16,48
August ,, ..	60,44	23,00	118,40	120,40	322,25	76,19	483,44	19,92	23,55	21,65	37,69	117,00	251,73	11,90
Week-Ending														
26-8-1960 ..	62,67	28,46	115,74	100,98	307,86	80,75	473,60	28,06	17,64	23,52	36,54	110,99	245,25	11,60
2-9-1960 ..	52,90	46,68	110,40	101,73	311,72	77,11	473,83	8,59	5,82	20,34	28,60	150,97	247,64	11,87
9-9-1960 ..	62,63	27,25	115,68	89,85	295,41	76,84	457,25	14,81	27,26	22,67	29,18	148,57	202,77	11,99
16-9-1960 ..	81,72	35,50	99,62	92,27	309,11	77,39	471,49	21,73	22,16	23,44	28,67	137,11	226,37	12,01
23-9-1960 ..	76,63	23,43	110,72	91,72	302,50	77,42	464,92	21,36	21,69	20,93	30,58	143,14	215,15	12,06

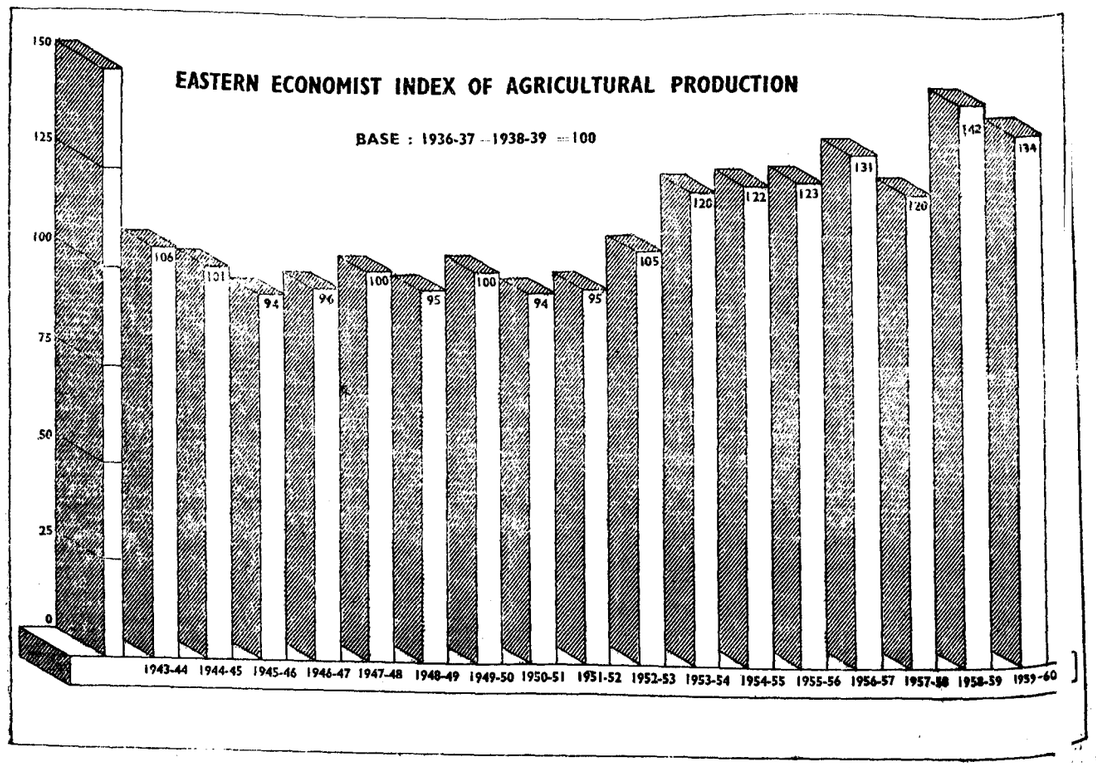
* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

THE EASTERN ECONOMIST INDEX OF INDIAN AGRICULTURAL PRODUCTION

(Base: Average for 1936-37 to 1938-39 =100)

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59 (R)	1959-60 (P)
Foodgrains ..	99	91	91	104	122	121	122	130	117	142	134
Rice ..	101	88	90	98	118	107	118	123	108	132	128
Wheat ..	86	87	82	101	106	120	118	127	106	133	133
Millets ..	99	93	96	111	136	142	119	124	132	144	137
Gram ..	117	115	105	133	146	164	171	200	159	220	172
Fibres ..	78	85	100	98	105	112	112	131	129	136	114
Cotton ..	65	72	77	77	97	105	96	117	117	115	95
Jute ..	154	164	235	229	156	146	210	214	202	258	227
Oilseeds ..	106	103	104	109	111	127	114	124	112	136	126
Sesamum ..	103	113	110	112	132	147	115	110	88	127	98
Groundnut ..	107	109	97	92	114	131	121	134	141	153	140
Rape & Mustard ..	107	101	122	112	112	130	114	139	122	138	149
Linseed ..	97	85	73	83	83	91	97	90	59	105	100
Miscellaneous ..	126	127	126	127	130	141	150	154	151	158	162
Sugarcane ..	111	126	136	113	104	125	134	152	146	160	170
Tobacco ..	78	76	61	71	75	73	88	87	74	77	83
Tea ..	156	158	164	162	165	174	184	184	185	194	195
Coffee ..	128	116	139	142	184	156	219	266	277	284	292
General Index ..	100	94	95	105	120	122	123	131	120	142	134

(P) Provisional.
(R) Revised.



INDICES OF PER CAPITA FOOD PRODUCTION

	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59 (Preliminary)
	Average 1952/53–1956/57 = 100						
WESTERN EUROPE	95	101	101	102	102	105	106
Austria	91	102	96	103	108	110	121
Belgium-Luxembourg	94	96	104	107	100	106	112
Denmark	99	101	101	97	102	110	110
Finland	93	105	100	97	100	106	109
France	91	100	104	104	101	103	105
Germany, Western	95	101	101	100	102	105	109
Greece	91	105	100	103	110	123	120
Ireland	95	98	106	99	103	115	102
Italy	91	103	96	105	104	102	114
Netherlands	99	99	101	103	98	105	110
Norway	97	99	100	97	108	101	103
Portugal	87	106	104	102	101	105	99
Spain	101	95	103	98	102	109	110
Sweden	104	104	101	91	101	100	94
Switzerland	100	101	102	99	98	101	113
United Kingdom	96	98	99	99	108	108	105
Yugoslavia	70	109	93	125	103	137	117
NORTH AMERICA	103	100	97	99	101	96	102
Canada	111	104	78	99	107	91	96
United States	98	97	100	101	104	103	112
LATIN AMERICA	99	99	101	99	103	103	103
Argentina	98	96	100	98	108	108	108
Brazil	89	95	101	103	111	115	119
Chile	100	95	102	101	102	110	110
Colombia	97	97	97	106	102	105	108
Cuba	100	97	94	98	111	113	116
Mexico	87	91	103	106	113	120	123
Peru	100	102	101	102	95	97	95
Uruguay	95	109	101	99	95	100	94
FAR EAST (excl. Mainland China)	95	100	100	102	104	100	103
Burma	102	98	96	96	107	92	108
Ceylon	97	90	101	113	99	99	101
China: Taiwan	96	97	100	100	107	113	117
Federation of Malaya	90	89	102	104	115	113	109
India	90	102	101	103	104	103	105
Indonesia	90	98	106	102	104	104	107
Japan	97	85	94	114	110	115	119
Korea, South	86	107	104	106	98	108	110
Pakistan	96	100	103	96	105	102	100
Philippines	94	99	100	101	107	110	111
Thailand	90	108	83	104	114	89	104
AFRICA	99	101	100	99	101	96	96
Algeria	91	99	106	95	110	98	95
Morocco: former French Zone	91	102	106	100	101	85	99
Tunisia	95	110	103	80	113	99	137
Union of South Africa	91	96	100	104	108	107	108
NEAR EAST	97	103	97	98	105	105	105
Iran	92	98	98	103	109	114	114
Israel	82	92	101	103	122	126	130
Turkey	99	108	86	100	106	111	123
U. A. R.: Egyptian Region	86	93	103	105	113	115	111
OCEANIA	103	103	99	101	95	92	105
Australia	98	101	99	104	98	95	120
New Zealand	98	96	100	103	102	104	105

Source: The State of Food and Agriculture, 1960

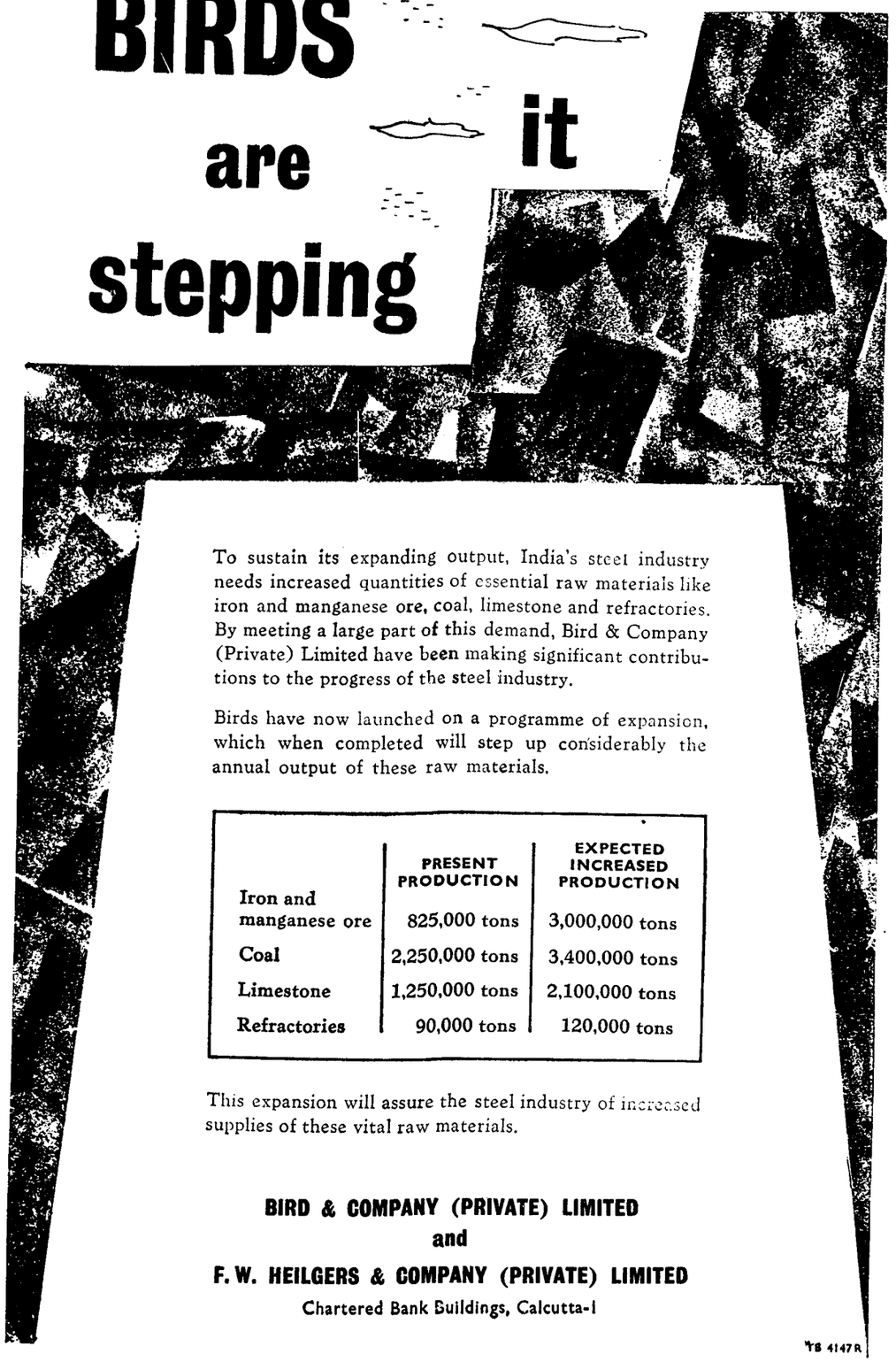
INDIA AND THE WORLD

CALORIE AND PROTEIN CONTENT OF AVERAGE FOOD SUPPLIES

	Period	Calories	Total Protein (Grams)	Animal Protein (Grams)
		Per capita per day		
North America				
Canada	1948-50	3110	93	57
	1951-53	3050	93	58
	1958-59	3110	95	62
United States	1948-50	3180	91	61
	1951-53	3150	92	63
	1958	3100	93	65
Latin America				
Argentina	1948	3240	110	66
	1951-53	2980	97	60
	1956	3020	101	64
Brazil	1948	2360	63	24
	1951-52	2400	60	18
	1958	2500	62	20
Paraguay	1958	2570	66	27
Uruguay	1949	2920	93	50
	1952-53	2950	99	66
	1958	3110	100	65
Venezuela	1949	2160	57	23
	1951	2270	59	21
	1958	2120	61	26
Far East				
Ceylon	1952-53	1990	42	6
	1958	2010	48	12
China: Taiwan	1948-50	1980	43	8
	1951-53	2140	50	12
	1958	2330	57	15
India	1949-50	1640	43	5
	1951-53	1750	47	6
	1957-58	1800	47	6
Japan	1948-50	1900	49	9
	1951-53	1960	58	13
	1958	2210	67	17
Pakistan	1949-50	2040	49	8
	1951-53	2010	47	8
	1957-58	2010	49	8
Philippines	1952-53	1960	43	10
	1957-58	1980	36	11
Near East				
Israel	1950-51	2680	88	34
	1951-53	2780	87	27
	1957-58	2750	84	33
Turkey	1948-50	2530	81	15
	1951-53	2700	87	17
	1958-59	2850	90	15
United Arab Republic	1948-50	2370	70	12
Egyptian Region	1951-53	2410	70	11
	1957-58	2640	78	13
Africa				
Libya: Cyrenaica	1957	2110	55	16
	1958	2091	55	18
Mauritius	1955	2220	47	11
	1958	2230	45	10
Union of South Africa	1948-50	2640	73	27
	1951-53	2680	74	27
	1957	2660	74	31
Oceania				
Australia	1948-50	3220	97	66
	1951-53	3170	92	61
	1957-58	3200	91	60
New Zealand	1948-50	3360	100	67
	1951-53	3350	103	70
	1958-59	3430	106	72

Source: The State of Food and Agriculture, 1960.

BIRDS are stepping up it



To sustain its expanding output, India's steel industry needs increased quantities of essential raw materials like iron and manganese ore, coal, limestone and refractories. By meeting a large part of this demand, Bird & Company (Private) Limited have been making significant contributions to the progress of the steel industry.

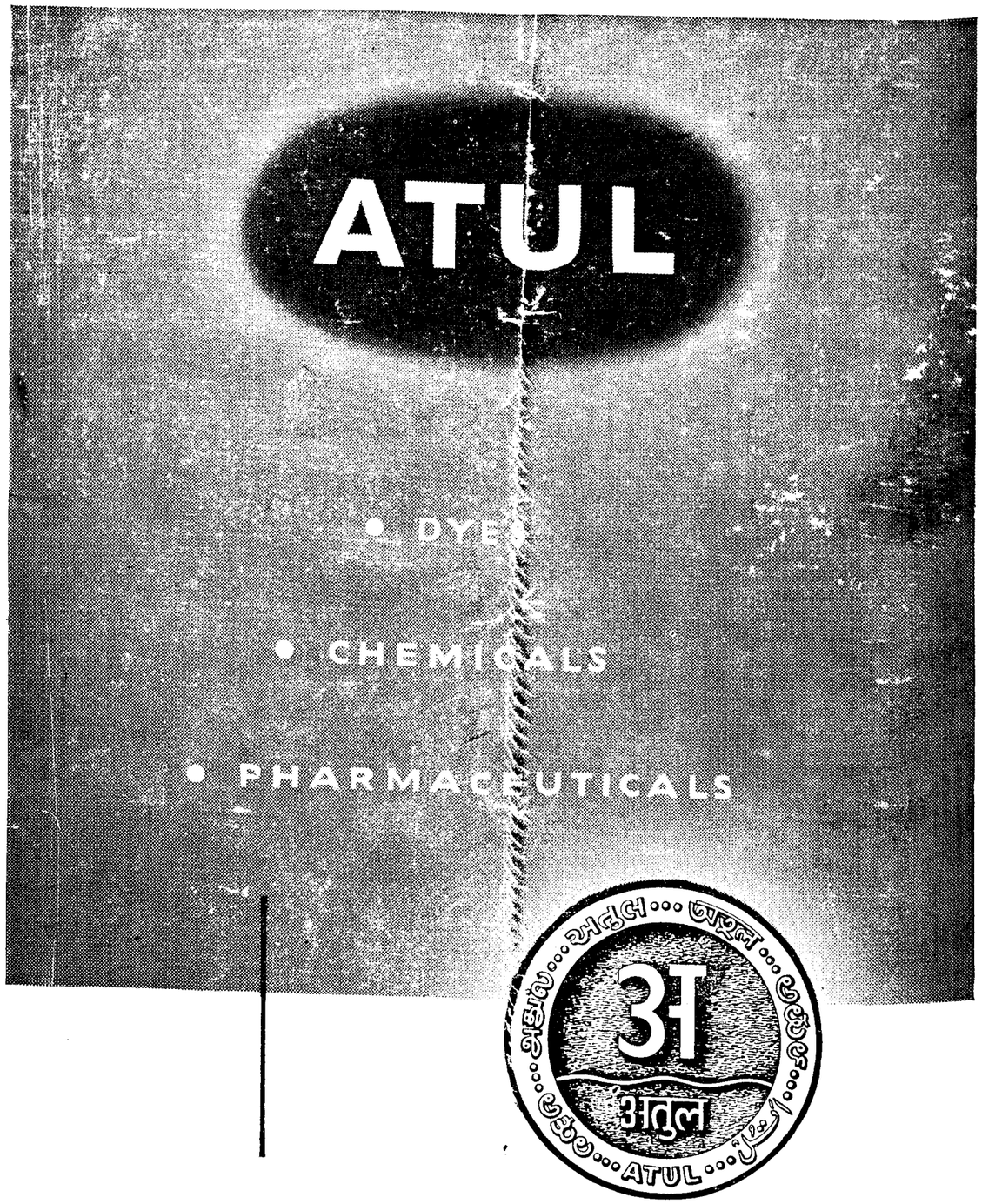
Birds have now launched on a programme of expansion, which when completed will step up considerably the annual output of these raw materials.

	PRESENT PRODUCTION	EXPECTED INCREASED PRODUCTION
Iron and manganese ore	825,000 tons	3,000,000 tons
Coal	2,250,000 tons	3,400,000 tons
Limestone	1,250,000 tons	2,100,000 tons
Refractories	90,000 tons	120,000 tons

This expansion will assure the steel industry of increased supplies of these vital raw materials.

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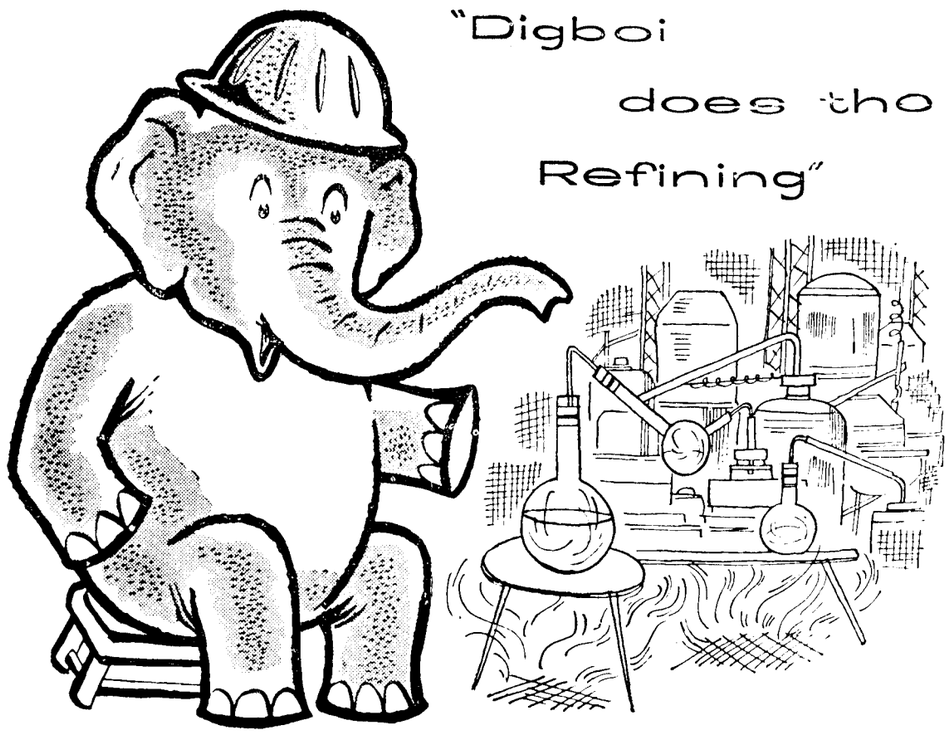
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Memoirs of an Elephant - 5



You know, I really can't understand these people at the AOC. After all the trouble they take to find the oil, they tell me that when they do, it is "crude" and that it has to be "refined".

It is now about 60 years since they started this "refining" business in Assam. They say that their plant in Digboi was the first in India operating on modern lines. During these years, many additions have been made to the plant. Among others they added a Dubbs Cracking Plant, an Edeleanu Plant, Atmospheric and Vacuum Tube Stills, and Oil Heaters. A new petroleum plant and a new Lubricating Oil Distillation unit were added in 1954.

One thing, they seem to keep right up-to-date in Digboi utilising all the latest technical "know-how" and equipment.

From what I have heard, this "crude" oil can produce many different things like—Motor Spirit, Kerosine, Diesel Oil and at least another hundred products.

The Digboi refinery is the only one in India producing petroleum products from indigenous "crude"oil.

—And to think that all this is due to me!

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The Eastern Economist

OCTOBER 14, 1960

The Perils of Unreality

THE Prime Minister returned to Delhi on Tuesday after what must have been his saddest trip abroad. The events of the last fortnight and, in particular, the central drama staged in the United Nations should have made all the world sadder for its exhibition of glaring differences pursued to the point of corrupting the processes of democratic debate by making cynical craftiness its ruling procedure. Most intelligent observers in India have been completely baffled by the extraordinary circumstances surrounding both the introduction and the defeat of the five-power neutrals' resolution. Some have been dismayed by the fact that the rebuff administered improperly to our Prime Minister led him to intemperate language on more than one occasion and to an unwise television broadcast. There has been too much impulsiveness on every side in an operation which has shown the world unmistakably that the tension in international affairs is deeper than ever before.

It is vital, at this testing time, that we should recognise that events themselves are far less important than the hidden realities which provide their motivation. Obviously, India's delegation in the United Nations, no less than the American, British and Australian delegations, was incapable of seeing exactly what realities were likely to dominate an apparently innocent resolution, such as the one which was proposed under the Prime Minister's sponsorship immediately after his arrival. It has been argued that the resolution in itself might have, in an election year, placed the Republicans at a disadvantage, should Mr. Khrushchev have chosen to drop all his conditions for a Summit meeting and invited President Eisenhower to conform to the neutral nations' resolution. This is certainly understandable. But if the force of opinion in the United States was such as to prevent the acceptance, at any time, of this kind of invitation, surely the Indian delegation should have been aware of the force with which the State Department held this particular view. By the same token, if the United States, Britain and Australia had any conception of the extent to which they would be isolated on the Australian amendment, surely in common wisdom they would not have submitted to so terrible humiliation as a summary rejection with only five nations voting for the amendment. There is something much deeper wrong than the weaknesses of the resolution. India, Britain and the United States are equally to be blamed for a lack of contact which has resulted in this failure which redounds to the credit of none.

What then are the realities which all three have neglected to take into calculation? Obviously, the first is that no neutral country can force either the West or Russia to a conference table against their will. Both are individually strong enough — in the last analysis militarily and industrially — to resist paper pressure of this kind. Therefore, a resolution, however good, is no alternative to the bridging of gaps in the minds of the leading protagonists of the cold war. Secondly, while the current position is such that neither the Russians nor the Americans can be driven by the force of world opinion to a resumption of talks, the fact remains that there was enough in this session to indicate that world opinion is exasperated by the stalemate of which India's Prime Minister rightly spoke with deep passion. And if we have erred in underestimating the power of the West to negative our moves — whether our moves are supported by the Communists or not — the West is equally at fault in underestimating the growing power in the United Nations Assembly of the uncommitted nations and all that is involved in Afro-Asian solidarity. Again, while India has underestimated the force of the Atlantic Alliance and the capacity of the United States to dictate Western policy, the United States has clearly underestimated the coming power of the Afro-Asian world in democratic debate in the United Nations. The voting in this session should make this clear.

It would be foolish to expect after a brawl of this kind, sometimes lacking in dignity and consideration, that everything would go on smoothly as before. Undoubtedly, British and Australian tempers have been somewhat rattled, perhaps as much as our own. India has to learn another hard lesson in that, as between the Commonwealth and the Atlantic Alliance, British policy will always be dictated by the Atlantic Alliance. In point of fact, this might mean some disruption inside the Commonwealth unless both Mr. Macmillan and Prime Minister Nehru take action here and now to build a bridge. The only base on which this can be done is the recognition of the recent errors that both have made as a result of ignoring the hard realities which now dominate international affairs.

Finance for the Corporate Sector: 1955-58

GREAT interest centres round the manner in which the corporate sector tends to raise finance for its continuously expanding activities from year to year. An analysis of the balance sheets of 1001 companies, covering about 76 per cent of the corporate sector in the Indian Union, has just been published by the Reserve Bank of India in its Monthly Bulletin for September, highlighting the main movements in the domain of company finance during the four years 1955 to 1958. According to the findings of this study, a dramatic change seems to have taken place in

1958 in the pattern of financing assets formation. While external sources constituted 72.3 per cent of the total assets formation in 1957, the percentage was drastically reduced to 51.5 per cent in 1958. In other words, the share of external sources in 1958 stood reduced to half of the assets formation as against three-fourths in the preceding year.

As a matter of fact, 1958 was a year of slack industrial activity in the sense that the general index of industrial production had slowed down its pace with a rise of less than two per cent over 1957 as against the rise of 4 per cent in 1957 over 1956. The basic cause of this downturn was the paucity of essential raw materials whose imports had to be curtailed due to the pressure on the foreign exchange reserves. It was reflected in the reduced volume of additional funds raised in 1958 for financing the new industrial ventures as well as for expanding the established ones. As against the total additional funds of Rs. 259 crores raised in 1956 and Rs. 237 crores raised in 1957, the volume of fresh funds raised was significantly lower at Rs. 160 crores only, indicating a fall more than 30 per cent on the average. The major decline occurred in borrowings which fell from Rs. 103 crores in 1957 to Rs. 41 crores in 1958. The fall in bank borrowings was much steeper from Rs. 49 crores in 1958 to Rs. 8 crores in 1958. (In the utilization of funds, this factor was demonstrated by the sharp fall in additions to inventories which declined to Rs. 3 crores only in 1956 as against Rs. 52 crores in 1957 and Rs. 91 crores in 1956). Depreciation Reserves, Taxation Reserves, General and other Reserves, on the other hand, all staged improvements which increased the share of these internal sources from 27.7 per cent in 1957 to 48.5 per cent in 1958. This analysis, thus, suggests that in a year of diminishing activity, the importance of external finance tends to drop and is accompanied by a steep fall in inventories.

It may be stated here that despite the reduced share of external finance in 1958, the dependence of the corporate sector on external finance during the period 1956-58 continued to be relatively heavy in relation to the five-year period 1951-55. The Reserve Bank, in an earlier study covering 750 companies, had established that external finance was relatively less important as it financed only 40 per cent of the additional investment in 1951-55. The average share of external finance was 63.5 per cent of assets formation during 1956-58, indicating that even though there was a steep fall in the share of external finance in a particular year, namely, 1958, the average for three years still indicated its superior rank.

The increased dependence on external finance, it seems, reduced the profitability of the company sector. During the period 1951-55, when external finance occupied a relatively junior position in the scheme of new finance, profits as a percentage of the capital employed worked out to be 9.2 per cent. The performance in the first three years of the Second Plan (1956-58) was rather poorer at 8.4 per cent. While profitability is a function of a number of factors, the increased interest payments have certainly tended to reduce the margin of profits. Interest payments rose during 1955-58, not only because of the higher volume of external finance but also of the higher cost of money. The average interest rate was 4.9 per cent in 1958 as against 4.1 in 1955.

Despite the fluctuations in the volume of profits over the years under study, it is interesting to note that dividends as a percentage of paid up capital underwent little change. The lowest rate at 8.3 per cent was recorded in 1957 while the highest was 9.5 per cent in 1958. This endorses the view that the dividends of most of the important companies tend to stay around a certain stable level. There is little likelihood of an inroad into dividends to assist new financing.

Problems of Productivity

IN spite of the fact that the recent seminar on productivity has appeared to be fruitful, the framing of the 15-point programme and the unusual publicity given to it are apt to create a complacent feeling that the stage of application of productivity techniques is round the corner. Apart from the complex prospect of having to grapple with the diversity of issues which any formula for sharing the gains of productivity is bound to raise, there are other questions demanding business-like solutions. Participants in the seminar did not minimise their magnitude. But it would be no unfair criticism of the seminar to stress that attention is sought to be focused too much on the 'agreed' nature of the 15-point programme and the approval to set up an expert committee to prepare the formula for allocation of gains which is believed to give immediately a green signal to the process of intensive assimilation of the techniques.

It is essential to recognise in any appraisal of the progress of the movement for productivity that the major achievement which can be claimed so far is the creation of productivity-conciousness among the workers. It would be a mistake to infer, however, that this incipient attitude is taking firm roots in the minds of the workers. Fears are still lurking that pitfalls lie ahead and the productivity campaign may be a surreptitious move to extract intensive work and enhance work-loads for labour. These feelings are freely ventilated from time to time. An effective remedy to remove this attitude of distrust is for the trade union organisations to set up their own research units as urged in the programme. It will be the function of these units to subject any proposals for productivity improvements emanating from managements to a scientific scrutiny for their real worth and to assess their minimum benefits to workers. Suspicions generated by a negative attitude will continue to raise barriers against wholehearted co-operation of labour The proposed 'scientific' approach is the real answer to them.

It would appear that more has been attempted (and also achieved in some measure) in building the superstructure than in strengthening the base. The number of Local Productivity Councils has been raised to 40 drawing their membership from 2,500 industrial units. This has a semblance of an impressive build-up in a brief period of time. But productivity techniques will need marked variation and adaptations not only from industry to industry but at the individual plant level. This is the crucial point. Plant lay-out and the condition of the machinery installed differ sharply from unit to unit in the same industry. The techniques to be proposed will need similar variations or modifications. Establishment of joint consultative machinery at the plant level is a condition precedent to the drive for management-labour co-operation to make a success of the productivity techniques. Proceedings at the seminar do not appear to have thrown any light on the progress in this basement activity.

It would serve little purpose to ignore the fact that the hardest nut to crack is the supreme problem of arriving at a formula for sharing the gains of productivity. The agreed 15-point programme (in itself a recommendatory document) to which labour is a party could not fail to revive the issue of the need-based formula as representing the minimum wage level. The text of the programme skips this issue by emphasising that due attention should be paid to it and immediately goes on to say that a scheme of incentive payment as a reward for individual productivity performance should be introduced. This is an appealing alternative, but not in all cases is it practicable to measure individual performance in isolation. Probably the alternative proposed by Mr. Manubhai Shah is likely to prove acceptable. He proposed that until labour is able to earn a living and fair wage (and it may be added, until industry in the marginal segment is able to afford it), the larger share of the gains of productivity may have to be allocated to labour than to management and the community. But how can units without resources strengthen their position if they give everything to labour and none to capital formation?

The National Productivity Council is not entirely to blame that so little has been actually achieved after two years of hard work. And the Executive Director, in particular, has shown marked imagination. But it would be foolish to deny that the imposing edifice of the National Productivity Council is being increasingly questioned. Can it not have more practical success to stop the doubters?

The Federation and the Third Plan

IN a study published this week, the Federation of Indian Chambers of Commerce and Industry has given its comments on the Draft Outline of the Third Five-Year Plan. In the introduction are given certain basic criteria which are of considerable importance from the point of view of developmental planning. For instance, it refers to bureaucratisation and the plethora of paperwork consequent on the proliferation of rules and regulations and points out how industry and business are put to considerable loss of time and energy in fulfilling the countless requirements that come in the way of execution of projects. It has also drawn attention to the fact that management is the most critical factor in economic development. These are unexceptionable.

The major point of criticism of the Federation over the Third Plan relates to the allocation of investment outlay to the private sector. It makes much of the fact that whereas the investment outlay for the public sector is placed at Rs. 6,200 crores as against the investment of Rs. 3,650 crores in the Second Plan, that for the private sector has been just placed at Rs. 4,000 crores compared to the Rs. 3,100 crores in the Second Plan, showing a rise of only 29 per cent. But it has itself pointed out how the original target for investment in the Second Plan was only Rs. 2,400 crores which has, however, subsequently grown into Rs. 3,100 crores. So, as a matter of fact, the increase of the private sector investment outlay shows a rise of about 66 per cent compared to about 70 per cent for the public sector. And going by the vigour displayed during the Second Plan by the private sector, its target for the Third Plan may in all probability be again exceeded. Also, public sector allocations contain substantial orders on the private sector. It is extremely unlikely generation of income by the private sector in 1965-66 will be less than 80 per cent of total income. There is, however, a good deal of justification in the Federation's suggestion that in respect of coal, for example, the allocation requires to be reviewed so that the overall requirements are met without placing rigid restrictions on the private sector to achieve what it can at lower costs. The Federation has also done well in drawing attention to the need for providing a larger allocation for power, since shortage of power should not be allowed to hinder industrial development. Again, in respect of shipping, the Federation is on solid ground in asking for provision of more resources.

Discussing the question of resources, the Federation points out how apart from continuous efforts for increasing exports, the overall foreign exchange gap can be covered by a larger inflow of private foreign capital. Nobody would deny that the country's economic policies should be so oriented as to create the necessary climate for greater and more fruitful collaboration with Indian and foreign entrepreneurs. But it is not known how the Federation feels that it should be possible gradually to substitute the ordinary flow of private investment for the exceptional forms of aid negotiated by Government. The Plan estimates that the budgetary receipts corresponding to external assistance for financing the public sector outlay will be of the order of Rs. 2,200 crores and evidently these have to be only on Government-to-Government level. A greater flow of private investment cannot obviously reduce the pressure on external assistance needed for the public sector, though theoretically arguing, it is conceivable that the public sector projects may also seek the help of private capital abroad.

Finally, on the question of regional disparities arising in the course of developmental planning, the Federation says while no doubt the planners must have these disparities in mind and ensure dispersal of industry, it would be wrong to sacrifice in the process locational and other advantages derived from external economies. These latter are no doubt necessary, but the point is whether the inequalities between one region and another can be allowed to be aggravated. As the Second Plan has itself pointed out, often the disadvantages of comparative cost are only a reflection of the lack of basic development and once this is taken in hand, the initial handicaps progressively disappear. This is an aspect that surely cannot be ignored, but political considerations cannot be ignored equally. Where is the balance to be struck?

A DELHI DIARY

BREVITY ABOVE ALL?

BREVITY remains the soul of wit. I am hoping that this Delhi Diary, purposely reduced to half its normal size in the hope that it might be mistaken for wit, will not be deemed dereliction of duty. Voltaire (or was it Beaumarchis?) once said that what could not be said could always be sung: meaning, I suppose, that the lyrical manner covers a multitude of sins. In much the same way, I am hoping that what I have to say on international affairs and the Third Plan will be adequately dealt with by a picture. It may be that what cannot be said can always be drawn!

TREADING WARILY

Indeed, so hesitant have I become this week (in which the torrent of political debate in Delhi has not been stemmed) that I propose only to ask three questions and then let the dust settle on the controversies raised. In the first place, am I correct in stating that Mrs. Lakshmi Menon, Deputy Minister for External Affairs, categorically stated in the Rajya Sabha in August that on this occasion India would not sponsor the admission of China to the United Nations? If I read the Prime Minister's speech and Mr. Krishna Menon's clarification in New York, I am inclined to believe that India did, in fact, sponsor China's admission to United Nations and fought rather hard in pursuit of its sponsorship. Now all the world contradicts itself, and I am not considering contradiction is a crime. It is pertinent to remember Walt Whitman's proud declaration: "Do I contradict myself? Very well, then, I contradict myself. I am large. I contain multitudes." But is it not pertinent to ask which view represents the Government of India's mind at the present time — that stated by Mrs. Lakshmi Menon as Government policy for Parliamentary purposes, or that stated by Mr. Krishna Menon for United Nations purposes? If the law on political utterances were the same as the law of perjury under the Indian Penal Code, it would not be necessary to prove that either statement is sound policy. It would be enough to show that they are in contradiction with one another and, therefore, the prisoner in the dock is guilty. Who is the prisoner in the dock?

WHAT DELEGATION OF WHAT POWERS?

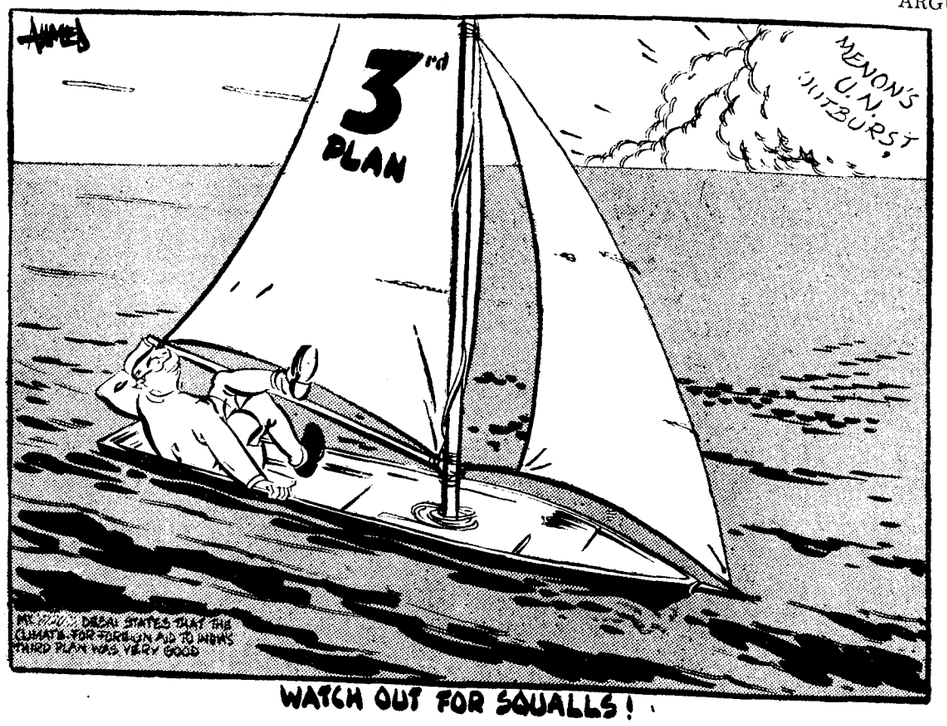
My second question relates to the high office of the Secretary-General of the United Nations. I have a distinct recollection that the Prime Minister stated before he left for New York that any dispersion of the powers of the Secretary-General would be unworkable and, therefore, he himself did not favour a change. The current reflections in Delhi, as well as apparently a press comment in New York, show the Prime Minister in favour of a delegation of powers to counsellors or something of that kind. Now if the powers of the Secretary-General are unaltered, conceivably there is no contradiction. But everyone in Delhi is a little confused as to what is really in the Prime Minister's mind. Are the new counsellors to be purely advisory, in which case what is the trouble about? Why should not the Secretary-General have as many advisers as he likes so long as he is free to reject all their advice? On the other hand, if a junior counsellor is to overrule the Secretary-General, will we not have a pretty kettle of fish? Surely, the world is entitled to know what the organisation proposed for the United Nations is in place of what exists at the present time.

THE PLAN

My third question is very brief. What is likely to happen to India's foreign exchange position in the Third Plan? I do not think the cartoonist has said the last word! Perhaps I may only add one cynical comment on the arithmetic of the Plan. It is from A. E. Housman's 'Last Poems'.

To think that two and two are four,
And neither five nor three,
The heart of man has long been sore
And long 'tis like to be.

ARGUS



Courtesy 'The Hindustan Times'

THE WEEK'S NOTES

Labour

VERDICT ON A MAJOR STRIKE

WHEN FLINT strikes flint, sparks must fly. A classic example of this fact in respect of employer-employees relations in industry was, perhaps, provided by the marathon strike in the Premier Automobiles Ltd., in 1956, in which the management suffered a colossal loss of production and sales worth nearly Rs. 5 crores and the workers had to forego their wages and salaries to the tune of Rs. 36 lakhs. An interesting, instructive and cogently argued study of this strike from the point of view of the Code of Discipline—which incidently became effective during the course of this strike—made by Mr. R. L. Mehta, Joint Secretary in the Union Ministry of Labour, who was appointed the Inquiry Officer for this strike, is now available. The detached way in which Mr. R. L. Mehta has gone into the causes leading to the strike is testified by his report which sums up the position regarding the apportionment of the blame for the strike thus: "Though both the management of the Premier Automobiles and the Engineering Mazdoor Sabha (affiliated to the Hind Mazdoor Sabha), the majority union in the concern, were guilty of violation of various provisions of the Code, the Union's share of infringements is greater."

The strike, Mr. R. L. Mehta opines, was illegal for it was over a personal issue and not over any industrial question of wages or bonus or similar claim; the primary cause for the strike, in his opinion, was the management's withdrawing the facilities it had given to Mr. R. J. Mehta, the Secretary and Treasurer of the Union. This action of the management has been justified by the Inquiry Officer, who apparently concurs with its allegations that Mr. R. J. Mehta had abused the privileges granted to him, that he was following a policy of keeping alive an atmosphere of restlessness and discontent among the workers by pressing one set of demands after another, and that he was in the habit of playing to the gallery by shouting abuses at the management and threatening to let loose hell at the slightest provocation. A pertinent observation made by Mr. R. L. Mehta on the conduct of Mr. R. J. Mehta as the Union leader deserves particular notice. It is to the effect that not only in day-to-day matters, but also in major issues like giving a strike notice, signing an agreement, launching a strike or calling it off, Mr. R. J. Mehta acted independently of all authority. When so much power was concentrated in a single person, the plural society which a trade union represents perishes to give way to the monolithic. The management, in the opinion of the Inquiry Officer, must share some blame for the strike due to its failure to tackle the day-to-day problems of workers and to implement agreements with expedition. It was also guilty under the Code for refusing arbitration. The strike ended ignominiously for the workers by their unconditional surrender; even Mr. R. J. Mehta agreed to give up his office.

SANCTIONS BEHIND CODE?

The study, obviously raises two important issues. Firstly, should or should not outsiders—Mr. R. J. Mehta was an outsider in the Engineering Mazdoor Sabha—be debarred from holding offices in a trade union? Secondly, what sanctions are required to enforce the Code of Discipline if either the management or the workers and their leaders flout its provisions? The issues are of vital interest in the present day conditions of the Indian economy when peace is absolutely necessary for the ambitious programme for industrialisation. Happily, as the recent deliberations of the Indian Labour Conference reveal, the two problems are exercising the mind of the Government. Banning of outsiders from holding offices in a trade union may not be desirable and advisable at the present juncture, but there is need to enforce the Code in a more effective way. The operation of the Code during the first 1½ years of its coming into effect has produced some wholesome results — the number of man-days lost, which were as much as 4.7 million during the six-month period January-June 1958, prior to the coming into force of the Code, declined to 3.20 million in the first half of 1959 and to 2.89 million in the period January-June 1960. But complete harmony and peace in industry can be realised only if there were no breaches of the Code. Are some sanctions necessary against those who err in this respect? Judgment should be deferred on this until the Code is given a fair trial on a voluntary basis for sufficiently long time.

Britain

AFTER SCARBOROUGH

EVER SINCE last month's annual conference of the Trades Union Congress, it was evident to many discerning observers of the British political scene that the die was loaded heavily against Mr. Gaitskell. Partisans of the Gaitskell school of thought as well as that of Mr. Cousins were making preparations for a showdown at Scarborough. However, it will not be correct to view the present troubles of the British Labour Party as a conflict between personalities. As a matter of fact, since the Labour Party's defeat in the last General Election, opinion has been divided in the party as to the reasons for the defeat, some attributing it to the lack of radicalism and some others due to an excess of radicalism. The split in the party came into the open first over the question of amending clause four of the party constitution relating to public ownership. After a good deal of argument, a compromise was evolved leaving the entire question vague. This was construed as a personal triumph of Mr. Gaitskell, but the "leftists" led by Mr. Cousins soon concentrated their attention on the foreign and defence policies. Unilateral nuclear disarmament became a vital issue for those who wanted to inject an element of radicalism in the Labour Party. What they actually wanted was that Britain should not only give up the idea of being an independent nuclear power, but that she must abandon the NATO and the American alliance which involved reliance on nuclear weapons.

The defeat of Mr. Gaitskell at the party conference on this question has posed a very big problem for the British Labour Party. Going from the comments of the British Press, it is difficult to say how exactly it will affect the shape of events because of the closeness of the voting. While the official party policy was defeated by a narrow margin of 297,000 votes out of the six and a half million that were cast, the motion for unilateral renunciation of the H-bomb was passed by a

majority of just over 4,00,000 votes. However, there can be no doubt that it presages the beginning rather than the end of a prolonged and bitter campaign for reshaping Labour policy. Mr. Gaitskell has suffered defeat because of the block votes of the trade unions but since he has a majority in the Parliamentary Labour Party, it is generally taken for granted that at the end of this month when Parliament assembles, he will be re-elected leader and given a renewed vote of confidence. But this will not be the end of his trouble since he has to take the entire labour movement with him if he has to retain the leadership. The party constitution does not clearly define to what extent the Party's National Executive Committee or the Annual Conference can lay down policy. But 24 hours before the unilateralist resolution was passed, the Conference had declared itself the final authority of Labour policy. This means that Mr. Gaitskell has to go all out to campaign for a reversal of policy taken at Scarborough if he is to continue as the leader. This, on present showing, seems to be a remote possibility. But even if he can summon enough votes to keep him in leadership by next year's conference to endorse his policy, it is obviously difficult for the Labour Party to carry on with a considerable section gnawing at its body. On the other hand, it is on the cards that the ideological fervour which the unilateralists have shown at Scarborough is not likely to wane and they do not hold out any promise of their retraction. Therefore, there is a widespread impression that a split in the party is inevitable. It is in this context that one should consider the possibility of the Gaitskellite section joining hands with the Liberals whose defence policy is identical with it. This would leave "pacifists and the leftists" to pursue their ideology separately. It will be hazardous, however, to make any prediction about the possibilities ahead. But there can be hardly any doubt that the Labour Party is now faced with the biggest crisis in its history.

Central Africa

THE MONCKTON REPORT

THE MONCKTON COMMISSION was charged with the unenviable task of recommending the best possible solution for a fresh constitution for the three territories of Northern Rhodesia, Southern Rhodesia and Nyasaland when the prospect of finding a solution satisfactory and unanimously acceptable was extremely difficult. Judged as a whole, the report makes balanced recommendations and aims at preserving the multi-racial character of the Federal State with the utmost accommodation to Africans and the whites. In any situation, the Commission could not countenance the idea that the contemplated constitutional revision should accept the defeatist view that a multi-racial state is impracticable.

It has shown great vision and basic faith in the ability of the people to rise above racial differences in the achievement of the goal of harmony and prosperity of the Central African Federation. A common roll has been prescribed for the two racial groups, the widest possible measure of autonomy is given to the three federal territories, equality of status has been conferred on them in the Federal Council of States and, what is vitally important, a bill of rights has been proposed and made justiciable. Likewise, the setting up of a machinery to watch racial discrimination in any of the federal units aims at removing possible fears of inferiority of status and treatment.

Even before the report was released, leakage of the information that the Commission had made suggestions on the right of secession had caused considerable stir. Now that the report has been published this controversy has come up foremost in the minds of the leaders in the three territories and it would appear that it has eclipsed all the other valuable recommendations contained in this laboriously prepared document. Sir Roy Wellensky, the Federal Prime Minister, has been, perhaps, too vehement in his opposition to Chapter 16 of the report, which deals with the issue of the right to secede or likely dissolution of the Federation. He has declared in very categorical terms that his United Federal Party would reject the report outright. He takes the legalistic view and raises the technically tenable contention that the Commission was not competent to make recommendations on the question of secession because this issue was beyond its terms of reference. However, the option to secede was such a fundamental question and not to deal with it would have made the report so unreal that the Commission seems to have been impelled to make a constructive approach to this question. It has not made any positive recommendation as such, but it has suggested that, under specified circumstances, after a fair and long trial is given to the federal form of government, a qualified option to secede may be incorporated in the constitution. Dr. Hastings Banda, leader of the Nyasaland Malawi Congress Party, is equally opposed to federal constitution in any form. Distrust and mutual suspicion seem to be at the root of this attitude on both the sides in Central Africa, as in any other region where problems of multi-racial or multi-religious controversies are involved.

The entire trend of the Monckton Report is to stress the incalculable benefits of a federal constitution in order to bring first, racial harmony for which the Commonwealth stands and, second, economic viability which would be seriously jeopardised in case dissolution comes about. In the last resort, a federal form of constitution cannot be maintained by the super-imposition of any statute, but it must rest on the solid and enduring foundation of the free consent of the two racial groups in the population. Assuming the Commission had not touched this delicate question, as the statement issued by the Commonwealth Relations Office in London on October 11 emphasizes, the review conference, which is to be convened to decide upon the revision of the present federal constitution, must be left free and competent to discuss not only the issue of secession but any other relevant issue. In the light of this position, it would be in the interest of the entire Central African population not to allow the initial reactions to influence judgment on the report.

TARAPUR ATOMIC POWER STATION

The Department of Atomic Energy has invited global tenders for India's first atomic power station to be built near Tarapur, about 62 miles north of Bombay. The "enquiry specification", outlining in detail the requirements of the station, has been prepared and will be issued from October 17 from the office of the Project Administrator, Tarapur Atomic Power Project. The tenderers have been given about 7½ months' time to formulate and submit their tenders.

The station will produce about 300,000 kw of electric power and will consist of two nuclear reactors of equal capacity. The specification has laid emphasis on the need for keeping the foreign exchange component to the minimum. The tenderers are to employ, to the greatest extent possible, Indian materials, locally fabricated equipment and Indian personnel. The station is expected to be completed in 1965 when it will contribute substantially to meeting the power needs of the States of Maharashtra and Gujarat.

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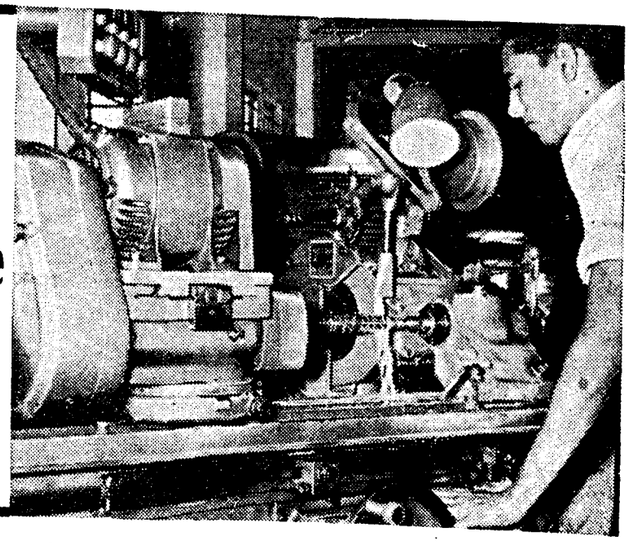
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The World Abroad

A LETTER TO MR. MORARJI DESAI

From ODYSSEUS

DEAR FINANCE MINISTER,

May I take five minutes of your time by directing your attention, and that of your senior officials, to a new book by Professor F. A. Hayek, "The Constitution of Liberty" (Routledge & Kegan Paul. London. July, 1960. Price 45 sh.)? Let me explain why.

Adam Smith (1723/90) was the first person to see that the problem of why some nations become richer than others was a specialised branch of knowledge. His "Wealth of Nations" (1776) speeded the Industrial Revolution by its epoch-making recognition that the combination of individual freedom in enterprise with the specialisation of labour multiplied wealth. But his book was also a tract for the times It attacked the established ideas of the day; it criticised institutions adapted only to mediaeval conditions; it revealed the futility of mercantilism—the attempt by governments to regulate trade and industry in order to try to secure a constant surplus of exports over imports in the belief that this would ensure national wealth. Adam Smith blew the "wind of change" into a static world. He released individual initiative from the bondage of centuries.

Professor F.A. Hayek's book is another "Wealth of Nations." Like that work, it is (a) in its scope and breadth of vision, a positive statement of the basic principles of a free society, and (b) a tract for the times, attacking established ideas. It cuts away accretions of neo-mercantilism, protectionism, and state regimentation which have obscured the truths revealed by Adam Smith. It re-states the fundamentals of economics in contemporary terms.

Professor Hayek brings Smith up to date by outlining the history of ideas right down to the economics of Socialism and the Welfare state. It is open to you to disagree with Professor Hayek's arguments, but he presents a reasoned, documented case, which his critics must answer. I draw your attention to Professor Hayek's exposition of one of the major problems of the day; the burden of progressive taxation.

It is often argued that progressive taxation is unavoidable because without it vast increase in public expenditures would place intolerable burdens on the poor. The facts suggest the opposite. Not only is the revenue derived from the high rates levied on large incomes, particularly in the highest brackets, so small compared with total revenue as to make hardly any difference to the burden borne by the rest, but for a long time after the introduction of progression it was not the poorest who benefited from it but the better off working classes and lower strata of the middle classes (who constituted the largest number of voters). It is the illusion that progressive taxation shifts the burden onto the wealthy that has (a) helped to increase taxation and (b) led the masses in many countries to accept a heavier load than they would if they understood the facts. The figures for the UK, which has one of the steepest scales of progressive taxation, reveal how small is the contribution of these punitive taxes. All UK surtax, which starts at £2,000 a year, brings in about 2½ per cent of all public revenue, and if the whole of every £1 of income over £2,000 were taken, it would only net an extra 1½ per cent of revenue. Indeed, the massive contribution to income tax and sur-tax comes from incomes between £750 and £3,000 p.a. (Rs 9,750 and Rs 39,000), i.e., those which begin with foremen and end with managers, or begin with civil servants just taking responsibility and end with those at the head of departments. It is probable that the gain to revenue from progressive taxation is less than the reduction of real income that it causes. It is certain that it is a powerful disincentive to individual initiative and enterprise.

Professor Hayek advocates proportionate taxation which, if I understand him correctly, would mean a flat rate (of, say, 10, 15, or 20 per cent) on all incomes irrespective of their size. He argues that where this principle is not applied (a) it is not necessarily those in greatest need but more likely the classes with the greatest voting strength which will be taxed the most lightly, and (b) all that is obtained by progression could be obtained by taxing the masses with modest incomes as heavily as the poorer groups. Democracy, he says, must learn that, in order to be just, it must observe general principles. What is required is a rule which, while leaving it open to a majority to tax itself for the benefit of a minority, does not authorise the majority to impose on a minority whatever burden it chooses to think right. That a majority, merely because it is a majority, should be entitled to apply to a minority a rule which it does not apply to itself destroys the basic principle of democracy.

Proportional taxation provides a rule likely to be accepted by (a) those who pay absolutely more and (b) those who pay absolutely less; it creates no separate rule applying to a minority. Progression discriminates by shifting the burden from those who decide what the rate should be onto others who do not.

The use made of particular resources depends on the net reward for services. If the resources are to be used efficiently, taxation must leave the relative rewards received for particular services at the levels fixed by the market. But progressive taxation makes the net reward for a particular service depend on the individual taxpayer's other earnings over the year. Professor Hayek points out that if, before taxation, a surgeon gets as much for an operation as an architect for designing a house, or a salesman as much for selling ten cars as a photographer for taking forty portraits, the same relation survives if proportional taxes are deducted from their receipts. But progressive taxation destroys this relation. Not only may services, which before taxation receive the same pay, bring different rewards, but A, who receives a relatively large payment for a service, may be left with less than B, who receives a small payment. Can anybody blame A if instead of continuing to contribute to the national wealth by a full working week, he diminishes the national wealth by giving himself a four day week and three months' holiday in the year? Indeed, the more that consumers value A's services, the less worth while will it be for him to exert himself further. Progressive taxation offends the only universally recognised principle of economic justice: "Equal pay for equal work."

The net income after taxation left to millions of highly qualified middle class men and women in the West compels them to take time off to do jobs about the house for themselves. For example, a skilled author, taxed at 19sh. 6d. in the £ (i.e. 97½ percent), must earn £200 in order to have the money to pay £5 to get his study redecorated. He may decide to do the job himself. But only if he is forty times more productive in writing than in re-decorating will it be profitable to him to practise the division of labour and exchange his writing for the re-decoration. When you consider the millions of middle class men and women in the West, expensively educated to do brain work, who spend time in doing unskilled work when they could be engaged either in other more productive work, or in raising their efficiency for it by rest and recuperation, the loss of "real" wealth to the nation imposed by progressive taxation must be stupendous. A Welfare state depends for its progress on the middle and higher incomed classes. Without senior business executives, industrialists, mathematicians, engineers, teachers, economists, doctors, editors, lawyers, chartered accountants, chemists, etc., today's Common Man would sink to the level of the African Bantu tribesman. For the

sake of "social justice" the "rich" are taxed to relieve the burdens of the "poor"; the middle and higher incomed classes are denied the leisure which, for them, is an occupational necessity. Alternatively, if the higher paids prefer to cease to exert themselves beyond a certain point because further earnings would be swallowed by taxes, the nation is not getting all that it could out of them. This is Social Nonsense.

Too many people think of income as conferring an appropriate status rather than as arising from the value of services rendered. Professor Hayek points out that you see this in the argument that "no man is worth £10,000 a year, and in our present state of poverty with most people earning less than £6 a week, only a few very exceptional men deserve to exceed £2,000 a year." (This was written in 1949. Today's average weekly industrial wage in the UK is nearly £12). To suggest that no act that any individual can perform in a year can be worth to society more than £10,000 is absurd. However much Shahjehan (1627/58) paid the architect of the Taj Mahal it can only have been a pittance for the creation of one of the beauties of the world which has now given pleasure to millions for over 308 years. Have you ever heard of the Edinburgh professor, Alexander Graham Bell (1847-1922)? He did not die a rich man, but he left the world permanently in his debt. With the aid of his invention of the telephone, hundreds of millions throughout the world are multiplying the wealth of nations. Were neither of these men worth £10,000 a year? There is no necessary relation between the time that an action takes and the benefit that a nation, or the whole world, derives from it.

The idea that large gains are not necessary, and socially undesirable, originates with workers who sell their time for a fixed wage and who therefore regard pay per so much unit of time as normal. It is meaningless to apply it to men whose role is to manage resources at their own risk and whose aim is to increase the resources under their control out of their earnings. Profits and losses are a mechanism for redistributing capital among entrepreneurs rather than for providing their current income. The idea that current net receipts are for current consumption, although natural to the wage earner or salaried man, is alien to the entrepreneur whose aim is to build up a business.

Professor Hayek points out that the large gains of a successful innovator meant in the past that, having proved his capacity to employ capital profitably in new ventures, he would soon be able to back his judgement with larger means—as did William Morris, who, from small beginnings in a cycle shop in Oxford, eventually revolutionised the manufacture of cheap cars in the UK.

The individual's formation of new capital, since it is offset by capital losses of others, is part of a continuous process of redistribution of capital among entrepreneurs according to their efficiency. Heavy taxation of such profits is a brake on that turnover of capital which is part of the driving force of a progressive nation.

The worst consequence of confiscatory taxation of capital formed by individuals is to restrict competition, to favour Company against individual saving, to strengthen existing big business against new comers. Because taxes absorb so much of the newcomers's "excessive" profits he cannot grow big enough to compete with vested interests. It is true that taxation also impedes capital formation by the big company, but why should it care? It has arrived. The tax collector is its friend because he prevents dangerous newcomers from forcing the old firm onto its toes.

So, whether progressive taxation falls on the professional man or on the entrepreneur, it ensures that resources are used wastefully, checks the rate of growth of the nation's wealth, and builds up an inflexible economy, slow to adopt new techniques.

This week, I have drawn attention to that part of Professor Hayek's book that seems of importance to you as Minister of Finance. Next week, and in a final letter the week after, I will draw attention to parts that seem important to every lover of freedom in India. I take it that means about 400,000,000 people.

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(ii) **Probationary Assistants:** Applicants should have a brilliant academic record and a first or high second class Master's degree of a recognised Indian or foreign University with Economics, Banking, Commerce or Accountancy as a special subject and should also have some proficiency in drafting. Educational qualifications may be slightly relaxed in the case of candidates who have passed the Institute of Bankers' examinations and|or possess practical banking experience in a supervisory capacity in a commercial bank. Candidates who have applied recently for these posts in the Department of Banking Operations or the Agricultural Credit Department in response to previous advertisements dated the 6th February and 13th August 1960 need not apply again.

(iii) **Banking Assistants:** Applicants should have a high second class Master's degree or a first class Bachelor's degree of a recognised Indian or foreign University in Economics, Commerce, Banking or Accountancy and also have some proficiency in drafting. Educational qualifications may be slightly relaxed in the case of candidates who have passed the Institute of Bankers' examinations and|or possess some practical commercial banking experience.

THE SELECTION BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE ABOVE POSTS AND ONLY THOSE CANDIDATES WHO POSSESS HIGH ACADEMIC QUALIFICATIONS AND ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

(C) **AGE LIMITS AS ON 1st NOVEMBER, 1960:**

(i) **Banking Officers:** Candidats should not ordinarily be over 35 years of age but the age limit may be relaxed in the case of candidates with exceptionally good experience of value to the Bank.

(ii) **Probationary Assistants:** Between 21 and 25 years.

(iii) **Banking Assistants:** Between 18 and 24 years.

In the case of (ii) and (iii) the maximum age limit is relaxable but not beyond 30 years in the case of:

(i) candidates possessing special qualifications and experience of value to the Bank;

(ii) candidates with approved war service;

(iii) ex-employees of banking institutions whose services had to be terminated for reasons of economy or as a result of the banks going into liquidation;

(iv) personnel retrenched from Government offices after at least one year's service applying through Employment Exchanges; and

(v) candidates belonging to the Scheduled Castes or Scheduled Tribes.

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

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

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Lucknow, Trivandrum and Patna accompanied by copies **(originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the Graduate and Post-Graduate degree examinations and two testimonials** should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the 5th November 1960.

5. **Candidates should also indicate in their applications whether they had applied previously for a similar post in the Reserve Bank and if so with what result.**

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

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

8. Selected candidates must be prepared to serve in any office of the Bank in India and to undertake tours when required.

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

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

11. **Canvassing will be regarded as a disqualification.**

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The European Scene

NO CUSTOMS UNION FOR WEST EUROPE

From Our Special West European Correspondent

PARIS, October 10.

SINCE Britain's Common Market plan was outlined here in the issue of August 26, it has been submitted to careful scrutiny by the nations liable to be affected, which means all the important trading countries of the non-Communist world: the Commonwealth countries at the London Finance Ministers' meeting, Britain's partners in the Free Trade Area, the Americans and of course the Common Market six. Opposition has crystallised, so that during the Commonwealth conference London had to deny that any firm plan had been written by Messrs Macmillan and Adenauer at their Bonn meeting (contrary to the confident assertions of Fleet Street at the time); rather, certain suggestions had been thought worthy of further investigation. Apparently, in capitals other than Bonn, these suggestions have not had a good reception, and when Mr Edward Heath, who is responsible for European affairs in the British Cabinet, arrived in Paris this week for talks with M. Debre, he declared that he was not bringing with him any new plan for a union between the Six and the Seven.

The main features of the British proposal may be recalled. Abandoning the dogma of tariff autonomy for which Mr Reginald Maudling fought so hard up to the breakdown of the free-trade talks at end-1958, London contemplated accepting a common external tariff for a customs union that would include all West Europe, that is, the Six and the Seven. But that tariff would apply only to manufactures; there would be no common tariff and therefore no customs union for agricultural produce. The least protectionist countries of West Europe, Switzerland and Sweden, would raise their import duties on manufactures from outside the area, while the most protectionist country, Britain herself, would lower here to the common level. In the process, the Commonwealth countries would lose many of the imperial preferences their manufactures enjoy in Britain, but in return they were offered the prospect of supplying a vast West European ensemble of considerable import potential.

At a rough guess it seemed to us in August that, on balance and in the long run, this arrangement would advantage India. It appears that the Indian Government took the same view, and at the Commonwealth conference India and Australia expressed willingness to explore this avenue further. On the contrary, most of the other members, led by Canada and New Zealand, declared themselves hostile and told London, with a vigour that caused some surprise, that they were not ready to have Britain buy Europe's good graces at their expense; the two birds in the European bush mattered less than the one they held thanks to imperial preferences. The balance of Commonwealth opinion seems to be against the proposal and this limits Britain's freedom of movement. Obviously, every imperial preference withdrawn by Britain could cost British exports loss at the other end when the Commonwealth country affected retaliated, and this might outweigh gains in West Europe. Any dismantling of the imperial preference system that went on in an atmosphere of acrimony and retaliation would constitute a Commonwealth crisis. Conversely, the determined defence of imperial preference by a country like Canada confirmed Continental opposition to any customs union in which imperial preferences were not eradicated. The Continentals have been told that they were exaggerating the importance of those preferences and that they no longer amounted to very much, but the reluctance of the beneficiaries to part with them gave a different impression.

The next source of opposition lay in the Free Trade Area that unites Britain and six "peripheral" Continentals countries. That system is built on tariff autonomy for each member, but the British proposal would remove that autonomy. The resulting Europe-wide customs union would have no political institutions, so the neutrals did not raise the objections that they have kept them out of the Common Market, which is supposed to lead on to political integration. Yet they had serious commercial objections. Low-tariff countries would have to raise their duties on imported manufactures and they foresaw that they would be accused by overseas countries of that very "discrimination" they have complained of in the Common Market—naturally, because you cannot build a viable customs union of any sort without giving preference to members, which means discriminating against outsiders. The keen opposition of Switzerland to the Carli Plan that was mooted some years ago and aimed at "a certain harmonisation" of OEEC tariffs was a foretaste of Swiss criticisms of a proposal to institute a common external tariff in West Europe.

The USA, also, lined up with opponents of the British suggestion. A regional organisation in which such highly industrialised nations as Britain, West Germany, France, Italy, Switzerland and Scandinavia were all giving each other's manufactures preference over American goods would make life harder for US industries, which are already finding life difficult enough The USA could make similar objectons to the Common Market, though much less urgently because that does not include Britain; they felt that such objections were outweighed by the political advantage of Europear unity. With the British scheme, commercial discrimination against the USA would be more serious and there would be no counterveiling political gain.

Finally, there is opposition from the side of the Common Market six, above all from France, and this alone is enough to ruin British hopes of a settlement. The determination of French opposition has nothing particular to do with Prsident de Gaulle; before de Gaulle's return, as since, French doctrine has been that a country can get the benefits of the Common Market only by accepting the obligations of the Rome Treaty concerning the equalisation of conditions of competition. That means that the introduction of a customs union must be accompanied by the co-ordination of social legislation (equal pay for women, comparable

social security charges, etc.) and of commercial and financial policies. French industrialists and farmers are firmly attached to this doctrine and there is not the slightest sign that they will abandon it for the sake of a wider market for industrial manufactures. Many West German producers are ready to do so, because they have counted the cost of bringing their social overheads up to the French level, at the same time as they raise their import duties to the Continental average and allow the cheap French agricultural surplus into their protected market.

However, the West Germans are bound by treaty to do these things and, though they are procrastinating to give time for alternative solutions to be explored (such as the British customs-union plan) there is no suggestion that they will not do them. What has caused the cooling of Little European ardour in recent months is not so much the alternative commercial temptations felt by the Germans as the discordant political ambitions of President de Gaulle. De Gaulle wants to go ahead with the economic unification of the six-nation region, and there are few really serious economic obstacles to progress in that direction. But he wants this adventure to take on a quite different political significance from what the architects of the Rome Treaty had in mind. It is this that Bonn is uneasy about, more than the cost of pursuing economic integration—though of course economic costs that seem justified for one political purpose may not seem so for another. So it is not the production of some new commercial plan, such as the British customs-union scheme, that is going to decide matters, but a political agreement between Paris and Bonn.

Outsiders care little for the relative merits of the supranational integration process favoured by Bonn and the international confederation suggested by Paris. Whichever method of uniting Europe is adopted, it will lead, provided all the six nations co-operate, to some sort of European entity and will enable the process of economic integration to go forward in the Common Market. That is all that matters to the rest of the world. How much sovereignty each capital retains, or how decisions are taken on Europe's behalf (whether by supranational officials or by national ministries in congress) will be of little interest to India alongside the fact of a single European economic policy on questions such as trade agreements and foreign investment. So the issues that now divide Paris and Bonn are academic for us, once we are assured that European economic unification, in one form or another, is going to go forward. On that point there is one certitude amidst current confusion : the British suggestion for an alternative Common Market, which would have totally changed the meaning and consequences of European economic integration, has not secured enough support in any quarter to constitute a threat to further progress with the implementation of the Rome Treaty. The six Continental capitals have run into certain difficulties and they are at loggerheads about President de Gaulle's conception of their ultimate political goal, but meantime it would be safer for the overseas world to assume that the Common Market will come into existence as planned.

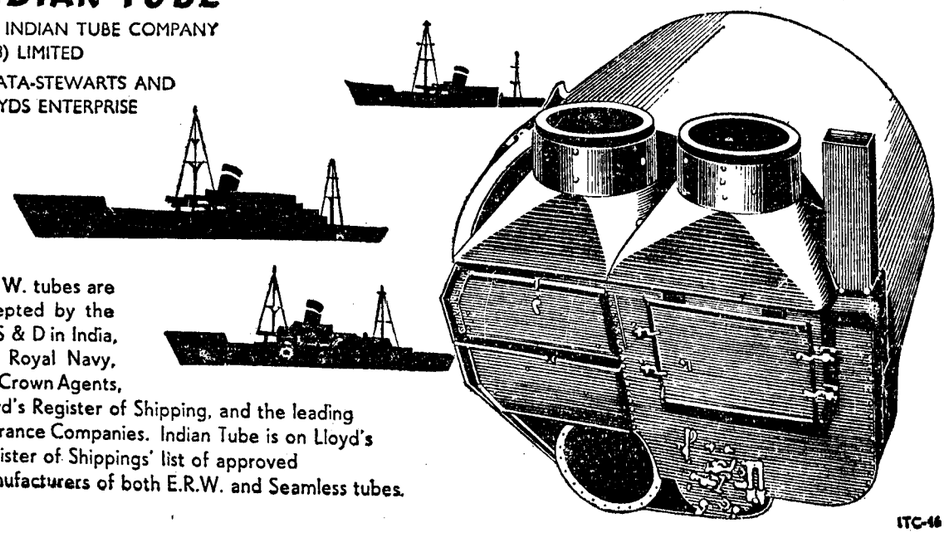
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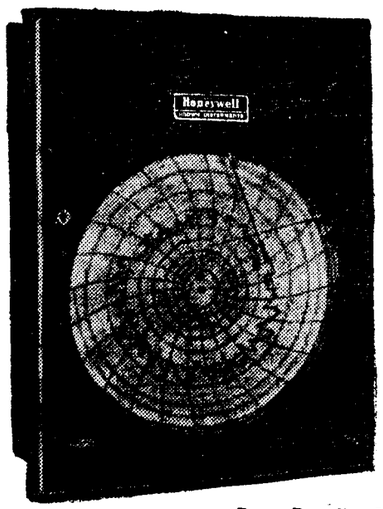
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Economic Report from the U.S.

ECONOMIC ACTIVITY

By GUY SIMS FITCH

WASHINGTON, October 4.

REASONABLY optimistic forecasts of U.S. economic activity continue to come from official sources. Last week, in a report to the annual meeting of the World Bank and the International Monetary Fund on the state of the U.S. economy — a report that has become something of a ritual at these meetings — Treasury Secretary Robert Anderson stressed the underlying strength and prosperity of the U.S. economy. He expressed the view that if the economy has not been advancing as rapidly this year as had been predicted, it is because of a fundamental adjustment to a new environment, one marked by abatment of the inflationary pressures of the past two decades. Highlight of this adjustment, in his view, has been the sharp shift in business inventory policy, from heavy accumulation to actual liquidation, as businessmen have grown more confident of a stable price level. Now, with the period of inventory liquidation apparently nearing its end, Mr. Anderson sees the U.S. economy poised for another healthy upsurge.

In contrast to some earlier experiences, the Treasury Secretary notes, this adjustment has proceeded smoothly, and has been accompanied by a continued high level of final demand for goods and services. As a result, total U.S. economic activity still has managed to climb to new peaks even during this year of basic economic change. Significantly, the adjustment to which Mr. Anderson refers, and the Government's underlying confidence in the national economy, are both reflected in the revisions which have just been announced in the Federal Budget for the 1961 fiscal year that began July 1. Last January, the 1961 budget estimates projected a surplus of $4,200 million, based on the expectation of a spending total of $79,800 million and a revenue total of $84,000 million. Now the anticipation is that expenditures will rise moderately to $80,000 million. A large change, however, concerns U.S. Government receipts, which now are expected to aggregate $81,500 million, or $2,500 million less than the January estimate. The net result is a projected 1961 budge surplus of $1,100 million, just about the same as the actual 1960 surplus.

Mainly responsible for the lowered revenue estimate is a decline in corporate tax receipts of about $2,000 million. This decline is attributable to lower profit margins than had been estimated earlier — a development that could well be tied to the kind of non-inflationary adjustment Mr. Anderson and other Government experts see taking place in the economy. On the other hand, receipts from individual income taxes are seen holding at just about the same level estimated last January. This is based on the expectation that the total personal income of all Americans will remain its record rate of about $405,000 million a year. In drawing up the revised budget estimates, Government experts now anticipate that the Gross National Product (GNP) — the total output of goods and services — will fall about 1 per cent short of the original January projection of $510,000 million for the calendar year 1960. But this is considered a rather minor deviation, one that indicates no significant slowdown in economic activity. It would still put the 1960 GNP at a record all-time annual high, about 5 per cent above the previous 1959 record. As a matter of fact, budget officials see indications that the usual seasonal improvement in business conditions, normal for the fourth quarter of the year, is getting under way. And as of now they see no reason for special concern about economic trends during the first half of 1961.

Among the important indicators showing signs of continued or renewed strength, they cite automobile sales, homebuilding, construction contracts, new orders for manufactured goods, department store sales, and freight carloadings. These are viewed as offsetting any lag in steel producton or any disappointment over the failure of unemployment to show a sizable decline. In this connection, it might be kept in mind that while unemployment has remained close to the 4 million mark, employment this year has climbed to a record high of better than 68 million. Developments in the coming months will test the accuracy of these official appraisals of U.S. economic conditions and prospects. But it is a fair conclusion, in any case, that the economy has indeed weathered the sharp inventory adjustment of the past eight months in fine style. And whether the economy starts moving up briskly again in the months immediately ahead or sometime in 1961, it undeniably has given sufficient proof of its underlying soundness and flexibility in the face of a changing situation. In fact, U.S. Budget Director Maurice Stans is more than a little hopeful that the Federal Budget for the next (1962) fiscal year also will show a surplus, under the combined influences of strong economic activity and enlightened public policies.

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WORLDGRAM

India

New Schemes for Supply of Machinery on Hire-Purchase: The National Small Industries Corporation has introduced two new schemes for the supply of machinery to small-scale units on hire-purchase basis. A sum of $10 million has been provided by the U.S. Development Loan Fund to the Corporation for the import of machines under the schemes. The DLF credit is convertible into any form of currency, except that purchase of machines valued at Rs. 2.5 lakhs would have to be made from the U.S.A.

*

Setting Up of Three Regional Labour Institutes: For the establishment of three Regional Labour Institutes at Calcutta, Madras and Kanpur, with the assistance from the United Nations Special Fund, operational plans were concluded recently. Extending the activities of the Central Labour Institute at Bombay to other regions of India, viz. Calcutta, Madras and Kanpur, these three Regional Labour Institutes will be modelled, although on a reduced scale, on the Central Labour Institute, Bombay, which was set up to provide facilities for research on the human factors involved in rapid industrial development, and for education and training of persons drawn from Government service and employees and workers organisations in most suitable techniques for investigating and controlling the mental and physical stresses which may be responsible for accidents, diseases, discomfort and diminished productivity. Each institute will comprise of a museum of industrial health, welfare and safety and industrial hygiene laboratory, a library and information centre and a training centre. Training research programmes will be related to the worker in his environment to physiological factors of work, method study, productivity and supervisory skills.

*

Trade Arrangement with Afghanistan Extended: To renew the existing trade arrangements between India and Afghanistan until July 20, 1961, an agreement has been concluded in Kabul following the visit to Afghanistan of an Indian Trade Delegation. The two Governments have reaffirmed their desire to promote trade between them and take such special steps, in terms of the Treaty of Friendship and Commerce between them, as might be found practicable. It has been agreed that facilities will be afforded to registered importers for importing into India, dry and fresh fruits, hide and skins, etc. Likewise, facilities will be afforded for import into Afghanistan from India of goods like cotton and woollen textiles, tea, light engineering goods, pharmaceuticals, drugs and chemicals.

*

Foreign Trade in Merchandise in August 1960: The provisional figures of India's trade in merchandise by all routes—sea, air and land—on private and Government accounts, during August 1960, according to information available in the Department of Commercial Intelligence and Statistics, Calcutta, are given below:

Exports	Rs. 56,03 lakhs
Re-exports	Rs. 1,01 lakhs
Imports	Rs. 82,73 lakhs
Balance of Trade	Rs.—25,69 lakhs

These figures exclude overland trade with Nepal, Tibet, Sikkim and Bhutan. The import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment and of private merchandise under reference to customs for verification.

Table I below brings together the provisional figures for August 1960, along with similar figures for July 1960, August 1959 and the revised figures for August 1959.

TABLE I

India's Foreign Trade During August 1960 July 1960 and August 1959

(In lakhs of rupees)

Foreign trade in Merchandise	For the month of			
	August 1960	July 1960	August 1959 Provisional	August 1959 Revised
Exports	56,03	47,91	58,26	56,89
Re-exports	1,01	1,53	26	26
Imports	82,73	73,70	58,37	65,23
Balance of Trade in Merchandise	—25,69	—25,16	+ 15	—8,08

The cumulative total for the five months ended August 1960, are shown along with the corresponding figures for 1959 in Table II below:

TABLE II

India's Foreign Trade During the Five Months April-August 1960 and April-August 1959

(In lakhs of rupees)

Foreign Trade in Merchandise	Cumulative totals for the five months April to August		
	1960	1959	
		Provisional	Revised
Exports	245,16	241,03	235,73
Re-exports	5,38	2,13	4,01
Imports	408,91	345,29	94,11
Balance of Trade in Merchandise	—158,37	—102,13	—154,37

U.S.S.R.

New Irrigation System In Tajikistan: Construction of a new irrigation system has been started in the South-East of Tajikistan to bring water to the large Maida-Patta region at the foot hills of Kara Tau Range on the bank of Kzyl-Su river not far from the border of Afghanistan. In one year's time 4,000 hectares of land will be irrigated in South-East Tajikistan wherefrom 10,000 to 12,000 tons of cotton will be grown annually. The 20-kilometre long trunk canal forms the backbone of this irrigation system. After the completion of this project work will be started on the other bank of the Kzyl-Su river where another irrigation system to water 6,000 hectares of virgin land is to be built.

United Kingdom

Motor Car Factory in Scotland: For the first time since 1928, motor car production is returning to Scotland. A £22 million factory is to be built at Linwood, Renfrewshire, for the production of new Hillman model, smaller than the Minx, within the next two years. Covering more than 200 acres, the factory will give employment to 5,500 and an initial output of 1,50,000 cars a year is planned. The Baby Hillman will be a high quality small car, the manufacturers, Rootes Motors, promise.

France

The Agricultural Situation: Following is a resume of the agricultural situation in general in France at the beginning of September 1960: Wheat: Harvest estimates are for more than 107.5 million quintals. Hard wheat will produce only 7,00,000 quintals. Barley: An estimated harvest of 55.7 quintals, which would be the best since 1956. Oats: An estimated 27.5 million quintals. Maize: A very large harvest is expected. Initial estimates are for 26 million quintals, which is almost 8 million quintals more than the record harvest of 1959. Potatoes: The harvest will only be an average one. Industrial beets: the harvest would nearly total 154 million quintals, which will be by far the largest ever recorded. The average yield of 373 quintals per hectare will also set a new record. Fruits and vegetables: The harvest of green vegetables would be excellent. The pear harvest is excellent and the apple harvest which is just beginning would be large. Wine: The predicted harvest as of first September was more than 58 million hecto-liters. From the quality point of view 1960 will not be a particularly good year. Animal produce: Seasonal milk production is good. In many places there is difference of 15 to 20 per cent in the outputs of August 1959 and August 1960.

Australia

Decimal Currency Plan: The decimal currency committee, appointed by the Federal Government, has recommended that Australia replace its present system of pounds, shilling and pence with a decimal currency on the second Monday of February, 1963. The Government has already adopted, in principal, the idea of a decimal currency. The Committee recommended a new major unit equal to 10 in the present currency subdivided into 100 cents, with the following subsidiary coins:

Decimal Coins	Present Value
20 Cents	2/-
10 Cents	1/-
5 Cents	6 d.
1 Cent	1.2d.

The Committee did not favour a half cent coin, and suggested that the halfpenny be used as a half-cent coin during the transition from £ sh. d. to decimal currency. It is stated that the new currency would effect savings in time and effort which would outweigh the inconvenience and costs of the changeover. The estimated costs of converting machines to decimal operation—the major cost involved—would be £3,10,00,000 spread over four years. A number of smaller costs could not be measured. In the transition period of about 2 years following the changeover, the Government should allow both new and old coins to operate concurrently, it was suggested. The banks should operate in decimal currency from the changeover date because of their key role in the system.

Canada

Supply of Wheat to India: Canada has offered to supply to India $7m. worth of wheat under the Colombo Plan. This is part of a total Canadian assistance of $25 m. allocated under the Colombo Plan for 1960-61. The Government of India has accepted the Canadian offer. Counterpart funds from sale proceeds of wheat will be utilised in projects of economic development in India. Canada has been giving aid to India under the Colombo Plan for purchase of wheat during the last several years. In 1959-60, Canadian wheat worth $7 million was received under this programme; in 1958-59, the quantity received was worth $18 million.

Japan

Net Export Earnings in 1959: Net Export earnings of Japan have been increasing year after year since they touched bottom in 1954. The rate of net export earnings for all commodities, measured by the Economic Planning Agency, stood at 84.3 per cent in 1959, an increase of 0.8 per cent from the previous year. The high rate for 1959 is attributed to the greater relative importance of exports whose rates of net earnings are high in the composition of exports, and the continued improvement in the terms of trade.

Yugoslavia

Decentralised Banking: Yugoslavia has launched several new schemes recently in an endeavour to bring her banking and credit system in conformity with her changed economic needs. Within the said reorganisation quite new functions of certain banks are provided. This refers in the first place to the National Bank which is to become the bank of other banks. Its principal tasks will include the transactions concerning the emission of money, the whole payment turnover in the country and abroad, public accounting service and certain functions regarding the regulation of relations with foreign countries. There are two very significant novelties. The National Bank will no longer appear as creditor of economic organisations (except in special cases). This business will be taken over by business banks. On the other side, the National Bank will assume the role of general social treasurer, through which the whole payment business in the country (except that which is made in favour of private persons, housing councils and housing communities) will be carried out. It is estimated that in this way a basis will be created with the National Bank for a successful performance of the tasks resulting from the Law on Public Accounting. In addition to this, the National Bank will in future also be regulator of the whole credit policy.

Poland

New States and the Polish Foreign Trade: As more and more States are emerging into independence in Asia and Africa, Polish foreign trade with these areas is rising. In 1956, the value of Polish export to the countries of Asia, Africa and Latin America amounted to 60.5 million dollars, while in 1959 it rose already to approximately 76 million dollars. A still higher rate of increase was shown by the Polish import from these countries raising from 46 million dollars in 1959 to 113 million dollars last year. The share of these countries in the Polish foreign trade turnover rose, in the years 1956-59 from 6.1 to 6.7 per cent in the import. The main trade partners of Poland from the point of view of turnover, are Brazil, Argentina, U.A.R., Turkey, India, Sudan and Morocco. They account for 80 to 90 per cent of the Polish trade turnover with Asia, America and Latin America. Particularly noticeable is the Polish trade with Africa, Egypt, Ghana, Sudan, Morocco, Tunisia and Guinea which accounted for approximately 90 per cent of the Polish-Africa trade.

Uruguary

Tallow Imports: Uruguay has decreed that tallow may be imported for any surcharges or prior deposits. In recent months soap manufacturers have begun to import tallow because of reduced domestic supplies. Since December 1,045 metric tons have been bought from Argentina, and a 1,000 shipment from the United States was delivered in May. Soap makers expect tallow imports to reach 6,000 tons by the end of the year, and the United States may gain a substantial share of this market.

Chile

Land Reform Programme: As a part of its general programme to increase self-sufficiency in food output and reduce farm imports, Chile has passed a law accelerating land reform and colonisation activities. The law permits the President, through the Colonisation Bank—a semi-government agency—to expropriate private lands for colonisation when it is determined that owners are not utilising them effectively.

NEWS IN BRIEF

INDIAN

The Government of India have decided to permit the setting up of new units for the manufacture of different types of machine tools. This step is being taken to step up the domestic output of machine tools and reduce the country's dependence on imports as much as possible.

*

Eleven projects for the construction of 3,452 houses were approved by the Government of Maharashtra, Orissa, Andhra Pradesh, Madhya Pradesh, Madras, Mysore and West Bengal under the subsidised industrial housing scheme in August, 1960.

*

The President has given assent to the Madras Buildings (Lease and Rent Control), Bill, 1960. The new measure, among other things, provides for regulation of letting out of residential and non-residential buildings, control of rent and prevention of unreasonable eviction of tenants from such buildings in the State of Madras.

*

The National Development Council has recently laid down that 3,200 pilot projects for co-operative farming should be undertaken, in addition to the programmes for the development of co-operative farming to be formulated by the States for the Third Plan period.

*

The Mysore Geological Department has discovered extensive deposits of iron ore estimated to be of the order of three crore tons near the Kodachtdri Hills in the Chickmagalur district.

*

India had a favourable trade balance of Rs. 84 lakhs with Poland in the first quarter of the current year against an adverse balance of Rs. 39 lakhs in the corresponding period of last year.

*

Mechanisation of rice cultivation through use of improved farm implements will be introduced in India with Japanese collaboration.

*

The Government of India has decided to permit the import of a limited quantity of seed potatoes from Burma on rupee payment during the half year October 1960 — March 1961, says a Government press note.

*

The President has given assent to the Madhya Pradesh ceiling on Agricultural Holdings Bill, 1960. The bill seeks to provide for a more equitable distribution of land in the State of Madhya Pradesh by fixing ceilings on existing holdings as well as on future acquisition of agricultural lands.

*

The Central Board of Trustees of the Employees Provident Fund recently recommended that the Central Government should extend the Act to as many remaining industries as possible.

*

There was an increase of 1.4 per cent in employment opportunities in the public sector during the quarter ended December, 1959, according to the data collected by the Employment Exchanges.

FOREIGN

To the end of June this year world agricultural output showed a rise of about 2 per cent as compared with the estimated annual population growth of 1.6 per cent.

*

Grey cloth exports to Britain in the third and final year of the Hong Kong-Lancashire pact will be reduced to 44 million square yards under a unanimous agreement reached recently by eight interested organisations.

*

Yorkshire Imperial Metals and Imperial Chemical Industries have decided to combine their activities in the marketing of polythene tube. Following this it has been agreed that Yorkshire Imperial Metals should assume sole responsibility for marketing "Alkathene" polythene tube. The combined product of the two companies is to be known as "Polyorc - Alkathene."

*

West Germany's gold and foreign currency reserves rose by DM 220.6 million in the third week of September. On September 23, gross reserves stood at DM 29,950.2 million. Foreign liabilities were DM 427 million.

*

An agreement has been signed by the Pakistan Government, the International Labour Organisation and the United Nations (Emergency Fund) for a Rs. 10 million project for the establishment of an industrial centre in East Pakistan.

*

The Polish Government has offered Ceylon a fleet of cargo vessels and trawlers on long term credit. Negotiations will be initiated by Ceylon soon on details of the offer, which was reported to have been welcomed against the background of the Ceylon Government's decision to build up its own merchant marine.

*

The West German business world is making available DM 1000 million for long term united credits to underdeveloped countries at an interest rate probably below 6 per cent.

*

The International Finance Corporation increased its number of investments by more than 50 per cent (from 22 to 33) and the dollar volume of its commitments by 100 per cent (from $21 million to $42 million) in the year from July 1, 1959 to June 30, 1960.

*

Benson and Hedges (Canada) will build a $2 million cigarette factory in Peel Village Industrial Park, South of Brampton, Mr. S. Basch, the Vice-President of Canadian Operations, announced recently.

*

What is claimed as Nigeria's biggest industrial project yet, a £4 million cement works, is now being erected by West African Portland Cement at Ewekoro, 40 miles north of Lagos. Production is expected to commence toward the end of October and will be at the rate of 200,000 tons a year.

*

A new bank, the Swiss-West Indies Bank Limited, is to start operations in October at Port of Spain, Trinidad. With a capital of 480 million West Indies dollars (over £97 million), the new bank will take part in the financing of various development projects in the British West Indies.

UNDER SECRETARY
17 OCT 1960
PUBLIC DEPARTMENT

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Scruffy: *"He and I were classmates. Today he pretends not to recognise me. And yet I stood at the top of the class."*



Smarty: "Don't hate yourself for what you are. Perhaps you should blame your clothes..."

Scruffy: *"Clothes!!! I could buy up this town with the money I spend on them."*

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Special Article

ROAD TRANSPORT IN THE THIRD PLAN

By

M. R. MASANI

"INDIA has set its feet on the path of economic development so that the standard of life of the people may be raised, and transport has a vital part to play in ensuring that the country is opened up increasingly for the movement of passengers and the transport of goods. Plans of agricultural and industrial development alike can founder if the arteries of transport harden and do not perform their function", observes the Report of the Road Transport Reorganisation Committee appointed by the Union Government. The Report elaborates on this thought by pointing out that "education, health and national prosperity all depend in a large degree on an efficient road transport system. Good road communications encourage the production and marketing of perishable articles, such as fruits, vegetables, milk and eggs, give the cultivator access to the outer world from which to obtain fertilisers, oil engines, and know-how about improved methods of agriculture, promote the development of industries and facilitate the exploitation of mineral and other natural resources. The role of road transport in the context of a modern State and a planned economy is perhaps so self-evident as scarcely to require to be mentioned."

The Report of the Road Transport Reorganisation Committee was endorsed with unanimity in a discussion that took place in the Lok Sabha and the then Minister for Transport and Communications, Mr. S. K. Patil, warmly welcomed it and gave the assurance that Government would carry out its recommendations.

RECENT STUDIES

Two recent studies made by the National Council of Applied Economic Research have highlighted the importance of road transport to our economic development. The first of these studies, which was on "The Contribution of Road Transport to the Public Exchequer", comes to the conclusion that the financial contribution of road transport to the national revenues is greater than that of the railways, both in absolute terms and in terms of the return on capital invested. The gross contribution made by road transport works out to Rs. 133.55 crores for 1957-58, while the overall net contribution excluding the cost of road construction is placed at Rs. 95.55 crores. In terms of return on capital invested in roads, the net contribution works out at 16.59 per cent considering operational payments only, while it comes to 19.11 per cent considering all payments. The net contribution works out to 21.7 per cent on capital invested in the road transport units in terms of operational payments only and to 25 per cent in terms of all payments not taking into account the net profits of the operators. Relating the net contribution to the overall national capital invested in roads and road transport, the rate of return works out to 9.4 per cent in respect of operational payments and 10.8 per cent in terms of all payments by the industry.

The Report also points out that there has been considerable capital formation at the level of the road transport operators. The system of hire purchase of vehicles offers itself as a means of capital formation out of profits. Road transport corporations have reserves which work out to 9.5 per cent of their capital outlays, while in the Punjab private operators show reserves forming 36 per cent of the capital at charge.

The other study, which is on the "Employment Potential of Road Transport", is equally encouraging. Pointing out that road transport accounts for a considerable volume of employment widely dispersed regionally and occupationally and, on the whole, in the lower income categories, the Report comes to the conclusion that road transport provides livelihood for far more people than the railways. The employment provided by road transport is estimated at 2.4 million persons and employment per commercial vehicle at 12.63 persons inclusive of direct and indirect forms of employment. The Report points out that there is a certain amount of under-utilisation of roads in terms of vehicle miles making use of the track. This is obviously traceable to the restrictive policies of regional transport authorities towards motor transport operators and, to a lesser extent, to the bad condition of roads. Improvement under both these heads is likely to raise the utilisation factor in regard to roads and to increase still further the employment potential of the industry.

PROVISION FOR ROADS

It is against this background that the provision made in the Third Five-Year Plan for the development of roads and road transport can be properly evaluated. The provision for roads in the Third Plan is Rs. 250 crores, out of which about Rs. 25 crores are expected to come from the Central Road Fund. This provision is practically the same as that made during the Second Five-Year Plan. In view of the fact that, in point of allocation of funds in the State sector, the Third Plan is 1.6 times the size of the Second, the allotment to roads should proportionately be Rs. 400 crores. It is thus obvious that road transport has this time been relegated to an inferior position. This setback is further underlined by the fact that the Chief Engineers of all the States have submitted to Government a 20-year Road Plan estimated to cost about Rs. 5,200 crores and that the allocation suggested by them for the Third Five-Year Plan period was Rs. 590 crores. Instead, only Rs. 250 crores have been provided.

It looks only too likely that, if this allotment is not radically revised, it will not be possible even to build major bridges on the National Highways during the Third Plan period as was originally intended. Traffic on the roads has been increasing from day to day and the estimated production of all commodities requiring long distance transport in 1965-66 has been estimated at about 300 million tons as against about 180 million tons in 1960-61. The gap in our National Highways left by unbridged rivers is a serious bottleneck and, even after ten years of planning, it has not been found possible for the National Planning Commission to remove it. The Indian Roads Congress through its Roads Transport Development Committee has suggested that all National Highways and 50 per cent of State Highways excepting hill roads should be upgraded by 1965-66 in respect of foundations, surfacing and bridges to carry vehicles of 27,000 lbs. of laden weight on two axles.

In the light of all this, it is obvious that the provision for roads needs to be reconsidered so as to make it possible at least for major bridges and foundations on these roads to be ensured leaving the surfacing to the Fourth Plan. Alternatively, the National Highways can be completed by 1965-66 in respect of bridges, foundations and surfacing, leaving State Highways to the Fourth Plan. Since it is mentioned on page 248 of the Draft Outline of the Third Plan that the provision in regard to roads is likely to be reconsidered, perhaps one may still not lose hope altogether on this point.

PROVISION OF VEHICLES

When we turn to road transport, we find that the targets of the Third Plan are 30,000 cars, 10,000 jeeps and 60,000 commercial vehicles per annum by the year 1965-66. These figures have to be placed against the estimated production in 1960-61 of 20,000 passenger cars, 5,500 jeeps and 28,000 commercial vehicles. The estimate of our additional requirements in regard to vehicles on the basis of an increase in the national income shows that there should be about 145,000 cars and jeeps and 215,000 additional commercial vehicles. If these figures are correct, it would follow that the targets for the Third Plan should be about 40,000 cars, 12,500 jeeps and 75,000 commercial vehicles in 1965-66.

The Road Transport Reorganisation Committee had pointed out in its Report that experience all over the world has been that road transport develops far more rapidly than rail transport and that the same thing would happen in this country also. Pointing out that road transport is about three times as fast as rail transport and that speed is of vital importance in a developing economy, the Committee had come to the conclusion that "in our future plans, road transport will inevitably play a far greater role than at any time in the past and will have to be developed on a larger scale." Suggesting that the major trends of economic and technological developments in the field of transport in other countries should be borne in mind, the Committee had suggested that "any attempt to turn back the wheels of progress and to cling to a mode of transport that is no longer the most efficient or speedy would be to do grave injury to the basic interests of the country."

BIAS FOR RAILWAYS

In the light of this, it is disturbing to find that, as against the altogether inadequate allocations made for roads and road transport, railways are still given in the Third Plan the lion's share of the funds, amounting to Rs. 890 crores in addition to Rs. 330 crores from their Depreciation Fund, as opposed to Rs. 250 crores for roads and Rs. 18 crores for nationalised road transport. This highly discriminatory and biased treatment flies right in the face of all technological or economic criteria and it raises doubts about the objectivity which has been brought by the National Planning Commission to the task of balancing various needs. Whether this distortion of the country's needs is due to the unequalled power of the Railway Board, which is the most effective lobby in this country, or whether it is because, while the Railways are a State monopoly, road transport is by and large being developed by people's enterprise, the result is equally disastrous.

Whatever its merits or demerits from any other broader point of view, those who had looked forward to the development of roads and road transport as an important aspect of our national advance will find in this Plan a cruel disappointment.

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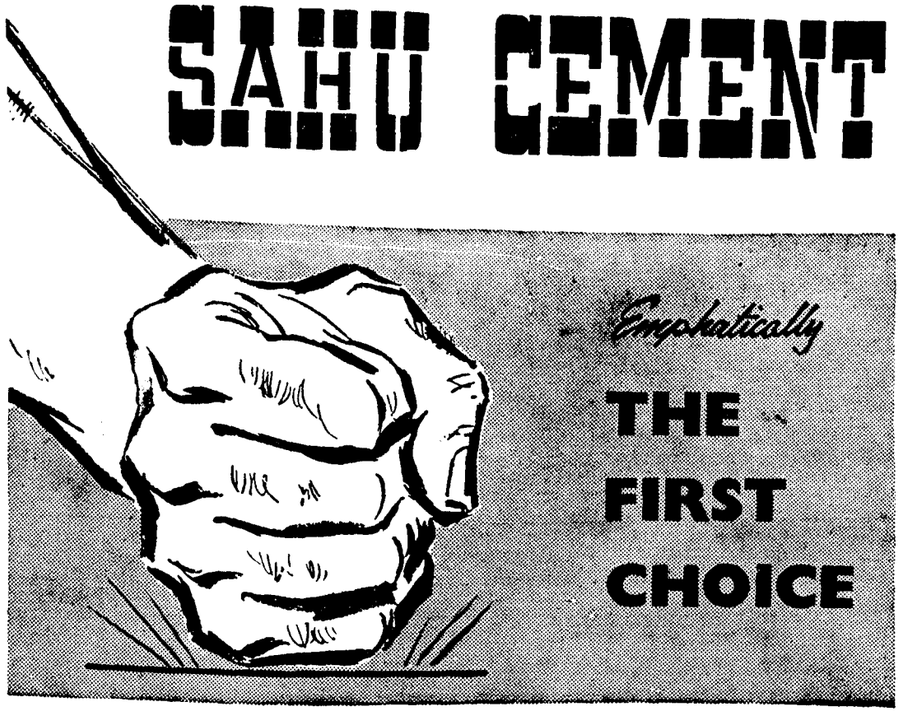
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THE BUSINESS WORLD

X-Ray on Exports

By CROESUS

ARE WE doing everything in our power to step up this country's exports? This seems to have been the question that was raised and answered—not very much to our credit, I am afraid—in Bombay last week. The occasion was the meeting of the Standing Committee of the Export Promotion Advisory Council, held this time in Bombay in accordance with a decision to hold such meetings outside Delhi in all major port towns by rotation. Considering the interest that the meeting seems to have evoked by reason of this healthy departure from tradition, it is not surprising that Mr. B. C. Shroff, President of the All India Exporters' Chamber, should have suggested to Mr. Satish Chandra, the Union Deputy Minister of Commerce and Industry, that the meeting of the Export Advisory Promotion Council also should be held by rotation at the major port towns. I do not know, if the mere holding of such meetings will make the people of the place where the meetings take place any the more export-minded or remove any prejudice against exports in their minds. But the meetings are bound to make the people engaged in the export industries and in the export trade at least of the region concerned feel that their problems are being placed before the highest tribunal of export organisation in the country and thereby provide an opportunity for the latter to examine these problems or difficulties at first-hand. Perhaps, Mr. Shroff was right when he suggested that "the export consciousness of the people is not sufficiently aroused to the extent desired." However, one sees lately visible signs of such consciousness, which, I feel, is partly due to the decline in our foreign assets to below Rs. 140 crores and partly to the stark reality that a stage has been reached when our servicing and repayment obligations in respect of foreign loans are today greater than the new inflow of capital. Export promotion measures need to be thought, therefore, with greater seriousness than ever before. Our exports must receive what we call "wartime priority." It is only then that one can think in terms of fulfilling the targets adumbrated in the Draft Outline of the Third Five-Year Plan.

Viewed against this background, the efforts that are being made by the authorities or by the industries and the trade do not appear to be adequate. One fails to discern either a sense of proportion or a sense of urgency in these matters. Indicative of the absence of a sense of proportion, for instance, is the following observation by a Deputy Director of the Railway Board in an article in the September, 1960, issue of "Indian Railways," to which Mr. M. P. Gandhi is reported to have drawn the attention of the Central Advisory Council of Industries held last month: "For example, there could be no justification for granting concessional freight rates for tea or jute—our traditional items of exports—the export traffic of which was of long standing and thus even otherwise moving free." It is doubtless such complacency which explains the decline in our exports of tea.

The lack of a sense of urgency is evident from some of the observations made by Mr Satish Chandra himself at the meeting of the Standing Committee of the Export Promotion Advisory Council. Here are a couple of them: (1) "The various sub-committees appointed at the last meeting have not been able to submit their reports." (2) "This matter" (the question of the setting up of an organisation for giving status information about Indian exporters) has been discussed by this Committee several times in the past and yet we have not been able to come to any conclusion about the agency that should take the initiative in setting up this organisation."

Lest the impression should be formed from what I have said above that nothing is being done, I must hasten to refer to a few welcome decisions that were announced or are proposed to be taken by the Government. For instance, at the meeting of the Standing Committee of the E.P.A.C., it was announced that the Government of India has accepted in principle the recommendation of the Standing Committee that export houses should be set up for purposes of tapping the export potential of various commodities. The Committee seems to have felt that the establishment of three or four well organised export houses of repute in India would serve as an effective instrument to boost exports of Indian goods, particularly in the case of difficult or non-traditional items of exports. Of course, these export houses also will enjoy the same concessions and facilities as are at present allowed to other exporters. Another important decision of the Government, also announced at the meeting, was the one to appoint a committee for devising machinery for quality control and free inspection of export goods. This, it seems to me, is an instance of avoidable procrastination, for setting up a committee means stalling. This work could very well have been undertaken by the Director-General of Supplies and Disposals, as had, in fact, been recommended by the Standing Committee itself at an earlier meeting. But the Government has turned it down on the facile plea of "administrative difficulties." The decision to set up a committee no doubt, proves the bona fides of the Government in regard to this question, but it is also the way so well known to bureaucracy of putting off a decision indefinitely. Another important pre-requisite to a sound export drive which has suffered a similar fate is an organisation for giving status information about Indian exporters. It is unfortunate that the Federation of Indian Chambers of Commerce and Industry should not have found it possible to present a workable scheme; instead, it was content to reiterate its earlier suggestion for a working group to go round the country, to collect information and create a suitable climate as a preliminary to the setting up of such an organisation. Nor was the suggestion received from other quarters to call in the help of the TCM in this connection imaginative enough. As Mr. Satish Chandra pertinently observed, one is unable to appreciate why the help of the TCM experts is necessary to gather information and discuss the subject with the trading interests in our own country. Such, if I may say so, is only an indication of the unfortunate extent to which we have tended to become dependent for almost anything and everything on foreign exports. Anyway, here, again, the question has been "solved" — "or is it shelved"?—by asking the Chambers of Commerce and other trade bodies and representatives of Government

— to quote the finely worded official communique — to study the problem further with a view to investigating ways and means of perfecting or further improving the methods of collecting information in regard to the status of exporters which are at present used by the Chambers of Commerce and Banks.

Perhaps the most important decision of the Government disclosed to the meeting was the one to set up a Review Committee to evaluate the existing export promotion measures. The decision has not come a day too soon, but then, the personnel of this committee has yet to be announced, and the Deputy Minister of Commerce and Industry stated this in a manner that does not betoken any sense of urgency: "We shall shortly announce the composition of the committee."

From a perusal of the speech of Mr. Satish Chandra, it is clear that the members of the Standing Committee were provided with plenty of literature and data, some of which at least, I feel, could have been profitably passed on to the Press, if only as "background information." Be that as it may, one of such items was a copy of the Export Plan for 1960-61. This plan, we are told, covers 165 items which account for 90 per cent of our exports with a total targetted value of Rs. 650 crores. It was heartening to hear Mr. Satish Chandra refer to the record exports in August, especially after what had been stated by Mr. Lal Bahadur Shastri, the Union Minister of Commerce and Industry, at the Eleventh Meeting of the Central Advisory Council of Indusries on September 22, 1960. He had then gloomily indicated that, while, during the first half of 1960, our exports had been much better as compared to the first half of 1959, the July exports had declined and the August exports seemed to have fared no better. As against this, Mr. Satish Chandra disclosed that our exports touched the figure of Rs. 57.04 crores, the highest for the first eight months in 1960. In the period January-August, 1960, the total value of our exports, including re-exports, was Rs. 408 crores, or an increase of Rs. 34 crores over our exports for the corresponding period of 1959. In view of this, it seems that the annual export trade anticipated in the Third Five-Year Plan at Rs. 690 crores seems to be pitched rather low. As Mr. M. P. Gandhi is reported to have observed at the meeting of the Central Advisory Council of Industries, during the Third Plan period, the current year's target (Rs. 650 crores) can be increased appreciably. But this implies special efforts to promote our exports, and by far the most important of such efforts, and the one which the Deputy Minister for Commerce and Industry also underlined, is to devise methods of keeping up the reputation of our goods. As he rightly pointed out, even a few complaints give a bad impression about the country as a whole and, in the result, it is not only the business of the bad exporters but that of even the better type of exporters that will be adversely affected, which means that the whole country will stand to lose. Mr. Satish Chandra was not at all exaggerating, therefore, when he said "I feel that it is a very serious matter which must be given due attention by the Committee with a view to finding positive lines of action to be adopted by the Export Promotion Councils, Boards, and others.

Again, if the goal of more exports is to be reached, the Government cannot afford merely to sermonise and stop there. While trade and industry should, of course, do their primary function, the Government also should actively help and co-operate in the task of export promotion. As Mr. N. L. Kara of the All-India Exporters' Chamber put it "no activity under the present circumstances can fully succeed without the Government's co-operation." The Government's co-operation can take several forms. For instance, it might profitably undertake—and this was indicated by Mr. Gandhi at meeting of the C.A.C.I. — to accord top priority for export industries in setting up new industries. To quote him, "hereafter, the emphasis will have to shift towards the development of export industries in an aggressive manner." He went so far as to say that there must be "a six months' holiday from industries," meaning an almost complete suspension of issue of further licences for new industries till the existing industries settled down and, during this interval, he added, the Government should consider issuing licences only for such industries as satisfy the criterion of immediate export possibilities. There are others besides, which have all been indicated at one time or other, though they remain to be implemented yet.

Business Notes

Joint Ventures

PROBLEMS POSED

THE INTERNATIONAL FINANCE CORPORATION'S annual report for the fourth year ended June 30, 1960, makes a departure from the conventional pattern and starts with a novel chapter on "Management of Industry in the Developing Countries". The observations made and comments offered in this chapter are based on the experience of IFC during the last four years of 17 under-developed countries in which it has extended aid and 17 others in which it has investigated projects asking for investment assistance. These observations are as interesting as they are instructive. They need not be taken as representing any insurmountable difficulties, but essentially they highlight the problems that will stand in the first few years.

Foreign investors in prospective joint ventures entertain initial apprehensions to the effect that as a result of differences in the business traditions and practices of the countries inviting capital, there is a likelihood of disagreement among local and foreign shareholders and also the possibility of unduly limiting the management's freedom of action. Local investors, on their side, are so wedded to the traditional pattern of family ownership or ownership of related groups that they are many a time reluctant to break that tradition. But the volume of capital investment required is so large and it also contains a foreign exchange component of such an order and at the same time the need for technical experience is so pressing that this reluctance breaks down sooner than expected. On the whole, joint ventures give the foreign investor the superior advantage of establishing identity of interest with the local population—a benefit which unmixed foreign private investment does not enjoy. The area of joint ventures is expanding faster than anticipated.

One of the important conclusions drawn by IFC is: "In industrial operations there is more likely to be a shortage of qualified financial experience than of engineering. Technical Education is much more widespread than training in finance and business." In the capital-receiving countries there is a large number of business men well versed in financing commercial operations. But industrial finance and its management is a relatively new field. The primary tools of financial management in modern industry undoubtedly are sound accounting including cost accounting, budgeting and auditing. The general experience is that in the under-developed countries accounting practices are unequal to the needs of modern industry. To the potential investor they do not give sufficient information which would enable him to arrive at accurate facts and their objective interpretation which are vital aids to planning and programming for new ventures. Cost accounting in particular is in an unsatisfactory condition. Estimates of working capital are usually on the low side and too much reliance is placed on the likely availability of bank credit for this purpose. These features have been described in the report not as handicaps to collaboration, but as important aspects in relation to which capital-receiving countries should rationalise and strengthen their practices.

Industry

SIGNIFICANCE OF CONSUMER GOODS

CONTINUOUSLY RISING prices during the last few years have attracted the attention of almost all those who are concerned about the economy. Recently, Mr. J. R. D. Tata, Chairman of the Tata Iron and Steel Company Ltd., while presiding over the annual general meeting, stressed the significance of consumer goods as a disinflationary measure. He pointed out that large-scale investments with long drawn out periods of fruition involve pumping into the economy corresponding increases of purchasing power which are automatically translated into demand for consumer goods. In view of the limited availability of foreign exchange, the import of consumer goods is highly improbable. Criticising the Government's policy of restricting the production of consumer goods, he pointed out, as an instance, that a mere increase of 16 per cent of mill made cloth to 800 million yards, during the Third Plan was not realistic at all. The demand for cloth, like many other consumer goods, is bound to increase much more than that. Apart from internal consumption, several consumer goods have to be exported in larger quantities. It is apparant that Mr. Tata's warning is quite timely and positive steps should be taken to counter inflation through higher production of consumer goods.

In this connection Mr. Tata was of the opinion that the participation of foreign capital can play an important role. With the present shortage of foreign exchange and the large amount of capital expenditure involved in the production of certain consumer and semi-consumer goods, it is quite obvious that new ventures become more practicable if the co-operation of foreign firms is enlisted and they are induced to join the local producers more vigorously. It may be remembered that the US economy in the initial stages of industrial growth received a considerable amount of fillip through capital imported from the then industrially advanced countries. Considering the state of the economy today, the Government should adopt adequate measures so that foreign capital finds a favourable atmosphere for investment. Foreign assistance and foreign collaborations are likely to form the pivot of the success of Third Five-Year Plan.

MYSORE PAPER'S PROGRESS

AT THE 25th ordinary general meeting of Mysore Paper Mills Limited, held recently at Bangalore, Mr M. D. Shivananjappa, Chairman and Managing Director, had satisfactory progress to report to the shareholders. It is not only that production has increased during the year 1959-60 to 8,700 tons (the previous year's production being 8,000 tons) but turnover too has increased considerably. In the year under review it was Rs. 1,41,31,000, i.e., an increase of Rs. 16 lakhs over the last year. The good effects of the larger turnover and increased production have been reflected in the accounts. Rs. 7,63,175 have been provided for depreciation on fixed assets calculated in accordance with the rates allowed for normal depreciation and extra shift allowances as per Income Tax Act and Rs. 14,601 towards the Development Rebate. In regard to the dividend a payment of 15 per cent is proposed which after deduction of tax will give a net return of 10.5 per cent or Rs. 1.05 per share. Mr Shivnanjappa pointed out that the financial results would have been still better if the prices of different varieties of paper would not have been reduced. He made a strong plea for the revision of prices of paper pressing the point that there was not likely to be any prospect of any decline in prices of raw materials, coal and chemicals, wages and salaries and if prices were not revised it would affect adversely the expansion of existing units and the starting of new ones.

It is also noteworthy that industrial licence under the Industries (Development and Regulation) Act 1951 to expand the production capacity from 8,000 to 18,000 tons has been received by this enterprise from the Government of India. The capital cost of the scheme is estimated to be over Rs. 300 lakhs of which about one-half would be required in foreign currency. Negotiations are well under way with the Commonwealth Development Finance Company Ltd., London, and it is hoped that the required loan in foreign exchange would be made available. The authorised capital of the company is to be raised to Rs 1½ crores. All this is encouraging news.

Coal

IRONY IN ANDHRA

THERE HAS of late been a slackening in the tempo of industrial production in the South generally and in Andhra Pradesh in particular. According to the Federation of the Andhra Pradesh Chambers of Commerce and Industry (A.P.C.C.I.), this is largely due to the acute shortage in supply of coal, which, it alleges, has been brought about by the discriminatory practice being followed in making supplies from the State-owned Singareni Collieries. The Federation, it would appear, has already made a representation to the State Government on this subject.

The A.P.C.C.I. contends that the shortage felt by the industries in Andhra Pradesh is not due to the low output of coal from these collieries, but to the large-scale diversions to railways in general and to the Southern Railway in particular. Hitherto, it is believed, the Southern Railway used to get its supplies from Bengal and Bihar. This diversion of supplies to the railways seems to have forced the local industries to obtain their coal requirements from Madhya Pradesh at considerable expense and also avoidable wastage of wagon capacity.

The Federation also complains that new industries are being diverted to other States, because the Coal Controller allots quota only on a certificate from the Singareni Collieries that they are in a position to supply adequate coal to any newly established industry and the Singareni Collieries are unable to issue such a certificate, because of heavy prior commitments.

Among others, the Federation has also alleged—and this is rather hard to believe—that the railways have not been allocating the required number of wagons for hauling coal to the local industries, while large quantities of coal have gone from the Singareni Collieries to Mysore, Bombay, Madras, and Kerala. Surely, the railways do not have any vested interest in denying coal to industries next door to the collieries and supplying to industries located in States other than Andhra. May be, by pursuing a particular procedure, these results have followed. In any case, it would be unfortunate to attribute any motives to the railways, who, by and large, have been and are non-parochial in their outlook.

After having criticised the Singareni Collieries, the railways and industries in the other States, and, in fact, almost everybody thus, the Federation has made certain demands. In the first place, it wants that preference should be given to industries in Andhra Pradesh in the matter of allotment of Singareni coal; secondly, it wants the railways to give preference in dispatches to the industries of Andhra Pradesh to the extent of their allotted quota; and, thirdly, it wants a committee to be appointed to ensure the effective implementation of these proposals.

FROM THE CAPITAL'S CORRIDORS

INCREASING PRODUCTIVITY IN INDUSTRY

A 15-POINT programme embodying the obligations and responsibilities which should be assumed by the Government, employers and workers in the interest of attaining the goal of higher productivity in industry has been placed before the country by the Seminar on Productivity which concluded its two-day session here on Friday last.

The programme emphasizes that the Government should reorient and streamline, with a vigorous productivity bias, the organisational set-up of its agencies dealing with matters of industrial development and take positive measures to ensure that the public sector enterprises develop into models of productivity administration and demonstrate productivity techniques and benefits flowing from their introduction.

The Seminar has laid down that the Government, employers and workers should bring about conditions for maximum utilisation of the installed capacity in the country and should enable the running of three shifts in the industries, where possible. The Government should also consider ways and means of incorporating the essential fundamentals of productivity subjects in the curricula of technical studies.

The Seminar has recommended that the Government and employers should make a positive declaration that no worker would be thrown out of employment merely on account of the introduction of the productivity processes and that any worker rendered redundant in a section of the plant would be absorbed within the enterprise of the industry without loss of earning or loss of status.

EMPLOYERS' RESPONSIBILITIES

Referring to the employers, the Seminar has recommended that they must recognise that workers are entitled to the fullest consideration in their own right and not merely for the sake of production results. They should continuously strive to improve the working conditions, environment and welfare measures, for bringing about conditions which enable the workers to give of their best.

The programme lays down that employers must make positive efforts to generate an atmosphere of mutual trust and co-operation and dispel doubts and fears of workers in regard to productivity. The workers must be assured that the productivity drive does not involve any undue intensification of their effort, nor greater speed-up, and be assured that they will receive their full share of the gains resulting from the increase of productivity.

Another recommendation of the Seminar is that the employers, in consultation with the workers, should establish an effective machinery for communication and joint consultation. This would enable the workers to become correctly informed of the management objectives and policies, and facilitate their doubts and questions to be properly answered, their constructive suggestions duly considered and acted upon, and workers being taken into confidence in every project involving changes.

The Seminar has suggested that the Government, employers and workers should organise training programmes at all levels in the enterprises, including top management, senior and junior executives, technicians, supervisors and the workers. It has been accepted that an intensive programme of induction and instruction should be introduced for development of proper attitudes of workers towards productivity. The employers have agreed to consider ways and means of introducing incentive schemes for the enterprises, and to consider the scope and feasibility of introducing schemes for encouraging the workers to put forth suggestions for effecting improvements.

LABOUR AND PRODUCTIVITY

The representatives of labour organisations have accepted the principle that they must make a positive effort for creating a proper atmosphere of mutual trust and co-operation, so that the employers shed any doubts about full participation of workers in the productivity drive.

The workers' representatives have also agreed to actively associate themselves with the efforts to set up joint consultative machinery in the enterprises and ensure, in co-operation with the management, successful functioning of the machinery.

The need of building up specialists and research workers in the labour organisations has been accepted to enable objective evaluation of and active participation in the productivity measures emanating from the managements, while safeguarding the rights of the workers. The objective of maximum participation in the programme of workers' education has been accepted by the labour organisations.

SHARING OF GAINS

The Seminar considered in great detail the principles which should govern the question of sharing the gains of productivity and reaffirmed the principle of sharing the gains of increased productivity embodied in the Charter of the National Productivity Council. It was agreed that the gains of productivity should be shared between the community, the investors and the workers. The community will benefit by the lowering of prices, increase in the variety and quality of goods, increased yields from taxation and savings from development projects, and welfare measures. The investors will benefit by increased returns and opportunities for expansion and reinvestment. The workers will benefit by securing higher wages, shorter working hours, improved working conditions and increased employment opportunities.

In regard to the distribution of gains of productivity, it was felt that appropriate consideration should be given to the requirement of raising the current wages to the minimum level, where they are below the need-based minimum. The Seminar reiterated that there was considerable scope for the use of incentive schemes as a means of giving direct reward to the workers responsible for specific increase in productivity.

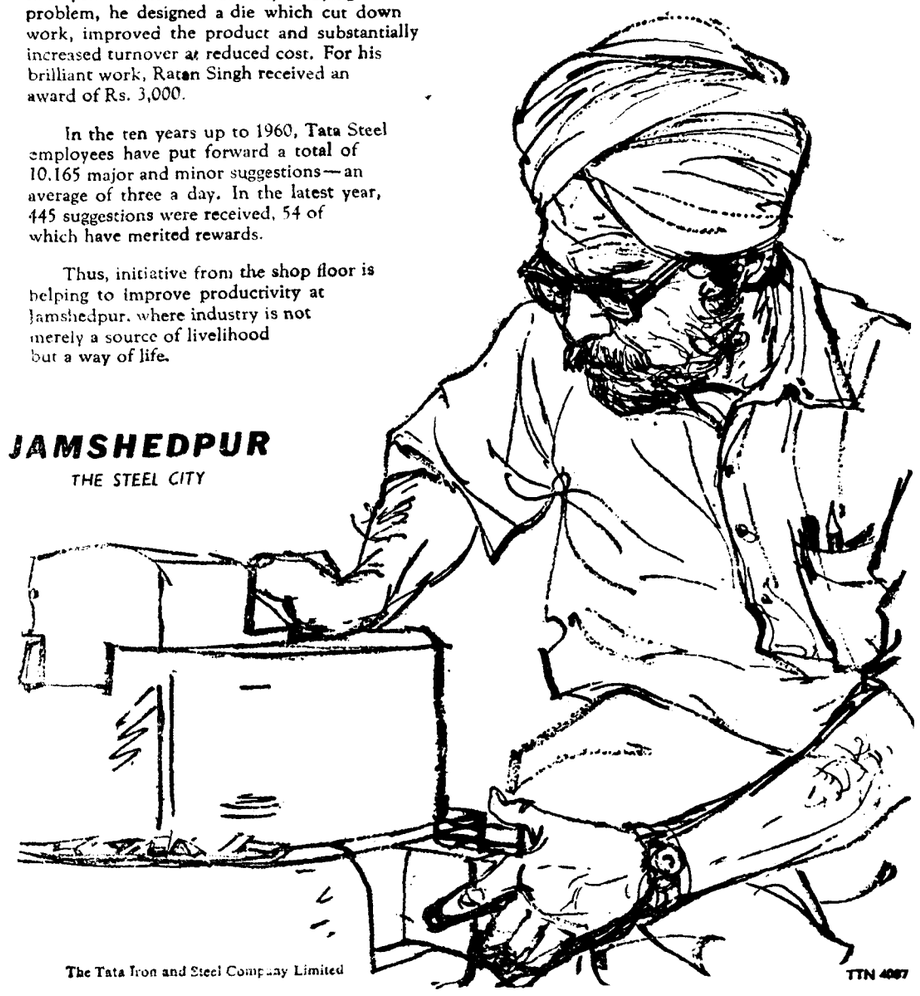
It was emphasised that the social aspects of the problem of sharing the gains must be kept in view. It

initiative from the shop floor

The manufacture of crowbars in Tata Steel's Agrico factory in Jamshedpur involved a number of time-consuming and uneconomic manual operations. Ratan Singh, a foreman, decided to do something to improve matters. Carefully studying the problem, he designed a die which cut down work, improved the product and substantially increased turnover at reduced cost. For his brilliant work, Ratan Singh received an award of Rs. 3,000.

In the ten years up to 1960, Tata Steel employees have put forward a total of 10,165 major and minor suggestions—an average of three a day. In the latest year, 445 suggestions were received, 54 of which have merited rewards.

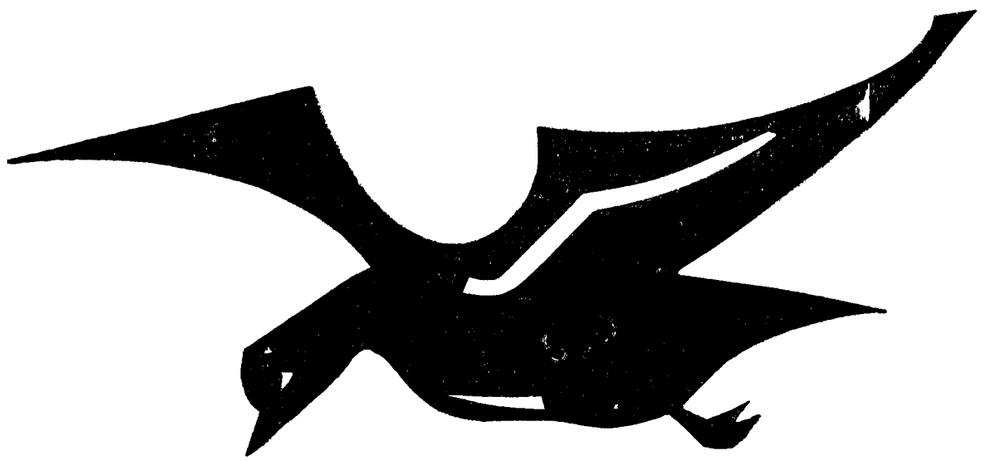
Thus, initiative from the shop floor is helping to improve productivity at Jamshedpur, where industry is not merely a source of livelihood but a way of life.



JAMSHEDPUR
THE STEEL CITY

The Tata Iron and Steel Company Limited

TTN 4087



a BIRD'S-eye view
of service
to the economy

The Birds/Heilgers group of companies meet a substantial part of the country's demand for industrial raw materials like iron ore, coal, limestone, manganese ore, refractories ... provide tubewells for tea estates and factories ... manufacture plants for water treatment ... supply paper for a variety of uses ... make jute goods and steel castings and structurals ...

Birds have today launched on a programme of expansion to increase their output and service facilities ... And their laboratories are constantly at work exploring new uses for their products so that they may serve India's industries better.

A symbol of industrial leadership, Birds will continue to play a vital role in helping India attain industrial self-sufficiency.

BIRD & COMPANY (PRIVATE) LIMITED
and
F. W. HEILGERS & COMPANY (PRIVATE) LIMITED
Chartered Bank Buildings, Calcutta-1

would be necessary to ensure that higher productivity does not result in or add to unemployment or to demotion or loss of earnings to the workers. Productivity processes should not lead to any undue intensification of the work-loads, nor should they undermine the growth and development of trade union organisations.

The Seminar recognised the difficulties involved in the measurement of increase of productivity and determination of specific shares of the gains, which would require technical appraisal. It was decided that an Expert Committee, consisting of representatives of the employers, workers and experts, should be constituted by the National Productivity Council for recommending the indices which should be used, the methods which should be adopted in measuring the productivity gains, and also recommend the principles and methods of distributing the gains in the context of conditions prevailing in the Indian industries now and during the next 10 years.

REPAYMENT OF WEST GERMAN LOANS

The total amount of West German loans that will fall due for repayment by India at the end of the Second Plan will be DM 150 million (nearly Rs. 17 crores). India will repay DM 50 million (Rs. 5½ crores) on the stipulated dates, but defer repayment of the balance DM 100 million (about Rs. 11⅓ crores). Of this, a sum of DM 50 million will be repaid after four years of the Second Plan period, with a further option to extend the period by another four years, i.e., a total deferment of eight years. The repayment of the remaining sum of DM 50 million will be similarly deferred initially for four years, with an option to defer it further for a period of eight years. This will give India full margin of twelve years.

A similar concession in respect of repayment arising on account of aid for the Rourkela Steel Project, which falls due on December 31, 1961, is under consideration. In this case, India will repay on the due date only 10 per cent of the amount due. The balance will be split up into two equal instalments to be paid in eight and twelve years respectively.

The West German credit of $100 million (nearly Rs. 50 crores) in respect of India's Second Five-Year Plan—the last instalment of $30 million of this credit will be made available to India this month—too can be repaid in twelve years. The repayment of this credit will in no event fall due before the expiry of five years, the object of this arrangement being that the implementation of India's Third Five-Year Plan should not be adversely affected.

Another indirect help which India will continue to receive from the Federal Republic of Germany lies in the export credit guarantees which are expected to cover DM 250 million (about Rs. 28 crores) worth of supplies from West German firms during the course of the Third Plan.

CREDIT FOR DURGAPUR STEEL PLANT

Having been assured of the necessary credit for the expansion of Durgapur Steel Plant, the Union Minister for Steel, Sardar Swaran Singh, and the Secretary of the Ministry of Steel, Mr. S. Bhoothalingam, are expected to visit London shortly to "tie up" arrangements for this credit.

TRADE DELEGATION TO EAST EUROPE

An Indan trade delegation, consisting of Mr. C. M. Poonacha, Chairman of the State Trading Corporation (leader), Mr. K. R. F. Khilnani, Joint Secretary in the Ministry of Commerce and Industry, and Mr. Y. T. Shah, Deputy Secretary in the Ministry of Finance, will shortly visit East European countries to negotiate and enter into trade plans for 1961, with Rumania, Yugoslavia, Poland, East Germany and Bulgaria. With Czechoslovakia it will conclude a fresh trade and payment agreement; the existing agreement with this country is due to expire on December 31, 1960. The delegation, it is expected, will also discuss procedural methods for smooth implementation of the existing trade plan with Hungary.

A trade delegation from Russia is expected here this month to discuss import of Russian machinery by India.

The existing trade plans with these countries have been drawn up on two fundamental principles. Firstly, all payments, both commercial and non-commercial, are made in non-convertible Indian rupees. Secondly, trade between India and these countries is on a balanced basis for which purpose annual trade plans are made with each country.

An unsatisfied home market which makes it possible for a manufacturer to sell his products at his door steps with a fair margin of profit, the non-adjustment by the free world of its trade to the changed conditions in the East, the creation of trade blocs in Europe and the trade offensive of Communist countries are understood to be some of the factors which make India to look more and more to the Russian Bloc for expansion of its trade. Though India's trade with the Communist Bloc is still small compared to its trade with the Western countries, it is only this bloc with which India has favourable balance of trade. In the first six months of the current year, India's favourable balance of trade with this bloc increased sharply to Rs. 13.7 crores, compared to Rs. 2.8 crores in the corresponding period last year.

SETTING UP OF EXPORT HOUSES

The Government of India has accepted in principle the recommendation of the Standing Committee of the Export Promotion Advisory Council that export houses should be set up for purposes of tapping the export potential of various commodities.

It is felt that the establishment of three or four well-organised export houses of repute in India would serve as an effective instrument to boost export of Indian goods, particularly in the case of difficult and non-traditional items of export. The export houses will be given the same concessions and facilities as are at present allowed to other exporters.

The Government has also decided to appoint a committee for devising a machinery for quality control and pre-shipment of exported goods.

To foster trade with African countries, the Government is opening trade missions there and is considering signing of bilateral trade agreements with them. A high Government official is in Morocco at present in this connection.

CO-OPERATIVE CREDIT

All classes of cultivators, including the landless tenants, are to be provided with adequate credit on the basis of their production requirements and repaying capacity. This is in pursuance of a decision taken by the Union Ministry of Community Development and Co-operation on the recommendations of the Committee on Co-operative Credit, under the chairmanship of Mr. V. L. Mehta, as approved by the last meeting of the National Development Council. The decision has been communicated to the State Governments.

Other decisions taken by the Government of India on the Mehta Committee's Report relate to the pattern of

organisation of village co-operative societies, State partnership in share capital of primary agricultural credit societies, outright grants to primary societies and Central Banks for providing special "bad debt reserves" and grants to primary societies for managerial expenses.

Co-operatives, the State Governments have been requested, are to be organised, as a general rule, on the basis of village community as a primary unit. Where the villages are too small, a number of villages, with a total population of upto 3,000 and situated at a distance of not more than 3 to 4 miles from the headquarters village, may be grouped together in the interests of viability. Viability of a co-operative society is to be determined on the basis of its capacity to bring into the co-operative fold all rural families and to effectively implement the village agricultural production plans. Its ability to link crdit with production and marketing, as also to supervise the use of credit, undertaking distribution and supply, and to attract local savings to the maximum possible extent, as share capital and as deposits, are also to be taken into consideration.

STATE PARTICIPATION IN SHARE CAPITAL

The State may participate in the share capital of a primary agricultural society, provided that 60 per cent of its members agree to such participation and the Central Bank to which the society is affiliated supports the proposal. While the maximum contribution made by the State to the share capital of a primary society is to be limited, ordinarily, to Rs. 5,000, in the case of large villages, backward areas, and selected areas coming under irrigation or large scale reclamation for the first time, the State contribution could be upto a maximum of Rs. 10,000. State's share capital is, however, not to exceed the contribution made by the members of the society and, as a normal rule, is to be indirect, i.e. through the apex and Central Banks.

The policy to be pursued by the State Governments is to ensure that there is no rigidity in regard to the organisation and the size of co-operative societies and in the matter of State contribution to share capital, duration of partnership and the manner in which the share capital should be retired. Outright grants to primary societies and Central Banks are to be credited to the "special bad debt reserves", which would be in addition to the normal bad debt reserves created from profits, and which are to be drawn, according to rules framed for the purpose. Co-operative societies which are revitalised and actually undertake various functions of service co-operatives, namely disbursement of credit, supply of fertilizers, insecticides, seeds, implements, etc. and arrange for the marketing of members' produce, will get a management grant to the maximum of Rs. 900 spread over a period of 3 to 5 years.

NEW CAPITAL ISSUES

During the quarter ending June 30, 1960, the Controller of Capital Issues gave his consent to 59 applications for new capital floatations, involving a total amount of Rs. 48.57 crores. Eighty-six per cent of this amount was for the issue of industrial securities and the rest for the provision of capital for non-industrial companies. Of the total consents, 15 were for Rs. 1 crore and above each, involving an amount of Rs. 38.87 crores. Fifty-seven per cent of these issues were to be in the form of ordinary shares, 2.8 per cent in the form of preference shares, 5.8 per cent in the form of debentures and 34.4 per cent in the form of loans. Five companies, with a total capital of Rs. 14.22 crores, were to be in the public sector, while the other 54 companies, accounting for Rs. 34.35 crores capital issue, belonged to the private sector. Thirty-five units are to be public limited companies, with a total capital of Rs. 23.67 crores, while the remaining twenty-four are private companies, with a total capital of Rs. 24.90 crores.

Fourteen "giant companies" with an authorised capital of Rs. 28 crores, accounting for 56 per cent of the total authorised capital of all the new incorporations during the quarter, were registered in India. The following is the list of these giant floatations:

Name of Company	Public/ Private	State in which Registered	Authorised Capital (Rs. lakhs)
1. Agro-Chemicals & Fertilizers	Public	Maharashtra	100
2. India Firebricks and Insulation	Public	Maharashtra	100
3. Amrit Products	Public	Gujerat	100
4. Jayant Paper Mills	Public	Gujerat	100
5. Utkal Machinery	Private	Maharashtra	250
6. Neiveli Ceramics & Refractories	Public	Madras	100
7. Jairamdas Udyog	Private	Maharashtra	100
8. Seshasayee Paper and Boards	Public	Madras	1,000
9. India Forge and Drop Stampings	Public	Madras	100
10. Suraj Textile Mills	Public	Punjab	100
11. Gayday Iron and Steel	Public	West Bengal	100
12. General Tyres	Public	West Bengal	200
13. Ratnakar Shipping	Public	West Bengal	350
14. Wheels India	Private	Madras	100

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Simon-Carves have started work on building a granulated compound fertiliser plant based on synthetic ammonia for The East India Distilleries & Sugar Factories Ltd., at Ennore near Madras.

COMPLETE FERTILISER PLANTS BY

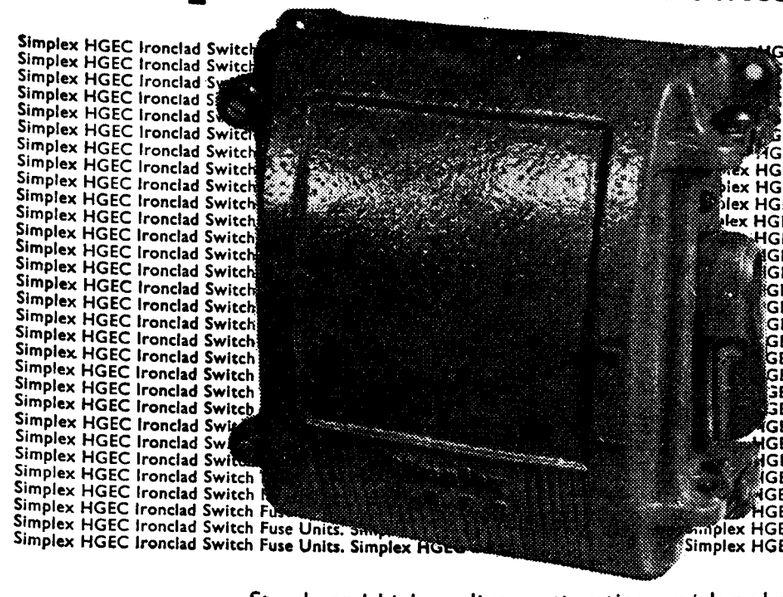
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Bombay:
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31, Cama Chambers,
23, Medows Street, Fort,
Bombay-1.

KILLICK NIXON & CO. PRIVATE LTD.,
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Post Box No. 280, New Delhi-1.

Orissa State:
ORISSA SUPPLY AGENCY
Station Road, Cuttack-3.

Punjab:
RADIO ELECTRONICS CORPN. PRIVATE LTD.
3|17-A, Asaf Ali Road, New Delhi.

Uttar Pradesh:
MARTIN BURN LIMITED
Electrical Engineering Department,
P-12, Mission Row,
Calcutta-1.

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INTERNATIONAL DIVISION
John W. McEwen, Chief Manager

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IP6001e

ANNOUNCEMENT

ANUH PHARMA LTD., BOMBAY

The subscription list in respect of 80,000 Equity shares of Rs. 10/- each offered in terms of the Prospectus dated 20th September, 1960, was to open on the 8th October, 1960 and in view of slight amendments filed with the Registrar of Companies as noted below on page 10 of the Prospectus, the date of opening of the subscription list is postponed to the 15th instant. Therefore the subscription list will open at 10 A.M. on Saturday 15th October, 1960 and will close at 5 P.M. on Monday 24th October, 1960 or later at the discretion of the Directors. The following is the addenda to the Prospectus on page 10 under the heading 'Nature and Extent of the Interest of Directors'. Read fresh paras numbered 7 and 8 as follows:—

(7) Shri N.T. Khandwala has advanced a sum of Rs. 25,000/- to Messrs. Anuh Pharma, the Vendors. Interest at the rate of 9% per annum is payable on the said loan by the Vendors and the loan was given to the Vendors on the hypothecation of part of the stock in trade on 20th July, 1960. Business and stock of the Firm Anuh Pharma taken over by the Company is subject to this liability. Shri N. T. Khandwala was co-opted as a Director on 6th September, 1960.

(8) Mr. P. R. Subramanyam has guaranteed the loan of Rs. 25,000/- given by the Canara Industrial Syndicate, Ltd. to the Vendors on the hypothecation of the part of stock in trade. Business and Stock of the Firm Anuh Pharma taken over by the Company is also subject to this liability.

Sd/- P. R. SUBRAMANYAM
(Chairman)
Anuh Pharma, Ltd.

1620/4

COMMODITY NEWS AND NOTES

IRON ORE PRODUCTION IN INDIA

The production of iron ore during July 1960 was estimated at 374,000 metric tons, according to the Indian Bureau of Mines. This brings the total output during January-July 1960 to 6,237,000 metric tons which was higher by 39 per cent when compared to the output of 4,473,000 metric tons during the corresponding period of the preceding year. Orissa was the chief producing State with an output of 327,000 metric tons followed by Bihar with 196,000 metric tons. Mysore and Madhya Pradesh recorded an output of 164,000 metric tons and 143,000 metric tons respectively, while the output from Maharashtra was 14,000 metric tons. During the month, despatches of iron ore for consumption in the iron and steel plants totalled 521,000 metric tons while the despatches to the export market were 163,000 metric tons.

PRODUCTION OF WORSTED YARN

In order to co-ordinate production of worsted yarn with the needs of the general public, the Textile Commissioner has issued a direction to the worsted mills in India, requiring that the production of worsted yarn for different purposes, such as weaving, hosiery and knitting, shall be in specified proportions. As a result of the direction, out of the total quantity of worsted yarn manufactured during a quarter, the quantities of worsted yarn produced for use for weaving, hosiery and knitting purposes shall have to be 47½ per cent, 32½ per cent and 20 per cent respectively.

SHARING OF SUGAR PRICES BETWEEN FACTORIES AND CANE-GROWERS

The Government of India has referred to the Tariff Commission the question of revising the price linking formula for sharing the sugar prices between the factories and the cane-growers. The Government considers that a fresh examination of the question has become necessary, in view of the difficulties experienced in working the present formula and the representations received from the industry and the cane-growers. The Tariff Commission has been requested to examine the issue in all its aspects and suggest modification in the existing formula, with a view to improving it or to suggest a revised all India formula or regional formula, in the light of cost schedule given by the Commission in its Report on cost structure of sugar and fair price payable to the industry. The Commission will also examine whether the industry's claims for rehabilitation allowance in the matter of division of sugar price between the cane-growers and the industry is justified and, if so, the rate at which such allowance should be provided in the price linking formula. Another issue, which the Commission has been asked to examine, is whether the formula should apply to regions where ex-factory prices have been fixed and, in case the formula is not applied, how the advantage of special incentives given to factories in years of control should be shared between the industry and the growers. The Commission will also examine the effect of the price linking formula on the establishment of new factories with heavy capital outlay and see whether any concession should be allowed to them. The Commission has been requested to submit its report to the Government as early as possible.

TWO LAKH TONS OF SUGAR RELEASED

The Government of India has decided to release 2 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, Bihar and Punjab except a small quantity which will be released to each factory for sale to its employees. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Maharashtra, Gujerat, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In case of Punjab and Jammu and Kashmir, allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis Allotments will be made at prices fixed under Notifications No. GSR 1188|Ess.Com|Sugar dated October 25, 1959 and GSR|Ess.Com|Sugar dated April 4, 1960. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

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COMPANY AFFAIRS

NO DIVIDENDS FOR INDIA UNITED

The India United Mills Ltd. for the year to December 31, 1959, recorded a rise in their sales by about 15 per cent over the previous year to Rs. 11.35 crores. The Company attained this improvement by reducing their stocks considerably. This improvement was reflected in the profits which came to Rs. 29.68 lakhs. After making certain adjustments and after crediting Rs. 10 lakhs being the 'ad hoc' reduction made last year from the stock-in-trade now considered not necessary there is a total profit of Rs. 37.9 lakhs. This amount has been adjusted against the debit balance of Rs. 57.70 lakhs brought forward from the previous year. Thus there is a debit balance of Rs. 19.79 lakhs to be carried to the next year's account.

In view of this debit balance no dividends have been recommended by the directors. The Statutory Development Rebate in respect of additions to plant and machinery has been debited to the accounts under report. The normal depreciation for the two years 1958 and 1959 amounting to Rs. 12.24 lakhs and Rs. 11.44 lakhs have not been charged in the respective year's accounts.

PRAGA TOOLS: STEADY GROWTH

In order to meet the growing demand in the country for machine tool and machine tool accesories, the Praga Tools Corporation Ltd., a public sector undertaking, plans to expand its capacity not only towards co-ordinating and ensuring maximum utilisation and productivity of the existing plant and machinery, but also to the manufacture of additional items of machine tools and accessories etc. The first phase of the expansion programme which has been taken in hand is estimated to cost Rs. 38 lakhs and consists of increasing the existing capacity of the foundry, providing additional plant and machinery, isolation of the precision work from machine tool manufacture and a better layout of the factory.

The second phase of the expansion programme involving an additional investment of about Rs. 85 lakhs for buildings, machinery, utilities and services etc., was formulated by the Directors and has been approved by the Government of India who have agreed to the telescoping of the two phases wherever needed. This involves the manufacture with foreign collaboration of lathe chucks, drill chucks, tool and cutter grinders in addition to the existing range of machine tools and accessories.

During the year to June 30, 1959, the output was valued at Rs. 62.5 lakhs which is equivalent to an average monthly production of Rs. 5.2 lakhs against Rs. 4.3 lakhs achieved during the previous year. Sales during the year under review have been Rs. 73.34 lakhs. After providing Rs. 4.81 lakhs for depreciation and Rs. 85,000 for development rebate, there is a net profit of Rs. 4.92 lakhs. This profit has now been set off against the residuary loss of Rs. 9.99 lakhs which has in consequence been reduced to Rs. 5.08 lakhs.

STANDARD MOTOR PRODUCTS' HIGHER OUTPUT

The Government of India have permitted the Standard Motor Products of India Ltd. to increase the production of 10 H.P. cars from 3,000 units as at present to 6,000 units by 1963. Permits have also been granted to manufacture a 1-ton truck, making use of Vanguard Engine, Gearbox and Differential. The Company expects to start production of 1-ton truck from the middle of 1961. The Company has, however, approached the Government of India for the import of capital goods to implement the higher rate of production. The cost of extra-capital equipment is expected to be about Rs. 1.25 crores, which the Directors propose to raise through a loan or alternatively by the issue of debentures.

The Company increased its capital during 1959 to Rs. 1 crore and the issue was successful. The net profit of the Company of Rs. 11.36 lakhs together with the balance of Rs. 51,407 brought forward from last year, amounts to Rs. 11.90 lakhs.

The Directors have proposed the payment of a dividend at the rate of 6¼ per cent tax free on preference shares and 9 per cent on ordinary shares subject to tax at source. A sum of Rs. 3 lakhs is proposed to be separated towards development rebate and Rs. 3.5 lakhs as taxation reserves.

ALUMINIUM INDUSTRIES PLAN FOR EXPANSION

During the year to March 31, 1960, the Aluminium Industries Ltd. produced 34,400 miles of bare aluminium conductor and 7 million coreyards of covered aluminium conductor. The Directors have reported that a high level of production was maintained for aluminium rod accessories and tools. The covered conductor manufacturing capacity is being further increased in order to cater to the expanding market for this product.

Government of India granted a licence to the Company for establishing the manufacture of high tensile galvanised steel wire at Kundara. The requisite foreign exchange for the importation of machinery and equipment has also been sanctioned and import licences secured. Work on this project has started at Kundara and the Directors expect this factory to be in operation early in 1962. The additional share capital raised recently through the issue of 2,00,000 ordinary shares at a premium of Rs. 2.50 per share, will be utilised mainly for financing this project. The issue has been oversubscribed.

The year's working has resulted in a net profit of Rs. 19.9 lakhs after adequate provision for depreciation, taxes and contingencies. The amount together with the sum of Rs. 48,623 carried forward from last year's account makes a total of Rs. 20.3 lakhs. The Directors have proposed the payment of a final dividend of 180 nP (18 per cent) per share subject to deduction of income-tax, which together with the interim dividend of 90 nP (9 per cent) per share disbursed in March 1960 absorbs Rs. 14.40 lakhs. A sum of Rs. 4.37 lakhs has been transferred to the Development Rebate Reserve.

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Working Funds as on 30-6-1960 ..	**Rs.**	**7,47,95,066**

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Company Meetings

THE TATA IRON & STEEL COMPANY LTD.

The following is the speech of the Chairman, Mr J. R. D. Tata, delivered at the fifty-third Annual General Meeting of the shareholders of the Tata Iron & Steel Company, Limited, on Thursday, October 6, 1960.

Ladies and Gentlemen,

I must first apologise to you for the delay of a little over a month this year in holding our meeting.

Although we have repeatedly urged Government to come to an early decision on our long outstanding claims and pointed out the difficulties and inconvenience caused by the prolonged delay which has taken place, I am sorry to say the matter remains undecided to this day. I am therefore unable to enlighten you any further today on this matter which is of such great importance to us. Lest, however, undue hopes are raised in the breasts of the more optimistic amongst our shareholders, I must remind you that during the last two years, including the one under review, we have, in order to pay dividends, drawn nearly Rs. 450 lakhs from our general reserves, the replenishment of which will have first claim on any amount we may obtain in compensatory price increases.

As my statement, published along with the annual report, included all I had to say directly concerning the accounts and affairs of our Company, I shall today only review briefly some matters of interest to us and to industry generally.

The past year has shown progress in many directions and in particular a welcome spurt in industrial production. It is therefore all the more disappointing that agricultural output has failed to make effective progress and that the country seems to be as far away as ever from self-sufficiency in food without which all efforts at achieving rapid economic growth must fail.

In the immediate context, however, the two most serious economic obstacles facing the country are the inflation which steadily erodes the fruits of our development plans before they can reach the people, and the foreign exchange situation which has reached another crisis even more serious than the one we faced in 1957.

The problem of inflation is perhaps the most threatening and intractable of all. In the last five years alone, the purchasing power of the rupee has fallen by about 35% and, with mounting development expenditure, inflationary pressures will increase further in the years to come. I realise the grievous dilemma and difficulty with which our Government and planners are faced in having to reconcile the need for rapid development involving large and continuous public expenditure with the need to hold the price front. May I suggest, however, that they are themselves aggravating the situation and magnifying the problem by insisting on concentrating development expenditure to the extent that is now being done on basic and capital goods industries, the products of which are incapable of absorbing the additional purchasing power pumped into the economy.

Large scale investments with long periods of fruition involve pumping into the economy corresponding increases of purchasing power which are automatically translated into demands for consumer goods. Apart from the imposition of drastic controls over the whole field of consumption, which would be both objectionable and impracticable in a country like ours, the only two possible ways of relieving this type of inflationary pressure are to meet, as far as possible, the demand for consumer goods, or to mop up excess purchasing power by additional taxation which is out of the question in India as the level of taxation is already excessive and the Third Five-Year Plan has in any case already provided upto the hilt for taxation as the principal source of internal finance. Therefore an increase in the supply of consumer goods is the only practical alternative at our disposal. In view of the foreign exchange situation which precludes imports other than of food financed by foreign aid, it is clear that we must turn to our own industries for additional consumer goods. Unfortunately, far from encouraging the development of consumer goods industries, Government impose severe restrictions on further investments in them and on increased output from some sections of the industries which could otherwise help to counter inflation. One example of this is the limitation of 800 million yards, or a mere 16%, imposed on the increased production of mill-made cloth by the end of the Plan period. While recognising the complexity of the problem, I submit that, unless positive steps are taken to counter the inflationary effect of large investments in heavy industry by the balancing growth of consumer goods, the spiral of inflation cannot but continue to grow.

The gravity of the foreign exchange situation can be judged from the fact that, except for a dangerously small working balance, we have exhausted all our past accumulation of foreign resources and have an annual deficit in our current balance of trade, while we require a further Rs. 2,100 crores of foreign exchange to finance developmental imports under the Third Plan, and during the same period we will have to repay foreign loans to the extent of Rs. 600 crores, including interest. It is therefore only too clear that unless foreign aid, loans or investments are forthcoming in full measure, the Plan will inevitably have to be pruned, and even our present rate of industrial production may be in jeopardy.

These grim figures highlight the consequences of our failure to achieve self-sufficiency in food. Since 1st January, 1948 we have spent on imports of food over Rs. 1,000 crores from our own foreign exchange resources in addition to nearly Rs. 500 crores obtained through foreign aid mainly from the United States under the PL 480 Programme. If we had been spared these imports, there would today be no foreign exchange crisis and the task of building up the country's economy would be infinitely easier. We can only hope that the dismal lesson has been fully learnt and that in future nothing will be allowed greater priority than attaining self-sufficiency in food.

An outline of the Third Five-Year Plan, was recently published and debated in Parliament. As citizens we are vitally interested in the nature, scope and objective of these Plans with which Government seek to mould our future economic destinies. As I have said on many occasions before, we in private enterprise are neither against planning nor against doing so on a big scale provided it is in due relation to available resources. We realise that the all pervading problem of the country's poverty cannot be solved without bold action and without sacrifice in which all must share. We firmly support the objectives of raising the national income as rapidly as we can and of distributing it as widely

and justly as possible. Some of us may regret that so large a part of Government's economic policies is based on the belief that these objectives can only be attained by socialistic means, as thereby much of the country's effort is wasted in a mass of costly, time-consuming and largely ineffective controls, and the initiative and creative urge of the people is stifled. So much has been said in the past on the subject, some of it by myself, that I will not weary you with a further pursuit of this unhappy controversy. I shall only repeat that, to the extent that we are desired or permitted to do so, we shall, as in the past, continue to offer our full co-operation wherever we can be of service to the nation.

Reverting to the Third Five-Year Plan, I have already mentioned the decisive extent to which our ability to raise the necessary foreign exchange will determine whether it can be adhered to or will have to pe pruned. In either case, I would plead for the maximum degree of realism, untinged by ideological considerations, in regard to industrial objectives and targets. In the Plan as it stands, the most striking feature is that 60 per cent of the investment in industry is proposed to be in basic and heavy industries, including steel. While there can be no question that a modern and fully industrialised nation must be largely self-sufficient in these basic industries, the question at issue is whether, with the strictly limited resources at our disposal, and, subjected as we are to heavy and growing inflationary pressure, we can afford at this time to give such overwhelming priority to steel and heavy industry, unless of course they can be financed in part by foreign capital which would release the pressure on our own foreign exchange resources.

In this context, we welcome the shift in our country's policies towards foreign participation in industry. We have gone a long way from the days when such participation in industry was looked upon with suspicion and discouraged and this is obviously to the good. With the persistent shortage of foreign exchange which is bound to plague us for many years to come, it is obvious that India has much to gain from an influx of foreign capital which, it may be usefully remembered, was what made possible the initial economic growth of the United States of America in the last century.

However much Government might prefer to see basic industries developed in the State Sector, I sincerely hope, in view of the tremendous capital expenditure involved in such industries, that they will not, on ideological grounds, oppose participation by foreign private enterprise in these fields if such participation can be secured, which of course is by no means certain. While no risks could arise in a controlled economy such as ours, the benefits to the country would be enormous. Not only would the objective of developing basic industries be met to that extent, but the large funds released in consequence could be diverted to equally vital projects, such as additional fertiliser production and the development of power, fuel and transport resources.

As it is, industry throughout the country, in both the Public and Private Sectors, is suffering acutely from inadequacies in the supply and quality of raw materials. All the steel plants in India today are operating on a hand-to-mouth basis in respect of coal and rail transport. In fact, during the past few months, the commissioning of three new blast furnaces with their allied coke oven installations have had to be postponed because of lack of coal. I hope that Government, now fully alerted to the dangers of this situation, will ensure that, in future, supplies of raw materials and transport do not lag behind the growth of industrial capacity.

However far and fast we may wish to travel in the next five years on the road to full industrialisation, I earnestly plead that in the final size and shape of the Third Five-Year Plan and those that follow, we do not at any time divert to expansion the resources required to maintain the full output of existing productive capacity. In the difficult circumstances which confront India today nothing could be more wasteful than to have to restrict output and employment because of a lack of power or raw materials or transport.

The fact that we may be critical of Government at times about some of their ideas or policies does not mean that we do not recognise the tremendous efforts they have made and are making to give us a sound administration and to promote the welfare of the 400 million people in their care. It is inevitable that there should be disagreements as to the best means of achieving rapid economic growth. Indeed, it is a healthy sign of vigour in our democracy that there should be such differences of opinion and that they should be fearlessly stated. So long as we share the common will to serve, there should be no possibility of misunderstanding motives and honestly held convictions.

In the formidable undertaking of freeing in a brief space of time the people of this ancient country from their bonds of poverty, I hope that we shall have a useful part to play, and on your behalf I pledge the full support of the Tata Iron and Steel Company in this great task.

Note: This is not a report of the proceedings at the above Annual General Meeting.

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THE MYSORE PAPER MILLS, LIMITED
BANGALORE-9

Speech delivered by Sri M. D. Shivananjappa, I.A.S. Chairman and Managing Director, at the Twenty-fifth Ordinary General Meeting of the Company held at Bangalore on Friday the 7th October, 1960.

Ladies and Gentlemen.

Before we commence the regular proceedings of the meeting of the members of the Mysore Paper Mills Ltd., it is my painful duty to refer to the sad demise of Capt. Rao Bahadur A. Thangavelu Mudaliar on the 22nd June of this year. As you all know, Capt. Rao Bahadur A. Thangavelu Mudaliar was a Director of this Company ever since its inception and he was also connected with a number of other Institutions. By his genial temperament and modesty he had endeared himself to one and all in the State. We have lost one of our Stalwarts on the Board and I for one have lost a personal friend. May I request you kindly to stand up in silence for a minute and pay our homage to the memory of the departed soul?

With your permission I shall be sending the following Resolution to the members of the bereaved family:—

"The General Body of the Members of the Mysore Paper Mills Ltd., have learnt with deep sorrow the sad news of the demise of Captain Rao Bahadur A. Thangavelu Mudaliar on the 22nd June, 1960 and wish to convey their sincere condolences to the members of the bereaved family."

(The business was adjourned for two minutes)

Ladies and Gentlemen.

I have great pleasure to welcome you to this, the 25th Ordinary General Meeting of the Shareholders of the Company and to place before you the Report of the Directors and the Audited Balance Sheet for the year ended 31st March, 1960. These have been circulated already and with your permission I shall take them as read and would proceed to review the salient features of the year's operations.

I am glad to state that the production during the year under review has been very satisfactory. Last year the production was 8,000 tons and during the year under review, it has risen to 8,700 tons, exceeding all previous records. The successful implementation of the scheme of renovation and replacement and the reconditioning of the first Paper Machine and the fairly satisfactory working of the arrangements made for procuring the essential materials within the country and from abroad have largely contributed to this result and I can only hold out hopes of maintaining at least the same level of production during the current year, if only the arrangements made continue to work satisfactorily.

I am also happy to report that the turnover during the year has exceeded that of last year by Rs. 16 lakhs amounting to Rs. 1,41,31,000 which is also a record figure. I had informed you last year that the Government of India had referred the question of fixation of prices of paper to the Indian Tariff Commission which concluded its labours and submitted its report to the Government of India and had expressed the hope that fair and reasonable prices would be fixed. But, Government of India accepting the recommendations of the Tariff Commission have issued revised price lists, which have considerably reduced the prices of different varieties of paper with effect from 1-1-60. This reduction is bound to have greater adverse effects, particularly on smaller units like ours. I do not see any immediate prospect of decline in prices of raw materials, coal or chemicals and also in wages and salary bills. The only way to improve the position it appears to my mind, is to secure as much economy as possible from technical and operational efficiency. The installation of the recausticising unit for which orders had been placed and equipments received, will to some extent secure economies, which go to reduce production costs to some extent. I am only hoping that the Government of India would certainly take into consideration the adverse effects that the revision of prices has had on units like ours and would consider the question of revising the prices suitably in the interest of expansion of existing units and starting of new ones.

I would now like to refer to the Balance Sheet and Accounts. The good effects of increased production and larger turnover have been reflected in the Accounts as you could see. The financial results would have been still better but for the reduction of prices to which I have already referred. We have provided for depreciation on fixed assets calculated in accordance with the rates allowed for normal depreciation and extra shift allowances as per Income-tax Act, amounting to Rs. 7,63,175/-, Rs. 14,061/- towards Development Rebate and a further sum of Rs. 60,000/- towards Retirement Gratuity. A provision of Rs. 8.00 lakhs has also been made towards taxation, as the profits of the Company for the year become taxable. As on 31st March, 1959 the loan of the Industrial Finance Corporation to the Company stood at Rs. 20.00 lakhs, and during the year a sum of Rs. 16 lakhs has been paid, thus reducing the balance to only Rs. 4.00 lakhs, which represents the last instalment due to the Corporation in 1970. These payments far ahead of due dates by nearly a decade have considerably reduced the interest charges. In regard to the disposal of surplus of Rs. 7,76,968/- including carry over of last year, your Directors have decided to transfer Rs. 3,50,000/- to the General Reserve and to recommend declaration of a dividend of 15 per cent subject to tax, absorbing Rs. 3,75,000/- the balance being carried forward.

Last year, taking into consideration the increased production and larger turnover, your Directors recommended payment of 12½ per cent (10 per cent dividend and 2½ per cent bonus) and this year also taking into consideration the all round progress made by the Company and having regard to the tax deduction of 30 per cent, your Directors, after careful consideration of all relevant factors, have proposed payment of 15 per cent dividend. I am aware that deduction of tax at the rate of 30 per cent as per Finance Act will reduce the percentage to 10.5 or Rs. 1.05 per share. I am glad, however that a number of shareholders, whose income is not taxable, gets a net dividend of Rs. 1.50 per share, which is more than the dividend declared for last year by 0.25 nP. per share.

The Industrial Finance Corporation of India have communicated their approval to our declaration of 15 per cent dividend in terms of the Mortgage Deed, for which I am thankful to them.

It is indeed a matter for gratification that the labour-management relations continued to be very cordial. Your Directors were pleased to sanction a

bonus of four months' salary or wages to the employees for the year ended 31st March, 1960 and the same has been disbursed.

Reference had been made by some shareholders at the last meeting for celebration of the Silver Jubilee of our Mills on a grand scale and I recall that I had said that steps would be taken to arrange for the celebration at the appropriate time. I find that the Company has been registered as a Joint Stock Company on 26th May, 1936 and the foundation stone of the Factory was laid by His late Highness Sri Krishnaraja Wadiyar Bahadur of Revered Memory on 1st April, 1937 and the Mills went into production in 1938. Taking these several dates into consideration your Directors will be fixing up the appropriate date for the celebration of the Silver Jubilee during 1961-62.

As you are aware the question of expansion of the production capacity of your Mills is engaging attention practically ever since the first scheme of expansion was implemented. The scheme has not yet been implemented, not because of want of well-considered scheme or lack of funds, but mainly because of the difficulties of procuring the necessary foreign exchange for payment of value of plant and machinery to be imported from abroad. I informed you when we met last year about this time that we had submitted our application to the Government of India for expansion of the production capacity from 8,000 to 16,000 tons and that it was receiving active and sympathetic consideration at the hands of the Central Government and also said that if my anticipation of securing necessary licences be fulfilled, steps would be taken to place specific proposals before you for consideration. In this connection, I am happy to inform you that Industrial Licence under the Industries (Development and Regulation) Act 1951 to expand the production capacity from 8,000 tons to 18,000 tons has been received from the Government of India. As stated in the Directors' Report, the scheme of expansion has been formulated and proposals have been made to finance the scheme both by borrowings and increase of Share Capital. The capital cost of the scheme is estimated to be over Rs. 300 lakhs of which about one-half would be required in foreign currency.

In the month of July of this year I had to go abroad in connection with the work of Messrs. Tungabhadra Steel Products Ltd., Tungabhadra Dam, and as per the desire of your Directors, I took this opportunity to negotiate for a foreign exchange loan with the Commonwealth Development Finance Company Limited, London. Our General Manager Sri V. K. Subramanian also accompanied me in my tour. We had several discussions and consultations with the authorities of Commonwealth Development Finance Company Limited London, and the Industrial Credit and Investment Corporation of India Limited, Bombay, and I am happy to keep you informed that our requests have been receiving favourable and sympathetic consideration at their hands. I have every hope that, subject to the usual formalities to be observed in accordance with the Rules and Procedures, the required loan in foreign exchange would be made available to us ere long. I should also add that both the Commonwealth Development Finance Company Limited, London and the Industrial Credit and Investment Corporation of India Limited, Bombay have expressed their desire to participate in the Equity Capital, if possible. As regards the rupee loan to be obtained, we have contacted the Industrial Finance Corporation of India, New Delhi and I am sure that with the cordial relations we are having with them and record of repayment of their loan, the required support and assistance would be forthcoming.

Enquires had been sent out and quotations from well known machinery manufacturers have been received and they are under our consideration. The General Manager and myself during our visit abroad also contacted the several machinery manufacturers and had the opportunity of studying at close range the conditions and trends obtaining in Capital Goods Market in foreign countries. I am confident that after the question of foreign exchange loan is finally decided, we would be able to finalise our scheme, which would be both sound and economical. I may also keep you informed that in view of the difficult position of foreign exchange we would like to purchase as much indigenous machinery as possible and this aspect will be kept in view while finalising the scheme.

I now come to that aspect of the scheme which requires your immediate consideration. The proposal to raise the Authorised Capital to Rupees 1½ Crores is before you for approval and I have no doubt you would accord your approval to the proposition to enable us to take up the scheme for implementation. I should like to add that the amount will be collected as and when the necessity for funds arises.

Before I conclude, I wish to express on behalf of the Directors and the Shareholders our grateful thanks to the Central and State Governments for the abiding interest they have in the progress of the Mills. I am very grateful to my colleagues on the Board for the uniform courtesy, consideration and valuable guidance I have been receiving. I wish also to express on behalf of the Directors and myself our warm appreciation of the willing and efficient co-operation of all our employees.

Ladies and Gentlemen, I now move that the Directors' report and the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March, 1960 be APPROVED AND ADOPTED.

Note: This is not a report of the proceedings at the above meeting, of which proceedings a separate note will be circularised.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
July 1959 ..	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
August " ..	121.7	98.3	115.5	119.4	109.2	109.5	109.5	117.1
September " ..	120.5	99.7	116.3	122.6	111.3	109.8	110.0	117.2
July 1960 ..	124.0	109.6	119.5	137.2	130.4	119.4	121.0	124.7
August " ..	123.9	106.7	119.5	137.0	130.1	121.0	122.3	125.0
September " ..	123.9	104.5	119.6	138.8	129.7	121.5	122.7	125.3
3-9-1960 ..	124.1	104.5	119.6	137.0	129.4	121.8	122.9	125.2
10-9-1960 ..	124.1	103.6	119.6	138.1	129.2	121.3	122.4	125.2
17-9-1960 ..	123.6	104.5	119.6	139.1	129.5	121.4	122.6	125.2
24-9-1960 ..	123.9	105.5	119.6	141.1	130.5	121.5	122.8	125.7

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104		106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	—	154	399	460	510	165*	462	167	164*	171
July	404	423	—	160	406	483*	515	165*	467	169	164*	174*
August	402	421	—	160	410	483*	515	—	470	—	—	—
September	—	—	—	—	—	—	—	—	472	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 30-9-1960 High	30-9-1960 Low	30-9-1960 Average	23-9-1960 High	23-9-1960 Low	23-9-1960 Average	16-9-1960 High	16-9-1960 Low	16-9-1960 Average	9-9-1960 High	9-9-1960 Low	9-9-1960 Average
Gold (per fine tola)	136.19	133.75	134.69	136.31	134.87	135.65	136.34	134.37	135.32	134.62	133.44	134.43
Silver (per 100 fine tolas	226.37	224.12	224.89	227.00	225.25	226.14	226.62	225.12	225.86	225.87	223.94	224.84

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59 ..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
Average of Fridays										
April 1960	800,17	1162,83	1,963,01	51,40	89,55	7.18	950,14	177,77†	57.46	729,23
May ,, ..	785,27	1193,71	1,978,98	48,84	90,72	7.05	964,21	167,88†	57.21	744,91
June ,, ..	790,17	1202,95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
July ,, ..	792,72	1215,71	2,008,43	48,19	112,01	7.98	979,13	147,95†	56.12	735,74
August ,, ..	792,95	1212,04	2,004,98	46,35	110,46	7.82	966,68	149,15†	55.65	739,09
September ,, ..	779,24	1188,44	1,967,68	46,46	102,53	7.57	980,18	146,48	57.26	734,02
Week Ending										
2-9-1960 ..	796,89	1193,75	1,990,64	48,04	107,60	7.82	981,59	147,67†	56.73	748,49
9-9-1960 ..	774,91	1193,65	1,968,56	46,86	111,79	8.06	979,44	146,81†	57.21	736,05
16-9-1960 ..	777,33	1184,68	1,962,01	46,12	93,91	7.14	981,74	145,89†	57.47	729,36
23-9-1960 ..	772,07	1186,51	1,958,58	45,50	103,14	7.59	977,31	145,27†	57.31	729,97
30-9-1960 ..	775,00	1183,62	1,958,62	45,77	96,20	7.25	980,83	146,75†	57.57	726,21

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variatione in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55 ..	1,929,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+203,44*
February 1960 ..	2,620,36	1,826,19	794,16	778,57	15,59	+30,25
March ,, ..	2,703,13	1,862,72	840,41	818,62	21,79	+82,77
April ,, ..	2,746,34	1,912,94	833 40	812,81	20 58	+43,21
May ,, ..	2,724,89	1,895,82	829,07	809,97	19.11	—21,45
June ,, ..	2,703,26*	1,869,02*	834,24*	811,33*	22 92	—21,63*
July ,, ..	2,670,38*	1,826,20*	844,18*	814,00	30,18	—32,88*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1952-53=100)

Average of weeks ended Saturday	Govt. & Semi-Govt.	Debentures	Preference shares	Total	Variable Dividend Industrial Securities: Tea	Coal	Sugar	Cotton Textiles	Jute Textiles	Cement	Paper
1957-58†	98.3	99.6	88.0	125.4	143.5	89.1	159.7	119.9	63.4	125.2	159.6
1958-59	99.9	100.1	87.2	137.3	145.2	107.1	163.9	113.6	80.2	129.0	184.8
1959-60	101.2	101.8	92.2	155.3	160.1	113.7	178.6	129.2	96.6	136.0	208.9
July 1959 ..	101.0	101.8	92.1	154.1	159.7	118.5	176.6	121.1	98.7	139.9	204.2
August ,, ..	101.2	102.1	93.2	153.9	157.7	116.2	176.7	123.9	98.9	137.3	207.1
Sept. ,, ..	101.4	102.1	93.6	153.1	150.8	113.0	177.3	125.0	97.7	135.5	212.2
October ,, ..	101.7	102.1	93.4	156.1	148.5	111.7	184.0	131.9	98.3	135.9	214.2
Nov. ,, ..	101.6	101.9	92.6	157.2	162.1	109.6	186.7	133.6	99.8	134.7	223.4
Dec. ,, ..	101.5	101.7	91.7	157.6	166.0	105.4	185.0	134.6	95.1	132.1	213.0
January 1960 ..	101.5	101.7	91.3	158.7	167.4	107.5	183.2	141.5	94.5	135.1	209.2
February ,, ..	101.4	101.7	91.2	158.3	165.7	111.2	178.9	139.9	92.9	134.7	206.9
March ,, ..	101.3	101.5	91.1	165.0	169.9	117.4	182.9	144.6	96.0	141.9	215.2
April ,, ..	101.3	101.3	90.8	166.5	168.4	119.5	184.9	144.5	95.1	142.8	222.6
May ,, ..	101.2	101.1	90.1	173.4	169.4	124.0	190.1	148.4	94.0	146.2	233.5
June ,, ..	101.1	101.0	89.4	175.3	172.8	122.9	195.3	152.2	94.7	146.1	234.6
July ,, ..	101.2	101.0	87.3	178.1	170.6	122.9	194.2	159.5	92.4	148.9	233.5
August ,, ..	101.2	100.9	86.9	179.8	170.9	123.3	193.3	161.3	96.8	149.6	236.1
Sept. ,, ..	101.2	100.8	86.9	173.6	161.8	119.7	192.5	155.3	92.5	145.5	226.5
3-9-1960	101.2	100.8	86.9	178.8	166.6	123.7	195.3	160.3	95.0	148.2	234.4
10-9-1960	101.2	100.8	87.0	174.3	163.9	121.5	192.4	155.6	93.4	145.0	230.7
17-9-1960	101.1	100.7	87.0	171.4	159.6	117.8	191.7	153.3	91.6	144.9	222.8
24-9-1960	101.1	100.7	86.8	169.7	157.2	115.7	190.6	151.9	89.9	143.8	218.0
1-10-1960	101.1	100.7	87.0	167.4	157.3	115.7	189.7	149.4	89.9	141.7	218.0

†Average of 40 weeks.

Treasury Bills

GOVERNMENT OF INDIA TREASURY BILLS

(In lakhs of rupees)

Period	Transactions with the Public: Amt. offered	Amt. tendered	Total Sales (4+5+6)	Amt. sold by tender: Against maturing Treasury Bills	Against Cash	Sales of Intermediate Treasury Bills	Amt. discharged	Sold in favour of Reserve Bank	Total Amount outstanding*
..	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951-52 ..	—	—	—	—	—		—	1,335,50	314,34
1952-53 ..	42,00	65,60	42,00	1,17	40,83		30,00	1.233,09	315,29
1953-54 ..	56,50	91,38	56,50	3,46	53,04		56,50	1,309,06	334,95
1954-55 ..	23,50	37,97	23,50	38	23,12		23,50	1,523,81	471,87
1955-56 ..	55,50	86,25	55,50	2,60	52,91		54,50	1,994,09	595,25
1956-57 ..	1,00	1,03	1,00	—	1,00		14,00	2,737,58	835,70
1957-58 ..	—	—	—	—	—		—	4,236,65	1,295,12
1958-59 ..	81,00	122,06	86,79	4,01	76,99	5,79	61,29	4,644,56	1,225,32
1959-60 ..	102,00	122,40	139,25	32	101,68	37,25	138,52	5,011,87	1,297,60
April 1959 ..	8,00	8,00	8,00	—	8,00	—	7,00	490,91	1,273,62
May ,, ..	10,00	10,85	10,00	—	10,00	—	10,50	417.28	1,317,88
June ,, ..	8,00	9,33	8,24	—	8,00	24	8,00	396,28	1,330,71
July ,, ..	9,00	13,90	18,20	—	9,00	9,20	10,00	726,44	1,305,32
August ,, ..	8,00	9,05	10,36	—	8,00	2,36	8,00	241,38	1,330,28
Sept. ,, ..	9,00	10,19	14,14	—	9,00	5,14	8,24	329,97	1,325,14
Oct. ,, ..	10,00	13,66	20,30	—	10,00	10,30	18,20	666.92	1,283,08
Nov. ,, ..	8,00	14,95	15,50	—	8,00	7,50	10,36	273,40	1,320,23
Dec. ,, ..	8,00	8,40	8,28	32	7,68	28	16,14	193,92	1,176,13
Jan. 1960 ..	8,00	8,07	10,06	—	8,00	2,06	18,30	727,72	1,228,87
Feb. ,, ..	8,00	8,00	8,12	—	8,00	12	15,50	247,42	1,195,51
March ,, ..	8,00	8,00	8,05	—	8,00	5	8,28	300.24	1,297,60
April ,, ..	10,00	10,79	12,01	—	10,00	2,01	10,06	686,24	1,262,08
May ,, ..	8,00	9,12	9,30	—	8,00	1,30	8,00	277,72	1,293,56
June ,, ..	8,00	8,27	13,34	—	8,00	5,34	8,00	277,27	1,275,88
July ,, ..	8,00	8,02	8,00	—	8,00	—	10,00	617,42	1,181,52
August ,, ..	8,00	8,26	9,52	—	8,00	1,52	9,30	253,29	1,149,49

* At the end of the period.

LATEST CROP ESTIMATES

Crop	Area ('000 acres) 1959-60 (Final Estimates)	1958-59 (Partially Revised Estimates)	Percentage Change of (1) over (2)	Production ('000 tons) 1959-60 (Final Estimates)	1958-59 (Partially Revised Estimates)	Percentage change of (4) over (5)
	(1)	(2)	(3)	(4)	(5)	(6)
1. Cereals						
Rice	81,343	81,437	— 0.12	29,338	30,354	— 3.35
Wheat	31,508	31,141	+ 1.18	9,734	9,772	— 0.39
Jowar	41,602	42,584	— 2.31	7,866	8,714	— 9.73
Bajra	26,699	27,999	— 4.64	3,484	3,789	— 8.05
Maize	10,457	10,457	Nil	3,615	3,381	+ 6.92
Barley	8,220	8,243	— 0.28	2,605	2,672	— 2.51
Ragi	6,211	6,192	+ 0.31	1,860	1,877	— 0.91
Small Millets	12,340	12,417	— 0.62	2,012	2,072	— 2.90
Total Cereals	**218,390**	**220,470**	**— 0.94**	**60,514**	**62,631**	**— 3.38**
2. Pulses						
Gram	25,046	24,865	+ 0.73	5,390	6,881	—21.67
Tur	5,843	5,931	— 1.48	1,589	1,671	— 4.91
Other Kharif Pulses	16,075	15,597	+ 3.06	1,567	1,559	+ 0.51
Other Rabi Pulses	12,788	12,992	— 1.57	2,690	2,761	— 2.57
Total Pulses	**59,752**	**59,385**	**+ 0.62**	**11,236**	**12,872**	**—12.71**
Total Foodgrains	**278,142**	**279,855**	**— 0.61**	**71,750**	**75,503**	**— 4.97**
3. Oilseeds						
Groundnut	15,305	14,575	+ 5.01	4,390†	4,812†	— 8.77
Sesamum	5,510	5,500	+ 0.18	392	511	—23.29
Rape and mustard	7,167	6,021	+19.03	1,037	1,025	+ 1.17
Linseed	3,921	3,965	— 1.11	425	447	— 4.92
Castorseed	1,178	1,203	— 2.08	108	112	— 3.57
Total Oilseeds	**33,081**	**31,264**	**+ 5.81**	**6,352**	**6,907**	**—8.04**
4. Fibres						
Cotton	19,252	19,926	— 3.38	3,835§	4,686§	—18.16
Jute	1,707	1,811	— 5.74	4,548*	5,158*	—11.83
Mesta	706	825	—14.42	1,098*	1,488*	—26.21
Sann-hemp	813	807	+ 0.74	80	81	— 1.23
5. Others						
Sugarcane**	5,178	4,803	+ 7.81	7,579	7,113	+ 6.55
Tobacco	934	897	+ 4.12	281	261	+ 7.66
Black Pepper	232.0	230.1	+ 0.83	25.4	25.5	—0.39
Chillies (Dry)	1,499	1,471	+ 1.90	339	326	+ 3.99
Ginger (Dry)	37.0	35.7	+ 3.64	13.4	12.3	+ 8.94

* In terms of thousand bales of 400 lbs. each.
** Yield in terms of gur.
† Nuts in shell.
§ Yield is in terms of lint cotton and in thousand bales of 392 lbs. each.

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LH/G/19

It was during the reign of Emperor Sher Shah that India's famous national highway—the Grand Trunk Road—was built. To tend the needs of the traveller and his horse, *sarais* or rest houses were built at an interval of two *kos* (roughly four miles) along the entire stretch of the road. Today, there is a network of roads covering the country, and still more are being built to convert the nation into a neighbourhood It is along these roads that merchandise can move to the remotest village or hamlet in the country. They are the highways to economic progress.



As a new source of supply of a versatile road building material, the newly commissioned asphalt plant of the Stanvac Bombay Refinery will be a big help to India's road-building programme. Completed in ten short months at a cost of 102 lakhs of rupees, this plant can turn out in one year enough asphalt to surface 12 parallel roads, each 12 feet wide, running all the way from Delhi to Calcutta. Furthermore, the plant has increased the foreign exchange savings generated by the Company's Refinery —the first large modern one to be built in India. Since its completion in 1954 more than 73.56 per cent of all the petroleum products sold by Standard-Vacuum in India has been refined here. The initial cost of the Refinery was Rs. 1,193 lakhs. Of this total initial investment Stanvac advanced Rs. 793 lakhs and Indian sources provided another Rs. 400 lakhs. Since 1954, Stanvac has made additions totalling Rs. 401 lakhs for plant expansion and improvements. It now provides more than 20 per cent of India's total needs for refined petroleum products.

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The Eastern Economist

OCTOBER 21, 1960

The Inevitability of Bigness?

THE sudden closure of two great newspapers in England—the *News Chronicle* and the *Evening Star*—on Monday this week, has underlined the dramatic inevitability of bigness in an age in which unruly costs can move in one direction only. There is an issue of the freedom of the Press when concentration is made greater and liberal organs go into conservative hands or die altogether. Indian readers are not, however, concerned with the problem of maintaining this freedom in Great Britain; the British people seem well able to look after themselves. Nor is there currently, in the Indian Union, a tendency for newspapers to be reduced in numbers or in profitability. There, nevertheless, is a tremendous application of this lesson to Indian economic social planning.

How many medium-size enterprises elsewhere are similarly situated, either going forward to bigness or receding to final extinction? Surely quite many; and this makes the moral inescapable. There is an increasingly small place in the current economic system in certain industries for the small static unit. They must either rise or fall, for the burden of rising costs cannot be overcome except by success in the competitive race or by the employment of increasing returns in a rapidly expanding market. The question, however, arises as to what kind of social system is written into a picture where one has either to go forward to bigness or live in peril of extinction. At first sight, it might look as if there is no future for small industries. But this is only because the disease and remedy have both been inadequately seen.

The slogan 'concentration of economic power' has become a dangerous political instrument; the implication seems to be that all large organisations are dangerous. The point that economic operation cannot in these basic industries be organised otherwise is foolishly belittled. Perhaps in all these basic industries the only escape from the burden of costs is a level of bigness at which increasing returns can be exploited. It may even be that in other areas, only considerable-sized organisations can carry through the complex processes of establishing a new industry with a new market and, inevitably, therefore, a long period of abstinence or waiting. Surely, in these cases it should be recognised that bigness is not merely right in an economic sense, but inescapable if the industry is to be established at all.

The pressure, partly expressed at the meeting last week of the Small Industries Board at Chandigarh for more facilities to small industries and less to big ones is, therefore, to be contained within some reasonable recognition of the essential place of business not only in the private but also in the public sector. On the other hand, there is much that can be done to abate the rising discontent of small entrepreneurs who find not merely the burden of fixed costs intolerable, but who are obstructed by the high costs of initial organisation which, in under-developed countries, are considerably greater than in countries where information on detail is immediately available.

What then can be the solution in the growing conflict between small-scale and big-scale industry which is now, for the first time, threatening to disrupt the solidarity of private sector operation? Firstly, there needs to be proper initial planning so that the areas of bigness and smallness, in strictly economic terms, are precisely and equitably defined. All areas where bigness is not an essential condition of economic operation might be decentralised to small or medium units. Secondly, even where bigness is inevitable, an area of smallness can be found inside the big unit by the process of subcontracting. It is perfectly true in India that this process has not gone far, and there is no harm in the Government of India and State Governments' asking bigger enterprises to investigate more thoroughly the area for economic subcontracting. Thirdly—perhaps this is more important of all—assistance to small-scale industries must not merely be financial or physical (in terms of providing equipment on a hire-purchase basis or otherwise), but also organisational, preparation of project reports and the arrangement of services such as arranging collaboration and the surmounting of routine hurdles with which the path of new industrialisation in India abounds. Last but not least, there must be an explanation both from sections of the public sector and the private sector—which dwell in big units and the smaller units—as to why their operation is necessary in the national interest. Too little has yet been done in this direction and the area of misunderstanding is wide. Is it not time that the Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce devoted their attention to a co-ordination between big and small business in which a political conflict is growing, though currently heavily concealed?

Wanted: City Dykes?

THIS year's floods especially in the Punjab and Uttar Pradesh were exceptional but not all of an unprecedented nature. One was the abnormal destruction caused in the urban sector, that is, towns of important size where protection should have been available. In Punjab, Rohtak city was under water for well over three weeks. In Uttar Pradesh, the capital city of Lucknow was engulfed in water and damage and destruction were inflicted on an altogether unheard-of scale. This year's floods of the Gomti, it is true, beat the previous highest record of 1923 and reached the level

370 feet, exceeding the previous peak by a foot. It was not only these big cities which were inundated but the floods exacted their toll in the smaller towns. The entire town of Mainpuri in Uttar Pradesh was under knee-deep water. In Lucknow and Rohtak, the army had to conduct de-watering operations for over two weeks. In their wake the floods have created a tremendous problem of launching preventive measures against unprecedented spread of epidemics—cholera in particular. How long complete rehabilitation will take in both the cities it is difficult to estimate.

The submergence of cities and towns by flood waters raises a vital issue in the policy for flood control. Since the schemes of multi-purpose river projects were taken in hand, flood control policy has been almost completely identified with control of inundation of the countryside. This is undoubtedly the principal aspect of the policy. But devastation of cities and towns by floods has also taken place at intervals and many a time on such a large scale that it is a matter for surprise why protection of cities and towns against floods has not been considered in earnest as a live issue of flood control policy. This year's bitter experience of destruction caused in Lucknow and Rohtak will not have gone in vain, if amends are made for this serious lapse in policy.

A controversy has been raised by engineering experts in India as well as abroad about the effectiveness of dykes and embankments as measures of protection against floods. It would appear that in Bengal engineers still adhere to the view that embankments not only do not serve the purpose of protection against floods but invite greater destruction than would otherwise take place once the embankments either crumble or are crossed over by the inundating waters. In other States, like Orissa and Uttar Pradesh, opinion has changed from time to time. The disbelief in the efficacy of embankments and dykes to offer protection against flood waters is giving way in these two States. In fact, opinion is veering round in their favour. Experience in China on the Yellow and Yangtze rivers and in Italy on the Po river has strengthened the case for embankments as a perrennial strategy in anti-flood measures.

There is positive evidence that the value of dykes in protecting towns and cities has been proved. The Inter-Provincial Flood Conference held at Lucknow in January 1939 appointed a Technical Sub-Committee when doubts were raised about the utility of embankments to save the neighbouring areas from the ravages of floods. This Committee was manned mostly by senior engineers. It went into the problem at great length and recorded its findings with considerable force. It has corroborated the scepticism entertained about the value of "marginal" embankments on the banks of big rivers. But in so far as the protection of urban areas is concerned, the Committee's finding is quite categorical. It has recorded its considered view that isolated dykes for protecting towns and cities are technically quite permissible and therefore highly desirable.

More than two decades have passed since this positive finding of the Technical Sub-Committee on the advisability of erecting dykes as defences against flood waters in towns and cities was reached and still no action has been taken. In fact, floods such as those in Rohtak and Lucknow areas, with recurring frequency, do not appear to have produced any hard thinking on anti-flood measures beyond the immediate problems of draining water and rehabilitating the population. The grave damage caused this year to the two cities ought to focus attention on this avoidable calamity. Thorough hydrological and topographical investigations of the contiguous areas of cities and towns exposed to submergence by floods will need to be carried out since data on these two basic factors do not practically exist at the present time. Will protection of towns and cities by means of dykes as a vital and integral part of flood control policy be taken up with a real sense of urgency now at least? And will town administrators act with a little more imagination, instead of resorting to helpless innovations at the last moment and resigning to such misfortunes as acts of God?

The Commonwealth and Common Market

WHEN the Commonwealth Finance Ministers met in London last month, one of the important subjects discussed related to the European trading problem. Discussions on this subject were inconclusive since the Ministers could not be expected to give any firm opinion about a possible future settlement whose terms are yet under examination. The main question was what particular provisions of the Commonwealth preference structure the rest of the Commonwealth considered had to be preserved, if the European settlement took the form of a customs union. Though there was a general recognition that an economic settlement in Europe is of considerable political consequence to the whole of the western world, there was a feeling among the individual countries that their interests should not be jeopardised. In the final communique that was issued, it was accepted that in any negotiations between the Six and Seven that take place, the essential interests of Commonwealth countries should be safeguarded and full account taken of the continuing importance of intra-Commonwealth trade.

It is in this context, when the Commonwealth interest has acquired great importance in British policy towards the European organisations, that the recent study entitled "The Commonwealth and Europe" sponsored by a non-official body, namely, Britain in Europe, and splendidly implemented by the Economist Intelligence Unit, London, assumes great topical relevance. The main object of this study is to find out the future effects on the Commonwealth of the present moves towards freer trade in Europe and of a possible future participation by Britain in the Common Market. What it does is to find out what arrangements would be both acceptable in Europe and beneficial to Commonwealth trade as a whole. Its conclusion is clear. It is that both Britain and the Commonwealth will lose if Britain remains cut off from the Six. At the same time, it has no hesitation in pointing out that it is in the interest of European nations themselves that countries in other continents should benefit as a result of European integration and not suffer from it.

While the study finds that the impact of the European Free Trade Area on the Commonwealth will be small, it feels that the European Economic Community (EEC), on the other hand, with its common tariff and common commercial policies and its rapid economic growth, will have greater impact on the imports of the Six. Here it analyses the possible effects on the different categories of imports. It points out that the common tariff will have little effect on imports of raw materials as a whole. In respect of tropical foodstuffs, however, it feels that nearly two-thirds may suffer some pressure because of the free entry into the Six from their overseas territories and this discrimination in favour of overseas territories is the one feature of the EEC that may threaten seriously an important sector of the Commonwealth trade. As for manufactures, which form just 3 per cent of the imports, their expansion or contraction will depend very much upon the tariff and quota policies of the Six. The study also underlines the fact that imports of Commonwealth raw materials into UK, just like those into the Six, would encounter few problems arising from a common tariff, and there is no problem in reconciling Commonwealth export interests with a non-existent common tariff. It is only manufactures, which account for 7 per cent of the UK's imports from the Commonwealth, which present a more difficult problem. It, however, makes the point that for Asian manufactures, a moderate tariff is not a serious obstacle because their problems are more related to quantitative restrictions. Therefore, it pleads that the best policy would be a low tariff for the whole of Europe, with, where quotas are already imposed, the certainty that they would be enlarged in line with any growth of European consumption.

The study takes note of the fact that India is concerned about the effect on its trade by current plans for economic integration in Europe and there is a fear that Indian exports would suffer by the creation of the EEC, particularly through competition from French African produce. It also points out to the fear that European capital, which might have ordinarily come to India, may go elsewhere. These fears, are however, dismissed as groundless since it makes the point that India's claim on the political plane to find assistance from foreign countries is stronger than almost any other under-developed country and the small inflow of private capital is not likely to be much influenced by changes in Europe. So far as trade is concerned, it expresses the view that very little of India's existing export trade will be damaged by the common external tariff of the community even though over two-fifths of identifiable exports to the EEC will be subject to tariff changes.

However, its conclusion is that in the context of India's current problems, the effects of European economic integration are not of much significance. Since in the long run, India will have to rely much more on exports of manufactures, it feels that the general trend of policy, which would let more Asian goods into the markets, rather than the details of the European tariff, are of significance to her. But in the meantime as a safeguard, it suggests that the UK might reserve the right either to cut off imports from the continent or to allow free entry from the Commonwealth, should European imports from the Commonwealth fall below the agreed levels. All in all, the study is a valuable contribution to the current debate on European economic integration which is pervaded by a sense of optimism that the current economic problems created by Britain's relationship with the Commonwealth can be resolved to their mutual benefit.

The Suratgarh Farm

MAKING the desert bloom—that is the aim of the Suratgarh Central Mechanised Farm, established four years ago with Russian aid on the northern fringes of Rajasthan. Four years may be too short a period to assess the success or failure of a giant enterprise like this—the Farm covers an area of 30,670 acres—especially when one of the most important pre-requisites of agriculture, irrigational water, is still a scarce commodity here and work had to be started on this wasteland practically from scratch. But it is time perhaps to look into the affairs of this project when it is about to progress beyond its initial stage. Perennial supplies of irrigational water from the Bhakra Dam are expected to be made available to this Farm at none-too-distant a day when it is expected to go into full strides of development.

Any project of such huge dimensions has to encounter innumerable difficulties in the initial stages. But the success of entrepreneurship depends on how quickly these difficulties are removed. Behind the facade of quite impressive achievements of this Farm's management, all, it is understood, is not yet in order. No proper accounting system, it appears, has been evolved so far; no allowance is said to be made, while preparing the annual production plans of the Farm, either for depreciation of the machinery or for interest on capital employed. The management of this project is perhaps following the same cost accounting practice as followed by some other public sector enterprises, which has come in for scathing criticism by the Hoffman Mission.

Some defects are also said to have been noticed in the equipment supplied by the USSR Government. Some time ago it was reported that there were difficulties in getting spares for this equipment. That difficulty, it is understood, has been happily overcome with the Russian Government making available these spare parts free of cost or at nominal expense. More serious problem, which might very adversely affect the project, however, is the difficulty being experienced in the operation of the Russian machinery under hot climatic conditions of Suratgarh; the equipment, it is learnt, has developed some major defects to attend to which a team of Russian technicians had been flown in a few months ago. How far can these defects be removed in the absence of a well-equipped workshop at the project site is anybody's guess. And a modern workshop has yet to come up here.

Again, no norms of work for labour, it is understood, have been fixed as yet. True, the conditions at the Suratgarh Farm will stabilise only when perennial water supplies are made available. But it is high time that some tentative norms of work are fixed. Then only can proper working of the Farm be judged. It is heartening to note that the Government of India has agreed, in principle, to give incentive awards to the workers at the Farm, so that they may have a feeling of partnership in the project and be induced to work in a spirit of healthy competition. But the fruits of this can be reaped by them only when they know what is the minimum amount of work required of them. The project has been planned on a very ambitious scale. To fulfil these ambitions active co-operation of the workers will be needed. The best way to achieve this end is to fix the norms of work early and introduce the incentives scheme.

With a retired Army General at the helm of affairs of the Farm, there is hope the present difficult phase of the project will be over soon and this arid tract will become once again a lush, green and prosperous area which, as the legend goes, it was some 4,000 years ago.

A DELHI DIARY

DIWALI: A MATTER OF TIMING?

ALL Delhi has been thrown in confusion by a sudden decision to make the official holiday for Diwali Wednesday and not Thursday. For the first time, it would seem, the Prime Minister has been guided by priestly advice. But, since the almanac has been prepared for a long time, one wonders why the priests should have suddenly changed their minds on Wednesday! Can it be that the priests were not consulted in the first instance with the Government of India assuming to itself a highly religious function incompatible with the Secular State? Can the Indian (like the Russian) Government decide on the movement of the moon and satellites even though we have no satellites, political or other? On the whole, it seems its little knowledge is a dangerous thing. The net result has been that many programmes to leave the capital have been rudely torn asunder, and I regret to say that I have been compelled to abandon a wholly innocent "long week-end".

Talking about timing, and the effect of the changing planets or heavenly bodies on its making, how can one fail to remember Dr. Sampurnanand? To his great honour he has stood fast throughout the week and refused absolutely to move an inch, (or is it centimetres, now?) in response to the request of the Congress Parliamentary Board, that he should reconsider his decision to resign. In the end, after much consideration — reports say that the meeting lasted two and half hours — the Parliamentary Board regretted that "the circumstances should have arisen which have induced him to offer his resignation and his withdrawal from his high office," but left to his judgment whether to resign from his office or not, and in the event of his pressing his resignation, the U.P. Congress Legislature Party, should proceed to elect another leader in his place. Not a very inspiring resolution, but one which shows that a single determined man can overrule the persuasion of the most powerful body in India. Speculation now proceeds on who the next Chief Minister of Uttar Pradesh is to be. We have been regaled over Diwali with a new fight in the Legislature which refuses, it seems, to accept Mr. C. B. Gupta. I do not take the disrespectful view that a naughty cartoonist has taken in a Wednesday paper, but being tolerant I publish his disrespectful comment.



"Good old democracy—a government of the Congress, by the Congress, for the Congress!"

Courtesy: *The Hindustan Times*

MALCOLM MACDONALD

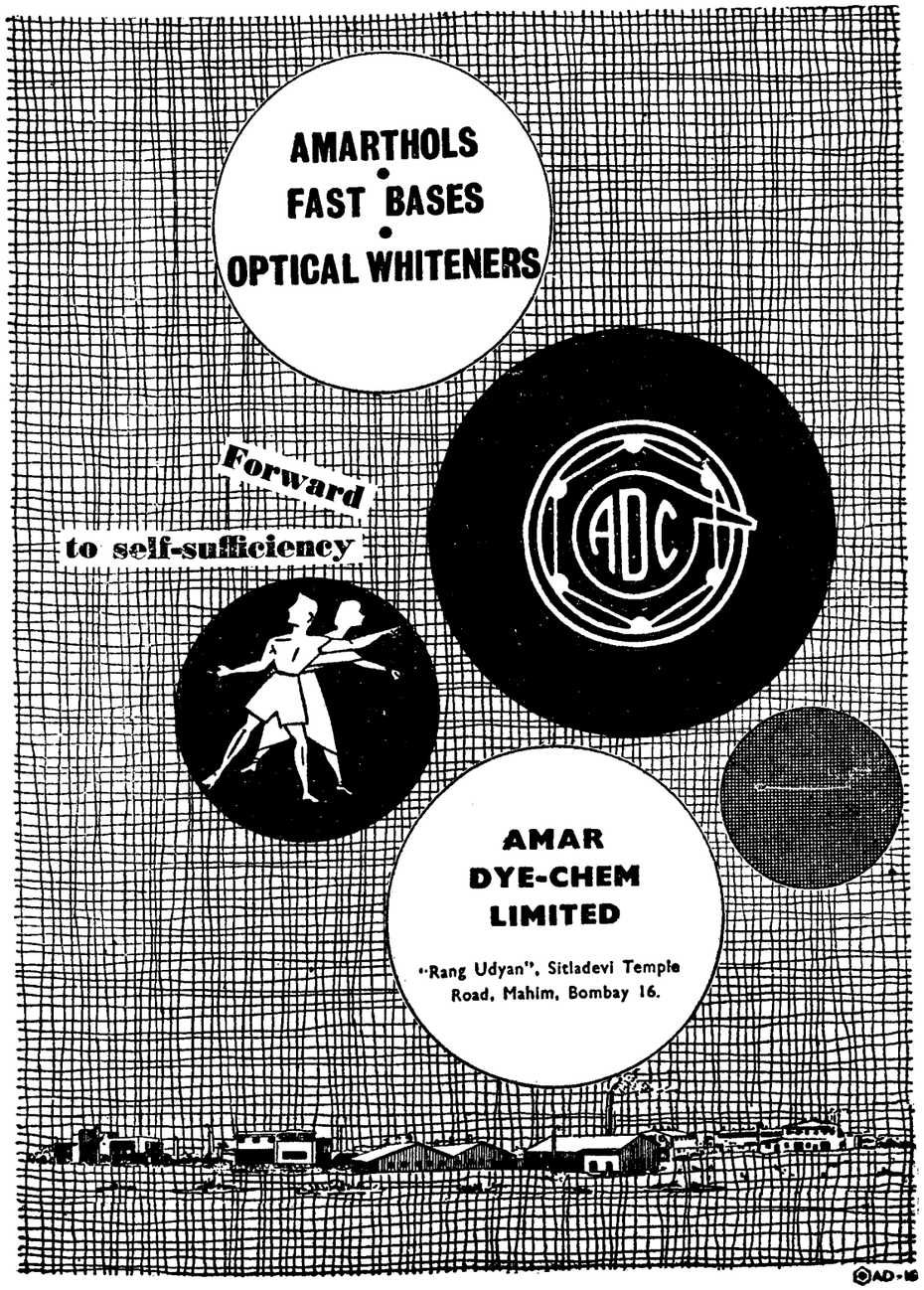
Malcolm MacDonald left New Delhi on Monday and has been the most talked-of person throughout the week. There was a huge crowd to see him off and I noticed that, besides a liberal sprinkling of journalists, there were painters, writers and, of course, last but not least, eminent civil servants as well as members of the diplomatic corps. He must have meant many things to many people, and I will not attempt to cover ground which has been copiously poured out on his many-sided character in the daily newspapers. Curiously, the most vivid impression which comes back to my mind is one of thirty years ago. I was privileged to attend a debate in the Oxford University Union at which Malcolm MacDonald, after the formation of the National Government of 1931, was the leading guest speaker on a resolution which had something to do with the formation of the National Government. I remember he spoke for an hour and caused some little restlessness, not unusual with British audiences unused to the somewhat repetitive manner which is often used in the highest places in India. But I think he established a splendid case and when the voting was announced, Andrew Mellor, of stout orthodox Labour fame, went down fighting before him. But the impression which I wish to recall is not the debate or the arguments attendant thereon; these have been mercifully drowned in time. It is that Malcolm MacDonald is the same to me in 1960 as he was in 1931; in thirty years he has not grown a day older!

ARUNA SETH

It was appropriate that Malcolm MacDonald's last official act should have been opening Aruna Seth's exhibition of pictures at 21, Golf Links — the beautiful house of the Seths. This is not only because by making this his last act Malcolm MacDonald showed special honour to Aruna's painting, but also because it was a symbol of his many-sidedness that he could think that honouring a painter was an important function of the British High Commissioner in India. He has chosen, in this particular case, a worthy symbol of his esteem. Few people who know Aruna Seth's work will deny that here is Delhi's foremost artist in at least the fields which she has made her own. Her painting is not abundant. Of the twenty-five pictures in the exhibition, the dates of composition range from 1947 to 1960, but there is no year in which she has painted more than six pictures. She is — as is expected of all artists — a creature of moods, working herself up to a fever, doing a picture and then apparently losing all interest in it. That, I expect, is a mark of special talent; but, of course, not all moody people are talented!

The point that is of interest is that her talent has not been born out of turmoil and poverty, nor has it been oppressed by her link with successful business in the form of Manohar Seth. Most Indian art critics seem to have the peculiar idea that art can only triumph in destitution, and involves a constant struggle of the soul, somehow with a concomitant struggle for bread and butter. Perhaps it is the result of the excessive reading of numerous lives of Von Gogh and much less of the spacious life of someone like Joshina Reynolds or Leornardo da Vinci. Aruna Seth is a happy contented person who has never known, I believe, the pangs of poverty or the depredations of business. Her paintings reflect, particularly in their glorious colours, a kind of gay abandon which, I expect, comes from good living and a sense of fun. For the worldly wise, I say, as a man of the world, one should try to corner these pictures before — like Hussain's and a few others that I know — they become all the rate. The exhibition is already closed, but, I strongly advise my friends to look at it again before some of its finest pieces disappear into the darkness of private enjoyment!

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THE WEEK'S NOTES

Assam

LANGUAGE ISSUE TO THE FORE AGAIN

IF THE Assam Pradesh Congress has its way, it is a safe bet that the State will be soon plunged into another holocaust. The Official Language Bill, introduced in the Assembly on October 10, in spite of the fact that it could not command the approval of the extremist sections, had the merit of being a compromise that should be acceptable to the moderates. It was a sequel to the recent visit of Pandit Pant, the Union Home Minister, who, in spite of the fact that he could not carry the people of the Hill districts with him, was by and large able to evolve a formula that was eminently reasonable. It would have been, of course, better if the entire language issue had been postponed till after the General Elections. When a judicial enquiry that has been demanded into the July disturbances in Assam could not be held on the ground that it would create tension, there was substantially more valid ground for deferring the language question for some more time to come. But this was not to be, since the Assamese-speaking people were determined to press their demand.

The Official Language Bill, introduced in the Assembly, makes it clear that both Assamese and English (till the latter is replaced by Hindi) should be the official languages of Assam. At the district level, Assamese will be used for administration and other official purposes in the plain districts of the valley, while Bengali would be employed in Cachar and the language in use immediately before the announcement of this law in the autonomous Hill districts. The Bill also lays down that in enforcing the use of the official language or languages, the State Government should be guided by certain principles to safeguard the rights of various linguistic groups. The Assam Congress President has, however, expressed his view this week that the Pradesh Congress Committee will not be agreeable to the Bill unless it is amended, as contained in the resolution passed by the Pradesh Congress Committee. The resolution says that "Assamese shall be used for all official purposes of the State, provided Assamese and English (the latter replaced by Hindi) shall be used for official purposes in the secretariat and the offices of the heads of departments of the State Government in the manner prescribed by the Government." The departure made in the resolution from the Bill lies in the fact that whereas the Bill provides for two languages—Assamese and English—the resolution tries to make out that Assamese should be the sole official language and therefore tries to take away the substance of the compromise.

PRESSURE TACTICS

The resolution thus makes the language structure unilingual in form though bilingual at the State level and multi-lingual at the district level. It may be recalled that when six months ago, the Pradesh Congress demanded that the Assamese should be the sole official language of the State, the Chief Minister refused to accede to it unless it had the support of the non-Assamese. However, later under pressure, he yielded to the demand for the introduction of a Bill declaring Assamese as the official language of the State. It was this which was responsible for much of the difficulties which followed later. If the Government again makes a similar mistake under pressure to water down the substance of the compromise that is contained in the Official Language Bill, it is bound to provoke widespread resentment among the non-Assamese-speaking people and especially among the people of the Hill districts. With the resignation of the Tribal Affairs Minister and the Tribal Affairs Parliamentary Secretary, the signs are already ominous. The introduction of a Bill seeking to give the Government special powers to deal more effectively with the Press (which in fact amounts to virtual gagging) is a further indication of the state of things to follow. Unless the Assam Pradesh Congress reverses its stand and eschews its extremist attitude, it can be taken for granted that the State is in for another period of uncertainty with results no less disastrous than last July.

South Africa

THE REFERENDUM AND AFTER

THE REFERENDUM held in South Africa early this month on whether she should become a republic was no doubt a victory for the Nationalists led by the Prime Minister, Dr Verwoerd. But it was only a formal victory since the republican policy secured only a majority of about 74,080 (the voting being 849,958 in favour and 775,878 against). Apart from the fact that nearly 48 per cent of the white electors were opposed to the change, it should be borne in mind that the non-white population consisting of nearly 11½ million were not allowed to vote. It would appear that the Nationalists were able to muster the support of a number of Afrikaners who are not their political adherents and a section of the English-speaking voters as the Congo crisis and the African ferment came in handy for purposes of political propaganda. The narrow majority secured, nevertheless, shows the rift between the Afrikaners and the English-speaking South Africans. There is also the fact that Natal voted overwhelmingly against the Republic and there are already heard voices of a possible secessionist move. This is, however, unlikely to happen as it would plunge the Union into a civil war on which no white group will embark with a sense of recklessness.

So, the path is clear for Dr Verwoerd to make his next major move in the pursuit of his 'white Africa' policy when the Republic comes into being in May next. To him, the change in this status is only a formality since, as he explained while introducing the Bill for a referendum in January this year, the "development of the Union of South Africa hitherto has been a continual changing of our original constitutional and other legislation in the direction of a republic." What he will now do is clear and that is to plunge himself wholeheartedly in his self-appointed task of governing twelve million non-whites without their consent and pursue to the logical extremity the apartheid doctrine. This would inevitably lead to a break with the Commonwealth Club and though this may mean a severe blow for South Africa, Dr Verwoerd is not likely to be deterred by this and to many of the Nationalist extremists nothing will be more satisfying. The attitude of Britain on this question has been so far non-committal though it came up for discussion on an informal level at the last meeting of the Commonwealth Prime Ministers. There it was agreed that South Africa should 're-apply' for continued membership of the Commonwealth if the Republicans should win in the referendum. It is already on the cards that many of the African and African Commonwealth members will take the opportunity of a change in the status to refuse permission to South Africa to continue in the Club. Here, what should be the attitude of Britain? This is what is engaging the attention of the thinking section in Britain. It has been sometimes argued that expulsion of South Africa from the Commonwealth will only exacerbate her and increase her sense of isolation to pursue her apartheid policy with greater vigour. This is to shut one's eyes to realities since the South African Government has consistently shown that nothing can deflect it from its policy and she will not be amenable to any moral pressure. On the other

hand, expulsion from the Commonwealth with its concomitant economic pressure may prove of some avail in at least convincing the supporters of Government of the perils of isolation and bring it to its senses. In any event, Britain will find it difficult to value racial affinity more than Commonwealth unity.

Agriculture

WANTED: SANCTIONS AGAINST ERRING STATES

THE WARNING given by Mr S. K. Patil, soon after he assumed the charge of the Food and Agriculture portfolio at the Centre, that the Union Government would have to devise some sanctions against the States which failed to pull their weight in matters pertaining to agricultural development, one thought, had gone home; nothing had been heard about this for sometime. That optimism, however, has proved to be misplaced. It is shocking to know from the address of Mr Shriman Narayan, Member for Agriculture in the Planning Commission, which he delivered at the recent meeting of Commission's Panel on Agriculture, that only one State has so far sent its proposals for implementing the recommendations of the Nalagarh Committee which nearly three years ago had made valuable proposals for streamlining the administration of agricultural departments in the States.

It is indeed deplorable that so scant attention should be paid by the States, which under the constitution are the primary Governmental agencies connected with agricultural development, to the crucial problem of toning up their administration when the country is embarking upon an ambitious plan for raising farm output. There is hardly any need to stress the point that howsoever imaginatively a programme or a scheme might be drawn up, it would be of little use if it cannot be implemented properly. And day in and day out new schemes for agricultural development in the country are being put forth by the Central Government and the Planning Commission. There are plans, quite big ones, for extending the area under irrigation, for providing to the agriculturist better seeds, organic manures, artificial fertilizers and improved farm implements, for pest control, soil conservation and dry farming, for reclamation of cultivable waste-lands and for making available in the countryside cheap credit. With the next rabi crop the programme for intensive cultivation, the package programme, is being extended to six more select districts in six different States. In another six months this programme will be launched in eight more districts so as to cover by the schame one district in each of the fifteen States of the Indian Union. The Union Ministry of Community Development is going ahead with its plans to bring the entire country under the community development programme by 1963.

All these steps are being taken to increase the production of foodgrains to about 100|105 million tons, that of sugarcane to 92 lakh tons (gur), of oilseeds to 92|95 lakh tons, of cotton to 72 lakh bales and of jute to 65 lakh bales by the end of 1965-66. It needs hardly to be emphasized that the attainment of these ambitious targets will require Herculean efforts both on the part of the Indian peasantry and the States' agricultural departments. The State Governments, however, do not seem to realise that streamlining of their administration is the first step in making a concerted effort towards this end. It is perhaps time to devise some sanctions against the erring States. Is it not possible to link the industrial development of a State to its efforts to develop its agricultural economy? There is, at present, a virtual scramble among the States to get included in the Third Plan as many of their industrial schemes as possible. The Planning Commission will do well to tell the States that their industrial schemes can be sanctioned only if they pull their weight on the agricultural front.

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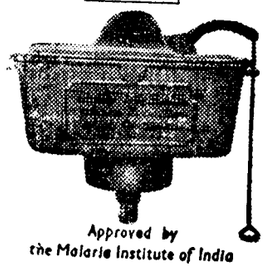
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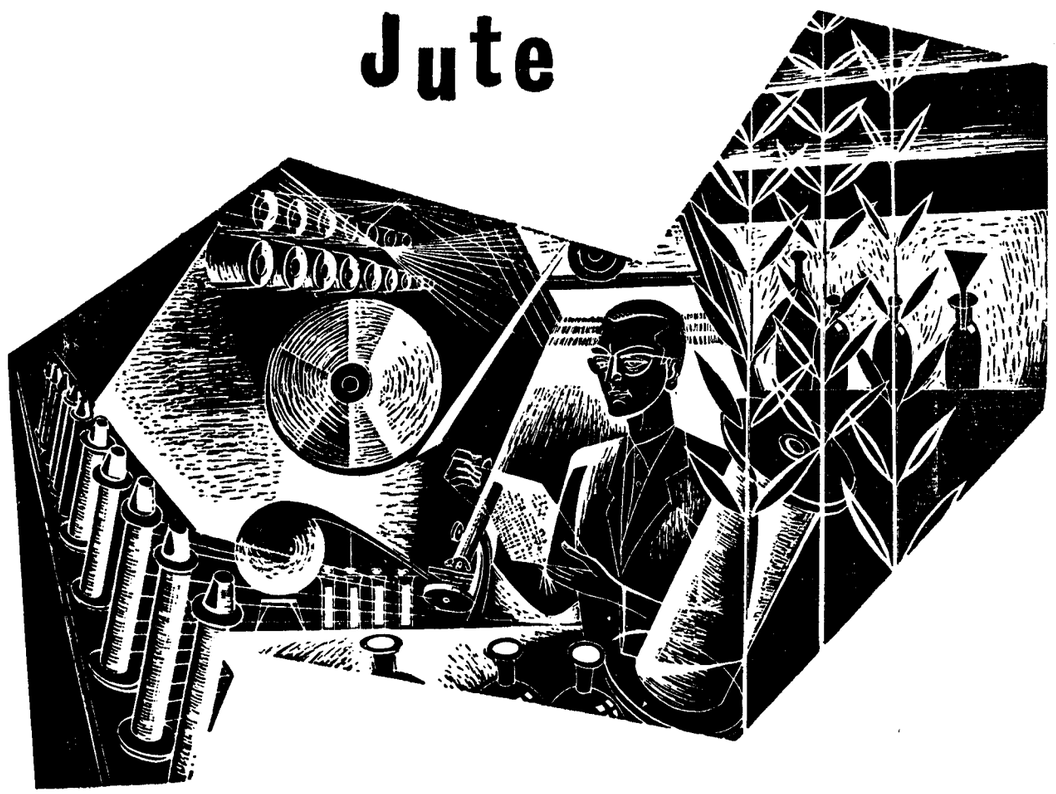
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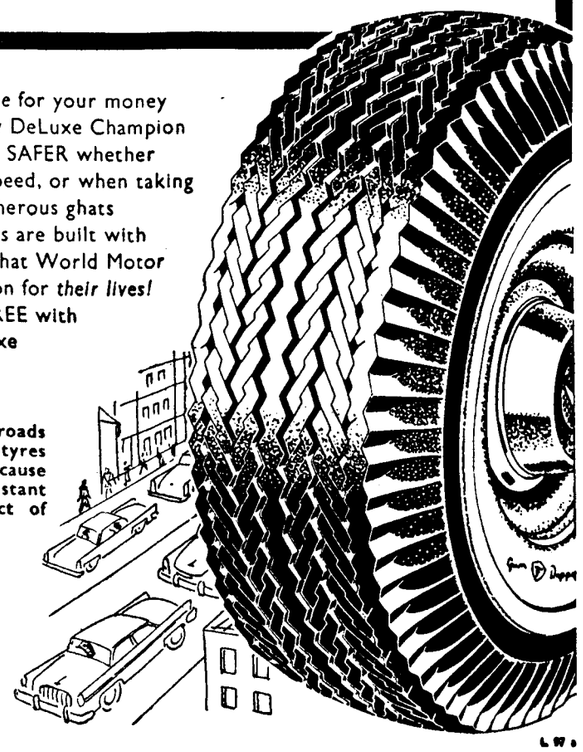
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The World Abroad

FREEDOM: RE-STATEMENT OF A FAITH

By

ODYSSEUS

I DO NOT KNOW how well Professor F.A. Hayek's name is known in India. In parts of Europe he is fiercely criticised. This hostility arose because in 1944, just before the end of the war, he published "The Road to Serfdom" (Routledge. 3sh. 6d.), in which he argued that from the moment that we try to establish central direction of all economic activity through a single plan, laying down how the national resources should be consciously directed towards particular aims, then liberty and democracy begin to slip from us, and we advance down the path that ends in a totalitarian state. This was published, remember, before the war had ended, at a time when most states had more or less centralised control over their economies in order to win the war, at a time, also, when memory of the inter-war years of depression had eroded faith in Free Enterprise, and when, in the UK at least, this loss of faith, coupled with war-time experience, had created a new faith in Welfarism and Socialism. Because Professor Hayek's book was at variance with the spirit of the 1940's, he was regarded as a crank and a reactionary.

Today, sixteen years after publication of "The Road to Serfdom," actual experience has in turn eroded faith in centrally directed economics in most of the West, so that there are many "mixed economies" which are neither one thing nor the other.

On the one hand, experience has shown, particularly in Germany and Italy, that if you reduce public works to the minimum, and give the profit motive free play, the index of national production soars, and you pile up fantastic balance of payments surpluses. With 1953 as 100, Germany's industrial production was 72 in 1950 and is 171 today; Italy's was 78 in 1950 and is 169 today.

On the other hand, the UK's index bedevilled by a Socialist legacy of nationalised industries and welfare expenditure, has in the same years risen only from 94 to 127. While not forgetting that the UK's contribution to Western defence is higher than that of any other country except the USA (percentages of national income spent on defence in 1958 were: US: 11.1; UK 7.7; Germany: 3.2; Italy: 4.3), the fact remains that it is politically difficult for the UK's Conservative Government to reduce public expenditure on the nationalised industries (including coal and transport, which lose millions every year) and on the social services, even though the majority of the voters have come to recognise once more that Free Enterprise is the mainspring of growth. Because it is politically difficult to rationalise public expenditure, politicians are constantly constrained to use disingenuous arguments to justify it. That is why, despite the lessons of experience, there remains much confused thought as to what the true role of the state should be.

And that is why Professor Hayek's newly published "Constitution of Liberty" (Routledge and Kegan Paul. London. July, 1960. Price 45sh.) has had a cool reception from many reviewers. Even so, the "Economist" of London, after devoting two columns to criticising Professor Hayek's exposition, concluded: "Yet there is not one point in 'The Constitution of Liberty' that does not need to be pondered." The dangers that it proclaims are real. The conflict between the desires (a) for "social security" and (b) for maximum material advance—on behalf of those very individuals that social security is intended to benefit—needs to be faced. The injustices, perversities, and economic damage caused by inflation, punitive taxation, and protection of special interests, such as groups organised powerfully enough to coerce employers or the state, need to be shouted from the housetops; the doctrine that a majority vote in a democratic election justifies disregard of the rights, political, intellectual, or economic, of the minority, needs to be challenged. Above all, it is important to recognise that no one individual or group of individuals—experts, planners, government officials, or others—can ever command enough knowledge to know all the answers, to organise and plan a society to best advantage. What is intellectually best can only emerge from the clash of opinions; what is economically best from the higgling in the market of millions of comparatively ignorant individuals.

So I am going to draw your attention to a few of Professor Hayek's points in hopes of persuading you that, even if you disagree with some or all of them, you cannot afford to ignore his book. "The Constitution of Liberty" provides the case—richly documented and soberly reasoned—which the advocates of centrally controlled economies have got to answer.

THE WEST'S LOSS OF FAITH

It has been a long time since the ideal of personal freedom and initiative which inspired Western civilisation, and whose partial realisation made possible the spiritual and material achievements of that civilisation, was effectively restated. In fact, for almost a century the basic principles on which Western civilisation was built have been increasingly disregarded. The leaders of the West have sought alternative social orders more often than they have tried to understand, or use better, the principles which made them prosperous. It is only since the world has been up against Marxism and totalitarianism, in office, that they have noticed that they have lost clear ideas of their aims and have no firm principles with which they can challenge rival dogmatic ideologies. Professor Hayek has a special message for India, as for free Asia. He seeks to rally the whole free world behind a common ideal—that of individual liberty. But he points out that few will listen to the call of liberty as long as the intellectual leaders of the West disparage the achievements of their own civilization and concentrate on the substitution of "better worlds." Many Asian countries adopted Western ideas at a time when the West had begun to be unsure of itself and had largely abandoned the very belief in liberty, which, by enabling the West to make full use of those forces that make for the growth of all civilisation, had made possible

the unprecedented quick growth of Western prosperity. Consequently, those non-Western leaders, who became purveyors of ideas to their own peoples, learned, at Western universities, not how the West achieved its astonishing material triumphs, not how it built up its civilisation, but its dreams of alternative systems.

ASIA'S TRAGEDY

To Professor Hayek this is tragic, because, though the beliefs on which these disciples of the West are acting enable Asian countries to copy more quickly a few of the West's achievements, they also prevent them from making their own distinct contribution. Not all that has resulted from the West's historical development can, or should be, transplanted to other cultural foundations; and whatever civilizations emerge in Asia, under Western influence, may sooner take appropriately modified local forms if allowed freedom to grow among the people rather than if imposed by centralised direction from above. If it is true, as is sometimes said, that the necessary condition for a free evolution—the spirit of individual initiative—is lacking in Asia, then, says Professor Hayek, no viable civilization can grow there. "So far as it is really lacking, the first task must be to awaken it: and this, a regime of freedom will do, but of regimentation will not."

A free man is one who is equal before the law, in a state itself subject to the law. Freedom is absence of coercion, which should be exercised (by the state alone) only where necessary to prevent coercion by private persons. India will be interested to note that Professor Hayek favours a written constitution, unalterable by transient majorities.

Professor Hayek's point of departure is that the advantages of a civilization arise because the individual benefits from the existence of more knowledge than he himself knows. When we consider how much knowledge possessed by other people—doctors, accountants, individuals, stenographers, bankers, economists, musicians, carpenters, scientists, engineers, lawyers, agriculturists (and even columnists!)—is essential for the success of our own individual aims, the colossalness of our ignorance of the factors on which our decisions depend is staggering.

Knowledge exists only in the minds of individuals. A society in which the individual is free enables us to profit by knowledge that we individually don't know, by enabling each person's free use of particular knowledge to help others unknown to him. The milling mass of individuals cooperate to promote their myriad aims through the interplay of such institutions as marriage, households, schools, universities, business houses, factories, garms, banks, plantations, insurance offices, government departments, trade unions, embassies, newspapers, stock exchanges, shops, markets of all kinds, legislatures, etc., etc. We do not know exactly how the process of interaction works to secure changes and growth. We can only describe it by such inadequate concepts as "individual initiative," "imitation," "free play of opposing interests," the "clash of opinion," the "higgling of the market." And Professor Hayek wryly comments that when we discover how little we know of what secures change and growth, we are, on the whole, apt to be resentful rather than struck by wonder or curiosity. "Much of our occasional impetuous desire to smash the whole entangling machinery of civilization is due to this inability of man to understand what he is doing." Certainly, society is infinitely complicated, and as some people contemplate its complications, they become exasperated by their inability to take it all in, so they comfort themselves by abuse, such as the "scramble for wealth," "suicidal competition," "exploitation," "profit hunting," and (a favourite term with British Socialists) the "free-for-all state." Yet, as another great thinker, the late Edwin Cannan (author of "Wealth," to my mind still the best introduction to elementary economics) said, whatever society is, it is organised, not chaotic. If society were really chaotic, you would be crazy to go to your office tomorrow, because, you would be just as likely to get your daily bread by staying at home.

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The European Scene

A COMMON MARKET SUMMIT

From Our Special West European Correspondent

PARIS, October 17.

HOWEVER distant and complicated the wrangling about European unity may appear, especially in the confused stage it has now reached, it contains at every turn propositions of direct interest to India, as having potential repercussions on her foreign trade. For example, in the last few weeks Dr. Ludwig Erhard, the West German Economy Minister, has been canvassing a suggestion for a 30 per cent reduction in all German import duties on imported manufactures. Designed to attract Britain and the USA, this proposal would also concern India, where there has been complaint of inadequate German imports, given the volume of German exports to that country. Yet this proposition was essentially a manoeuvre to postpone, or avoid, the moment when the Common Market must pass the point of no return by beginning to build a common external tariff around the economies of the six Continental nations.

That moment is due on 31st December this year and it will mean that West Germany must raise her tariffs toward the average level while France and Italy lower theirs. This operation will already be sufficiently intricate because, since the "base-year" which is chosen to calculate the six-nation average, West Germany has decreed many unilateral duty reductions in order to facilitate imports and thus reduce the external trade surplus. If, at the end of this year, West Germany were to wipe out all these reductions, get back to her tariffs of the base-year and then raise her duties further to come into line with her partners, the shock for her economy would be immense.

So she was granted by her partners various dispensations: her duties would go up much more slowly than theirs came down, but the sense of the operation remained the same, for all the members would be moving toward a common tariff. Dr. Erhard's suggestion would, of course, ruin this enterprise since it would increase the gap between the various national tariffs on the Continent; it was, in fact, a plain repudiation of the Common Market. It had a chance of appealing to overseas countries like India (it was brought to their notice by being put about in the corridors during the World Bank meetings) only if they concentrated attention on the temporary gains from lower German tariffs and forgot that the best long-range hopes for their exports lay in letting the Common Market set up its unified tariff and then trying to get that reduced. In that way, what they lose temporarily in higher German tariffs will in the long run be more than compensated by lower tariffs over the whole six-nation region. If the West Germans are sincerely interested in freer entry for Asian goods into Europe, it will be more profitable to let them push down the common external tariff rather than have them lower their own duties and confirm the other Continental countries in protectionist practices by ruining the Common Market.

It had a better chance of appealing to other European countries like Britain. Not only would it kill the Common Market, but since Dr. Erhard proposed to accompany freer imports by a reduction of West German export incentives, it would have many of the virtues of an up-valuation of the mark: German imports would rise and her exports fall, which is the objective of British advocates of a revalued mark. The Americans, however, quite failed to rise to the bait. To the argument that this reorganisation of German foreign trade would reduce German payments surpluses and thus help relieve the dollar, they replied that previous reductions in German duties, as in 1957, had done very little to limit the German surplus; and anyhow such putative marginal gains were definitely not worth the price of undermining the Common Market.

Dr. Erhard returned to Bonn to find that in his absence the French Premier had been and gone, and that the disagreement between Chancellor Adenauer and President de Gaulle over political and military matter had been settled by a piece of high-level horse-trading: Paris agreed to toe the line of Atlantic orthodoxy in defence, while Bonn promised to go ahead with the Common Market at the end of the year. So the effort to put off the fateful day for the Common Market had failed. Not only that, but West German industry had reacted very unfavourably to Dr. Erhard's suggestion for a disguised up-valuation of the mark, and went to Dr. Adenauer with a counter-proposition that is of equal interest to India. Rather than import more and export less, German industry offered to make a spontaneous effort by raising a loan of 1,000 million marks in favour of the developing countries. Placed at the disposal of those countries in successive slices, this loan would not be "tied", i.e. it could be used for the purchase of goods elsewhere than in West Germany. The advantages of this procedure would be that it would puncture the German inflation less painfully for private enterprise than Dr. Erhard's increased imports, it would be a contribution to the Western aid effort which now falls wholly on the USA, France and Britain, and it would be consistent with German undertakings in the Common Market (just renewed by Dr. Adenauer to M. Debre.) On the other side, one needs to add that since interest on the loan would be at least six per cent and since it would be spread out over time, the windfall for the developing countries is not so wonderful; and since many of the consequent orders for manufactures would inevitably be placed in West Germany, the disinflationary effect would be only partial.

At all events, the upshot of this latest crisis in Continental economic integration was that one proposition of possible interest to India was rejected in favour of another of certain, if limited, relevance to Indian development. The point is plain, I hope, that however tangled they get, these negotiations always have an aspect that entails an impact on India's foreign trade or on on her possible borrowing. After the failure of London's plan for a customs union for manufactures (whose impact on Indian trade has been discussed here lately) and after the failure of this latest German effort to sidetrack the Common Market, the present position is that the scheduled speed-up of Continental integration should take place at the end of this year. Further duty cuts will be effected within the region and the first step will be taken toward a common external tariff. Yet, as was emphasised when these decisions were taken in the summer, the speed-up concerns only industrial goods because the six countries have not yet been able to agree on agricultural policy; in that field, the liberation of trade has been slowed down rather than accelerated.

Now this situation is unsatisfactory for Italian and French farming interests, who see liberation of trade going forward in manufactures while they are denied freer access to the protected West German market in foodstuffs. Rome and Paris might still decide that progress in the one direction is worthwhile even if the unification of primary produce markets is delayed. But the Dutch, whose main concern is necessarily the sale of their farm produce in neighbouring countries, have

fewer gains to balance against their disappointment over agricultural commerce. During the negotiations last May, they consented to the speed-up of the Rome Treaty only on the understanding that some way of freeing trade in primary produce would be found before the end of the year. None has been, and as the electoral climate becomes heavier in West Germany it becomes more and more difficult for Bonn to take measures that will indispose its farming interests. In these conditions, the Dutch would be morally justified (and would have the backing of farmers in south Europe) in calling in question the whole procedure of speeding up the integration of th Common Market. So this is the new threat that weighs on that enterprise: not diversions from without, such as Britain's customs union project, and not the hankering of German manufacturing industry for larger scope than the six-nation market affords, but the formidable difficulty of bringing the produce of various protected and subsidised farming interests to a common market where the same price is paid for the same goods.

It is here that the "Little Summit" meeting in Paris in December of the six heads of governments will be important. This meeting is the result of President de Gaulle's demand for a political confederation to take over (and dominate) the executives so far produced by economic integration (i.e. Euratom, the coal and steel authority and the Common Market commission.) This demand has been regarded most suspiciously in all the Continental capitals, where it has been seen as the prelude to a "third force" splitting NATO and Western unity, as an attempt to establish French domination on the Continent, or as a subtle affort to undo European unity by disembowelling the supranational administrations it has created. For all I know, it may be all of those things and worse, in the mind of President de Gaulle. Yet there is one point on which de Gaulle is perfectly correct, and it is illustrated in the difficulty about agricultural trade just referred to: the process of economic integration cannot go forward autonomously, under the benevolent direction of supranational administrators, because it inevitably runs into political obstacles that only political authorities (i.e. governments) can get around. Because Continental industry is converted, sincerely and irrevocably, to the concept of a common market for its manufactures, the process of integration (duty cuts, quotas, etc.) can race ahead on its own, without intervention from governments. The United-Europe visionaries then get the idea that integration is so simple that it can be left to the technocrats and experts of the supranational executives, until one day Europe wakes up to find itself one nation.

On the contrary, in all the really difficult fields—agriculture, social services, labour migration, and so on—there will arise acute political problems, setting in conflict powerful vested interests, such as the farming lobbies. Technocrats cannot deal with those conflicts, and de Gaulle is being realistic when he says that the path forward necessarily lies through co-operation between governments, which alone have the power to defy sectional interests for the sake of higher policy. After extracting every possible guarantee from Paris that de Gaulle's confederation is not really an anti-American, third-force operation, the Continental capitals are reluctantly rallying to this view and they have agreed to meet at the summit in December. From the economic point of view, which alone concerns us here, this meeting will be an epoch in European integration and will decide the future of an undertaking that impinges on all world trade, the building of the Common Market.

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THE OCTOBER-DECEMBER ISSUE JUST PUBLISHED

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Economic Report from the U.S.

DEVELOPMENT ASSISTANCE GROUP

By

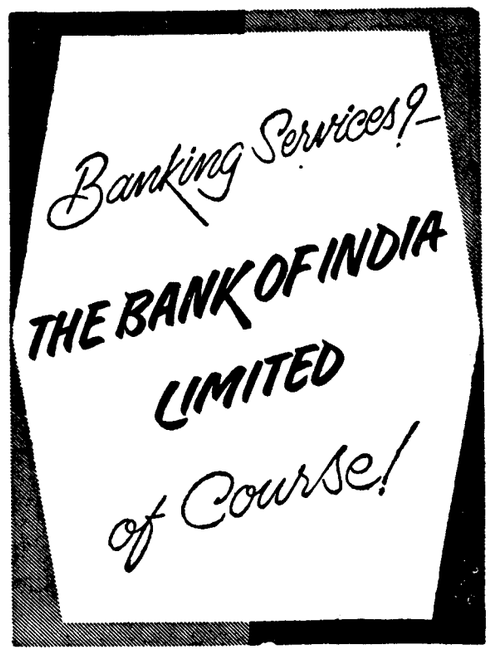
GUY SIMS FITCH

WASHINGTON, Oct. 11.

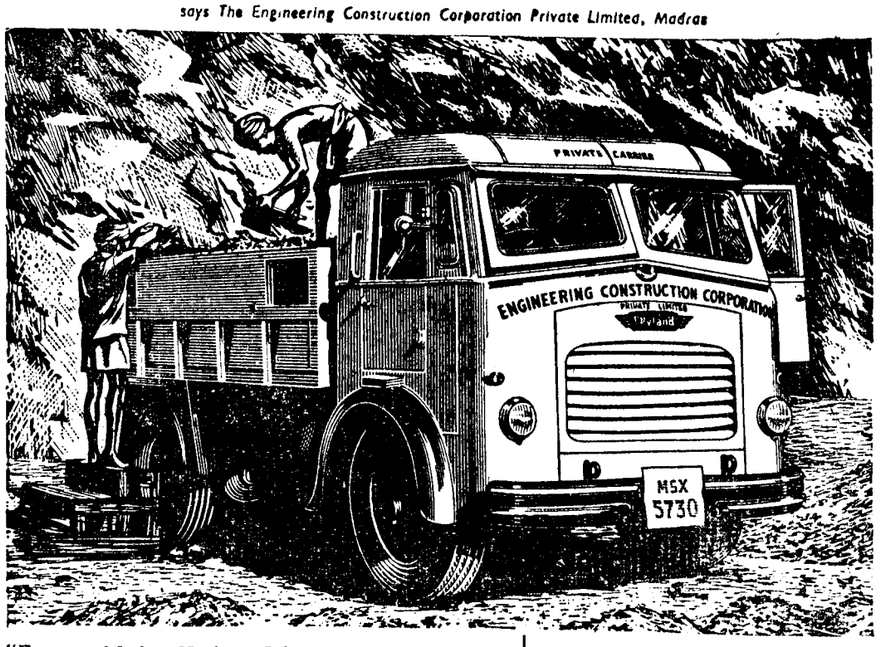
THE need for greater co-operation of Government-sponsored assistance programmes has received new emphasis with the meeting here last week of the Development Assistance Group (DAG). This group comprises ten leading capital exporting countries plus the European Economic Community (EEC), all of whom are deemed capable of making substantial economic assistance available to the developing areas—assistance over and above their contributions to such international bodies as the United Nations World Bank and International Monetary Fund. Members of the group, in addition to the EEC Commission, are the United States, Canada, Belgium, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Portugal and the United Kingdom. The inclusion of Japan underscores the global, as against the regional, nature of the cooperative development effort. At present, DAG is largely an interim body. In time, when the projected Organization for Economic Cooperation and Development (OECD) is set up officially, the group will function within the framework of that larger 20-nation body. The OECD, which encompasses virtually all the nations of Western Europe plus the United States and Canada, is the scheduled successor to the old Organizaion for European Economic Cooperation (OEEC) and will emphasize the acceleration of world-wide economic growth through enlightened aid and trade policies.

The rationale of DAG—and to some extent of OECD as well—is to provide a forum where capital exporting countries can discuss among themselves the problems of economic assistance to developing lands. Its stress is not merely on providing more aid, but especially on achieving a high degree of co-operation among its members. This type of co-operation, it is confidently believed, can help improve the nature and administration of national assistance programmes, and can relate these programmes more effectively to the recipient countries' own needs and efforts. Thus, DAG is concentrating primarily on matters of broad policy, on general aid principles, and on assistance techniques which are of common interest. It has no operational functions, nor does it administer any particular aid programme or fund. Neither DAG nor OECD is viewed as a radical departure from established assistance channels. Ideally, both are designed to complement and strengthen, rather than replace, existing aid institutions. With this in mind, relations and contacts are being worked out with all the important agencies and organizations dealing with the problem of development assistance. It is significant, therefore, that representatives of a number of international bodies took part in DAG's discussions. Among them were several UN agencies, and such regional organizations as the Inter-American Development Bank, the European Productivity Agency, and the Commission on Technical Assistance in Africa South of the Sahara.

Of great concern to them and the DAG members are the important questions of pre-investment studies and technical assistance. It has long been recognized that investment—that is, money—is not the sole answer to development needs. There must be trained people to put the money to good use and to administer sound economic and financial programmes in the developing lands. Similarly, the effectiveness of development programmes, and of the assistance given them by capital exporting countries, can be enhanced through prior studies of the resources and techniques required and the feasibility of related development projects. As with all new departures, of course, DAG inevitably has encountered some difficult and complex problems. Not the least of these has been the necessity to find common denominators in different types of aid programmes from different countries. But progress, while it may seem slow, is being made, as witness the agreement reached at last week's meeting on providing comparable data about the flow of funds from DAG countries to the developing areas. Now, as one delegate has put it, the co-ordination job can begin on an effective basis.



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WORLDGRAM

India

Steel Production at Bhilai: During September 1960, the Bhilai Steel Works produced 30,737 tons of steel against 23,824 tons produced during August 1960. The aggregate steel production totalled more than 2,41,000 tons including 196,000 tons of billets upto the end of the month. The pig iron production during September totalled 54,240 tons against 50,512 tons in August 1960. The aggregate pig iron production totalled 782,000 tons. About 558,000 tons of pig iron and 179,000 tons of steel billets had been despatched from Bhilai upto the end of September 1960 since the beginning of the year.

*

Central Board for Workers' Education: The Annual General Meeting of the Central Board for Workers' Education was held recently under the chairmanship of Mr R. L. Mehta, Joint Secretary, Ministry of Labour and Employment, Government of India. Budget proposals for 1961-62 and the revised estimates for 1960-61 were approved by the Board, which also considered the draft annual report and the Statements of Accounts for the period ending March, 1960. Amendments to the Rules and Regulations of the Central Board were also accepted at the meeting. It was decided that the present Board of Governors should continue. The Central Board for Workers' Education was set up in September 1958 and includes representatives of trade unions, employers, educational institutions and the Government. The object of the workers' educational programme is to educate workers in the principles and techniques of trade union organisations and to enable them to play an intelligent and responsible part in the affairs of the union and of the management. The Board meets once a year and its work is carried on by a governing body elected from the members of the board.

*

Alind's Ten Years of Growth: The Alind Project in Kerala has completed ten years of its industrial growth. It started with stranding machines and made cables. In the second stage, it went into rod-rolling. From rod-rolling it come to cover conductors. From cover conductors it has now gone into the production of high-tensile galvanised steel core wire. It is also interesting to note that in 1950, it had a capacity of 1500 tons of bare aluminium conductors. The annual production worked out to a value of roughly Rs. 40 / 45 lakhs. During the year 1952 it expanded further. In 1955 rod-rolling mill was established. Amongst the notable features in the growth of the Alind are the measures that it has adopted for advancing the social, financial, and cultural interests of its employees.

United States

Finance for the Trombay Fertilizer Plant: The United States Government has announced that it will finance the entire cost $58 million (Rs. 27.6 crores) of a large Government of India fertilizer plant to be built at Trombay, near Bombay city. The Trombay factory, one of the largest in Asia, will be run by Hindustan Chemicals and Fertilizers Ltd., an Indian Government Corporation. Of the total cost $30 million (Rs. 14.3 crores) to cover the foreign exchange requirements will come from the U.S. Development Loan Fund. Loans granted by DLF are repayable in rupees. Repayment in India's currency does not involve the export of goods or services from India or expenditure of India's foreign exchange reserves. Local currency costs of the factory will be met by a loan of approximately Rs. 13.3 crores (equivalent to $28 million). The Trombay factory consists of four major units. These will produce ammonia and nitric acid, as intermediary products and 1,05,000 tons of uria fertilizer and 3,00,000 tons of nitro-phosphate fertilizer annually as final products. Principle raw material will be refinery gas and nephtha from nearby petroleum refineries and imported phosphate rock. It is expected that the factory will go into full scale operation during 1962 or early 1963.

Japan

Imports of certain Products to be Freed: As from October 1, 1960, 74 items of agriculture, forestry and fishery products were added to the list of free import goods, according to an announcement made by the Ministry of International Trade and Industry. These items include frog meat, (fresh, chilled, or frozen), meat extracts, natural sausage casings, fish, rye, pine-apples, sweet chestnuts, mushrooms in air tight containers, cocoa bean, pig hides, mink furs (undressed), decorative feathers and bamboo. The value of these items imported during fiscal year 1959 amounted to Y2,400 million or one per cent of the total imports of agriculture, foresty, and fishery products, of which cocoa beans accounted for Y2,530 million, and sweet chestnuts, pig hides and natural sausage casings for more than Y100 million, respectively.

U.S.S.R.

Textile Production: The Soviet textile industry will this year turn out about 8,000 million metres of different fabrics, or more than is produced by such countries as Britain, France and the Federal Republic of Germany taken together. To increase textile production in 1959-65, the Soviet Union will put into operation 200 new high-capacity textile mills. By the end of the seven-year Plan, per capita output of textiles in the U.S.S.R. will reach 55 metres.

Yugoslavia

Income of the Population: In the course of July the total money incomes of the population have grown further so that this year they are higher by 22 per cent than the first seven months of 1959. However, the real wages per one employed, recorded a visible increase which, depending on the working post, moved from 10 to 15 per cent compared to last year. This increase in the purchasing power of the population is reflected in the growth of the retail trade which is larger than last year, as well as in the constant increase in savings. At the beginning of August, they reached the figure of about 84 billion dinars. In the first seven months of 1960 they rose by 17 billion dinars, which is double the amount of the credits granted to another section of the population. The average deposit on a savings book amounts to about 27,000 dinars, while in 1955 for example, it was only 7,000.

United Kingdom

New Plan to Harness Water Power in Scotland: Details of a new £4m plan to harness the water power resources of Glen Nevis, Inverness-Shire, to meet the increasing demand for electricity in the Scottish Highlands has been announced. Demand in the area is increasing by about 7 per cent a year. Under the scheme, 82 million units of electricity would be supplied annually into the Grid.

France

New French Pocket Camera: A French company has designed a new 24 x 36 camera, called 'Malik Reflex' with a variable-focus objective (35-75 mm.). With a diameter of 6 cm. (2⅜ inches) and a length of 8 cm. (3⅛ inches), it is the smallest instrument of its type in the world. Production trials have been successfully completed and an ultra-modern assembly line with the latest precision machines is in the process of being terminated so that the 'Malik Reflex' Camera will soon be available on the world market.

*

Increase in French Oil Production: The output of crude oil during August 1960, including the first shipment of oil from the Eastern Sahara to the Mediterranean Coast, totalled 960,800 tons for the entire French community. Of this total, 177,100 tons of crude oil were produced in metropolitan France, 709,100 tons in Algeria and the Sahara, and 74,600 tons in the other countries in the French Community.

Algeria

Industrialization of Algeria: The industrialization effort made in Algeria as of 31 August, 1960, can be summarised as follows: Of the 480 requests made by various companies, 349 were granted—167 for the expansion of existing industries, and 182 for the establishment of new industries. The capital for two hundred of these businesses is from Algerian sources, and the capital for the other 149 enterprises will come from Metropolitan French sources. A total of 829,370,000 new francs will be invested, of which 2,36,105,000 NF comes from Algeria itself and 593,265,000 NF from Metropolitan French sources.

Belgium

New Method of Mining Coal: The cable- type scraper, inspired by both the Porte and Gardin and the Estfalia systems, was designed and developed by a Belgian engineer, Mr. M. J. Martin, acting within the framework of the Collieries Underground Research Department of Monceau-Fontaine. Its fundamental principles are as follows:

(1) to devise a simple mechanical method capable of assuring an output of 100 tons per cutter, working in rooms of approximately 150 metres in length, in extra-thin seams, even in hard coal;

(2) to permit the electrification, under all circumstances, of the cutting installations by means of simple equipment;

(3) to devise an installation taking up but little room at the coalface so as to allow the retreating method to be used and to facilitate clearance of coal cut (for example, by means of a scraper gobbing installation).

The equipment used is robust and extremely simple. The manner in which the winch and its motor function ensures a very long operating life. The weight of the equipment at the coal-face is only about 1,400 kilograms.

Australia

Aluminium Plant: An expansion programme to increase output of aluminium to 20,000 tons a year will be undertaken following the sale by the Federal Government of its interest in the Bell Bay (Tasmania) aluminium plant to Consolidated Zinc, Pty. Ltd. The plant, which has been operated by the Australian Aluminium Production Commission, was sold to Consolidated Zinc for £1,09,73,000. The Tasmanian Government will retain its interest in the venture. The company and the Tasmanian Government will join in the new company to be formed on a 2/3rds and 1/3rd basis. The expansion programme will cost £94,00,000 and is expected to be completed in four years. Of this sum, Tasmania will provide £30,00,000. From the initial planned output of 20,000 tons, ultimate production will rise between 40,000 and 50,000 tons.

Poland

Polish Ship Salvaging Service: The Polish Ship Salvaging Enterprise began exports of its services last year. Despite sharp competition, Polish tug boats were able to find willing customers for their services. Among the most interesting and most difficult operation carried out so far by the Polish enterprise was the towing of the large tanker "Salimas" last year from the port of Oragange in Florida to Hamburg. The enterprise which has only three tugs operating is planning to expand its fleet with the addition of a few tug-boats of 1,200 HP.

Czechoslovakia

Czechoslovak Sugar Factory Plants for the Soviet Union: Following the pre-war tradition of production and export the Czecoslovok engineering workers are now exporting plants for sugar factories in ever increasing numbers. Among Czechoslovak's largest customers in this line is the Soviet Union. On September 6, another important contract was concluded for delivery of two sugar factory plants whose capacity is the highest ever produced in Czechoslovakia. Each sugar factory can produce 3,000 tons of sugar beet per day. This is the 21st and 22nd sugar factory plant exported to the Soviet Union since 1945. Their erection will be directed by Czechoslovak experts.

I.F.C.

Investment in Rauma-Repola Oy in Finland: The International Finance Corporotion (IFC) has announced a commitment to invest US $1,875,000 in Rauma-Repola Oy of Helsinki, Finland, to help finance expansion and modernization of the company's diversified manufacturing operations. Rauma-Repola is one of Finland's largest manufacturing enterprises, employing some 15,000 people; its 1959 sales were about $60 million. The company operates in the fields of pulp, lumber, heavy machinery and shipbuilding. Rauma-Repola is publicly owned, with some 24,000 shareholders. Largest shareholder and principle sponsor of the business is Kansallis-Osake-Pankki (GOP), one of Finland's largest commercial banks, which owns 20 per cent of the capital stock. The major portion of the expansion and modernization programme is the increase in capacity of a cellulose pulp mill from 70,000 to 150,000 tons per year. The programme also includes modernization of machine shop focilities and expansion of a shipyard. Total cost of the programme is estimated at US $18 million equivalent. The IFC investment will be in unsecured dollar notes bearing 6 per cent interest payable in dollars and maturing between 1961 and 1965. In addition IFC will receive additional payment dependent on dividends and an option to purchase stock. IFC's commitment is subject to completion of the necessary legal formalities.

*

Investment in Comentos Bio-Buo in Chile: The International Finance Corporation announced recently a commitment to invest an additional US $200,000 in Cementos Bio-Buo, SA, to help finance the construction and initial operation of a cement plant near Concepcion, Chile, about 350 miles South of Santiago. The commitment will bring IFC's total investment in the company of $1,200,000. The total IFC investment will be in unsecured dollar notes bearing 7 per cent interest payable in dollars and maturing between 1966 and 1976. IFC will also receive additional interest related to profits and an option to subscribe to stock of the company. IFC's commitment is subject to completion of the necessary legal formalities.

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NEWS IN BRIEF

INDIAN

It is reported that Japanese Government is considering a plan for extending new credit facilities to India totalling $20 million.

*

An Indian delegation will leave for Japan in the third week of November to negotiate the price of the iron ore to be supplied by India to Japanese steel mills next year. The State Trading Corporation has entered into a long-term agreement for the supply of iron ore to Japan and the price of the ore is fixed every year.

*

Plans are under way to make additional facilities available to private ship-owners, both Indian and foreign, to get their ships repaired and refitted at the Mazagon Docks in Bombay which were recently taken over by the Government of India.

*

It is reported "Aid-to-India" discussions in Washington next March at which the foreign assistance needs of the Third Plan will be examined in detail, will be joined by France.

*

The West German Government is willing to assist India in an agricultural project primarily designed to demonstrate improved farming practices and the possibilities of higher yields.

*

It is reported the Union Government has made special arrangements for the shipment of 50,000 tons of milo from the U.S. for use in the drought-affected areas of Andhra Pradesh.

*

Fifteen thousand bales of American cotton under the Indo-U.S. barter deal will arrive in India in the next few weeks. Under the barter deal India is to supply 112,000 tons of ferro manganese and 2.16 lakh tons of manganese in return for 4.5 lakh tons of wheat and 50,000 bales of cotton.

*

The Government of India have accepted the Tariff Commission's recommendation that protection to the piston assembly industry should be continued at the existing rates of duty for a further period of three years, i.e. upto the end of November 1963.

*

The revenue realised from important dutiable items in the first five months of the fiscal year 1960-61 amounted to Rs. 290.90 crores, of this Rs. 59.47 crores were collected during August, 1960.

*

The Shri Ram Institute for Industrial Research, Delhi, has developed a new process for the manufacture of Salicyl anilide which is used as a highly efficient, non-volatile, fungicidal compound.

FOREIGN

It is reported Jordan would receive urgent aid amounting to about $13 million from the International Monetary Fund. Talks with World Bank experts have been successfully concluded and a team of its representatives would arrive in Jordan next month.

*

Details of the quotas for consumer goods to be exchanged between the U.K. and Russia in the year to June 30, 1961, were announced in London recently. The quotas allow for £2.85 million worth (f.o.b.) of goods in each direction.

*

Daily average crude oil output in the U.S. in the week ended September 30, amounted to 6,632,000 barrels, compared with 6,660,000 in the preceding week and with 6,638,000 in the corresponding week last year, according to the American Petroleum Institute.

*

The first tyre manufacturing plant in western Canada was opened in Calgary by the Firestone Tire and Rubber Company. Firestone built the plant, its second in Canada to keep pace with the increasing population and expanding economy of the four western provinces — Manitoba, Saksatchewan, British Columbia and Alberta.

*

An agreement between Leyland Motors and the Israel Ministry of Transport, under which Leyland will establish a plant in Israel for the production of buses and trucks of upto seven tons, was intialled by the Director General of the Ministry of Transport.

*

Details of Turkey's fifth global import quota have been made available. According to a statement issued by the Minister for Commerce, the quota is intended to cover a period of only three months.

*

The North of Scotland Hydro-Electric Board's £4.2 million scheme to harness the water power resources of Glen Davis, would have an annual output of 82 million units of electricity.

*

The contribution made by British shipping to the balance of payments in the form of invisible exports totalled only £100 million last year, compared with £135 million in 1958 and £221 million in 1952.

*

According to the Bank of Montreal's business review, consumer credit in Canada has multiplied eight times ever since the war and now represents about 13.5 per cent of annual personal disposable income.

*

The Government of France has raised the guaranteed minimum wage by 2.31 per cent. About 500,000 workers whose pay scales are linked to the minimum wage will benefit directly.

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Bombay, 12th October, 1960.

Special Article

HAVE INEQUALITIES IN INCOME INCREASED?

By MISS ANNAMMA MATHEW

LAST week the Government of India announced the personnel and terms of reference of the committee appointed for studying the recent trends in the distribution of income in an effort to know how the increase in national income in the first two Plans got distributed amongst various income brackets in the country. A provocative analysis was presented in the July issue of the Quarterly Economic Report of the Indian Institute of Public Opinion dealing with the structure of both urban and rural income. The results of this analysis were based on a sample survey conducted by the Indian Institute of Public Opinion in the middle of 1959 covering 1,818 rural households and 1,293 urban households. In view of the current interest in the changes in the level of living of various groups of people and the controversy whether these changes have been consistent with the socialistic aim of planning, it is interesting to examine the available data. Practically the only useful figures available at present on the subject consist of the reports of the annual socio-economic surveys of the National Sample Surveys. Unfortunately, reports relating to periods subsequent to the 11th round covering the year 1956-57 are not yet available. However, it is interesting to place side by side the findings of the 4th round (April-September 1952) and the 11th round (August 1956-January 1957) of the N.S.S., and the latest survey of the Indian Institute of Public Opinion in order to determine the improvement in the level of living in the various groups.

The reference period for the 4th round was 30 days preceding the date of enquiry and the all-India sample contained 2,388 rural and 1,074 urban families consisting of 17,068 persons. The reference period for the 11th round was 30 days preceding the date of enquiry and the all-India sample contained 7,255 rural and 2,840 urban families consisting of 49,000 persons.

Different approaches are possible in studying the difference in the level of living at two periods. One possibility is, of course, to take a particular representative set of families and to trace and study their conditions at the two periods. Another is to take the two populations, arrange them in per-centile groups in the order of their consumption-expenditure and compare these pre-centile groups—how the living conditions of the lowest one per cent of the population in 1952 compares with the living conditions of the lowest one per cent of the population in 1956-57 and so on. It will be observed that the identity of the persons in the same per-centile group at the two periods may not be the same; a person might have moved to a higher or lower per-centile group during the interval. The latter approach called the "fractile method" seems to present the easier and more practical and useful approach. This method has been used in the present comparison.

It will be seen from Tables I and II that the per capita expenditure in every per-centile group is less in the 11th round (column 5) and in the 4th round (column 4) both for the urban and rural sectors. This is difficult to explain and can hardly be caused by normal sampling flunctuations. It is more reasonable to assume that the difference is due to some difference in concept or design which has had a consistent effect on all the per-centile groups. The feature that would enable comparison would be the fraction which the expenditure of each group would constitute, when

TABLE I

NATIONAL SAMPLE SURVEY ALL INDIA (RURAL) 4TH ROUND (RURAL), 11TH ROUND (RURAL)

Fractile Group, percentage interval 1	Group Expenditure as % of population expenditure: 4th Round Apr.-Sept. 1952 2	Group Expenditure as % of population expenditure: 11th Round Aug. 1956 Jan. 1957 3	Per capita expenditure per month (30 days) upper end of Group: 4th Round Apr.-Sept. 1952 4	Per capita expenditure per month (30 days) upper end of Group: 11th Round Aug. 1956 Jan. 1957 5
0— 5	1.38	1.98	—	—
5—10	1.39	1.99	7.55	5.37
10—15	2.17	2.00	9.25	8.02
15—20	2.17	2.81	10.62	8.84
20—25	2.62	2.81	11.87	9.67
25—30	2.83	2.81	13.12	10.49
30—35	3.17	3.08	14.35	11.31
35—40	3.45	3.53	15.62	12.11
40—45	3.80	3.53	16.62	12.92
45—50	3.80	4.08	17.75	13.85
50—55	4.33	4.14	18.90	14.79
55—60	4.55	4.70	20.12	15.88
60—65	4.78	4.87	21.62	17.01
65—70	5.20	4.98	28.25	18.21
70—75	5.97	5.77	25.80	19.91
75—80	6.41	6.07	29.25	21.97
80—85	7.05	6.85	33.15	24.68
85—90	8.47	7.85	39.00	28.91
90—95	9.64	9.34	48.50	36.11
95—100	16.82	16.81	—	—
TOTAL	100.00	100.00	AV=20.91	AV=16.13

TABLE II

NATIONAL SAMPLE SURVEY: ALL INDIA URBAN 4TH ROUND (URBAN); 11TH ROUND (URBAN)

Fractile Group, percentage interval 1	Group Expenditure as % of population expenditure: 4th Round Apr. Sept. 1952 2	Group Expenditure as % of population expenditure: 11th Round Aug. 1956 Jan. 1957 3	Per capita expenditure per month (30 days) upper end of Group: 4th Round Apr.-Sept. 1952 4	Per capita expenditure per month (30 days) upper end of Group: 11th Round Aug. 1956 Jan. 1957 5
0—5	1.46	1.35	—	—
5—10	1.46	1.36	10.50	8.55
10—15	1.91	1.92	11.90	9.67
15—20	2.10	1.92	13.25	10.78
20—25	2.41	2.30	14.50	11.92
25—30	2.70	2.42	15.75	13.05
30—35	2.90	2.80	17.00	14.19
35—40	2.99	2.94	18.50	15.35
40—45	3.29	3.29	20.25	16.53
45—50	3.66	3.29	22.00	17.72
50—55	3.88	3.76	23.70	19.32
55—60	4.41	3.94	26.00	21.08
60—65	4.77	4.54	28.25	23.23
65—70	5.34	4.97	31.25	25.52
70—75	5.33	5.21	33.90	27.88
75—80	5.01	6.07	38.50	31.77
80—85	8.32	6.79	43.75	37.12
85—90	8.45	7.97	52.00	45.82
90—95	13.47	13.99	65.00	59.25
95—100	16.14	19.17	—	—
TOTAL	100.00	100.00	—	—

compared to the total expenditure of the entire population. Columns 2 and 3 of Table I for all-India rural population and columns 2 and 3 of Table II for all-India urban population give these figures.

So far as the rural population is concerned, it will be seen that up to about the 65th per-centile, generally speaking, the share of each five-per-cent group in 1956-57 is greater than its share in 1952. In fact, the expenditure of this 65% of the population in 1952 was 40.44% of the expenditure of the entire population, while their share in 1957 was 42.33% showing an increase of 1.89%. (The income of this group according to the Institute of Public Opinion figures was only 32% of the total income in 1959; since the savings of the lower income groups will be lower, the percentage of income may be expected to be lower than the percentage of expenditure.) For the population from the 65th per-centile upwards, however, the position is different; the share of expenditure of every five-per-cent group was less in 1957 than in 1952 and the share of the 35% of people above the 65th per-centile has fallen from 59.56% to 57.67% during the period showing a fall of 1.89%. There is hardly any fall in the share of the highest five per-centile group. It may be observed that the 65th per-centile in the rural population corresponds to a per capita expenditure of Rs. 17.01 and the 95th per-centile to a per capita expenditure of Rs. 36.11 (vide col. 5 of Table I) which will roughly correspond to a family income bracket of, say, Rs. 90 to Rs. 200 per month.

So far as the urban population is concerned, there has generally been a decline in the share of every per-centile group up to 90%, the cumulative share up to 90% having declined from 70.39% in 1952 to 66.84% in 1956-57 showing a fall of 3.55%. This has resulted in an increase of the share of the top-most 10% from 29.61% to 33.16%, i.e., an increase of 3.55% of which most has been appropriated by the top-most five per-centile group (the corresponding share of the **income** of the top-most 10% according to the 1959 IIPO survey is only 22.5% which result does not quite fit in; since the savings of the higher income groups will be higher the percentage of income may be expected to be higher than the percentage of expenditure). The 90th per-centile of the urban population corresponds to a monthly per capita expenditure of Rs. 46 and the 95th per-centile to a per capita expenditure of Rs. 60 according to the 11th round of the N.S.S. (vide col. 5 of Table II so that the 90th to 95th five per centile group will roughly correspond to a family income bracket of Rs. 250 to Rs. 350 per month in 1957.

It is difficult to draw conclusions regarding incomes from data on expenditure, but it could be reasonably assumed that there will be greater inequality in the distribution of income than in the distribution of expenditure since the excess of income over expenditure will increase with the level of income. Judgments of inequality based on expenditure are therefore likely to be underestimates when compared with judgments based on incomes. It should also be borne in mind that a fall in the share of income or expenditure of a particular per-centile group during a period need not necessarily mean a fall in the absolute level of income or expenditure of that group. The annual per capita (**not** family) National Income at current prices was Rs. 274 in 1951-52 and Rs. 291.5 in 1956-57 showing an increase of 3.4%. Keeping these points in view, it could perhaps be said that the above figures point to the following conclusions regarding changes in the condition of rural and urban populations between 1952 and 1957. So far as the **rural population** is concerned, the share of expenditure of the lowest 65% has increased from 40 to 42%. The share of the 30% group from 65% to 95% representing a monthly family income group of roughly Rs. 90 to Rs. 200 a month in the 11th round (1957) has suffered a fall of 2% in their share of expenditure from 43% to 41%. There has hardly been any change in the share of the top-most 5% which has remained 17%. In other words, there has been a tendency towards greater equality in the rural population, but the burden has been entirely on the middle class and there has been no burden on the top-most 5% group. So far as the **urban population** is concerned, the share of all groups up to the 90th per-centile has declined, the total having declined from 70% to 67%. The share of the intermediate 5% groups between the 90th and 95th per-centiles representing an income group of roughly Rs. 250 to Rs. 350 a month in the 11th round (1957)

(Contd. on page 751)

TABLE III

	Rural				Urban			
	4th round NSS expenditure	11th round NSS expenditure	IIPO 1959 income	per capita expenditure 11th round for upper end of fractile group	4th round NSS expenditure	11th round NSS expenditure	IIPO 1959 income	Per capita expenditure 11th round for upper end of fractile group
0— 5	1.38	1.98	1.0	—	1.46	1.35	1.0	—
5—10	1.39	1.99	0.8	5.37	1.46	1.36	0.9	8.55
10—15	2.17	2.00	0.9	8.02	1.91	1.92	1.6	9.67
15—20	2.17	2.81	1.3	8.84	2.10	1.92	2.0	10.78
20—25	2.62	2.81	1.8	9.67	2.41	2.30	2.2	11.92
25—30	2.83	2.81	2.2	10.49	2.70	2.42	2.8	13.05
30—35	3.17	3.08	2.2	11.31	2.90	2.80	2.5	14.19
35—40	3.45	3.53	2.6	12.11	2.99	2.94	3.3	15.35
40—45	3.80	3.53)		12.92	3.29	3.29		16.53
45—50	3.80	4.08)	6.9	13.85	3.66	3.29	6.7	17.72
50—55	4.33	4.14)		14.79	3.88	3.76		19.32
55—60	4.55	4.70)	7.3	15.88	4.41	3.94	8.0	21.08
60—65	4.78	4.87)		17.01	4.77	4.54		23.23
65—70	5.20	4.98)	11.0	18.21	5.34	4.97	14.1	25.52
70.—75	5.97	5.77)		19.91	5.33	5.21		27.88
75—80	6.41	6.07)	13.0	21.97	5.01	6.07	15.9	31.77
80—85	7.05	6.85	7.0	24.88	8.32	6.79	7.0	37.12
85—90	8.47	7.85	10.0	28.91	8.45	7.97	9.5	45.82
90—95	9.64	9.34	11.0	36.11	13.47	13.99	10.0	59.25
95—100	16.82	16.81	21.0	—	16.14	19.17	12.5	—
TOTAL	100.00	100.00	100.0	—	100.00	100.0	100.0	—

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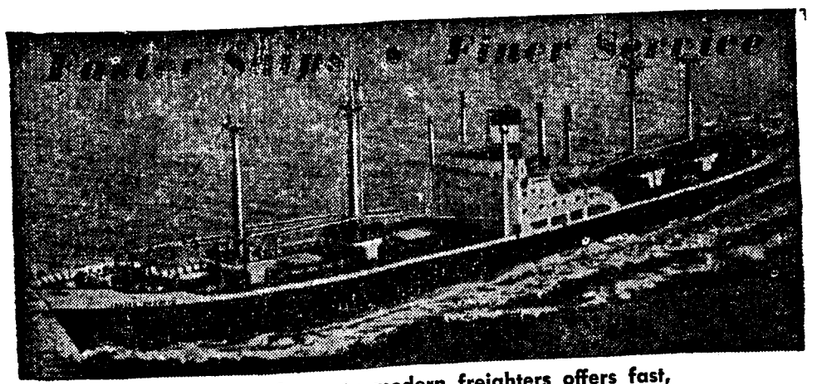
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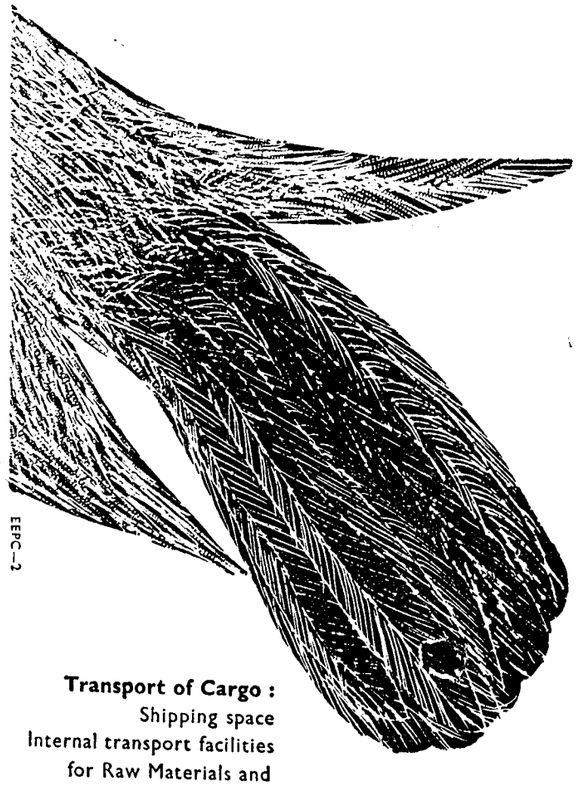
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THE BUSINESS WORLD

Wanted: A Realistic Export Policy

By CROESUS

I HAVE to devote this column this week also to exports. For I cannot help drawing attention to the contrast in attitudes, as it were, to this all important question of exports which I noticed as between the proceedings of the Standing Committee of the Export Promotion Advisory Council, to which I have referred in my last despatch, and the proceedings of the Seventh Annual General Meeting of the Indian Council of Foreign Trade (I.C.O.F.T.), held on the 13th instant in Bombay. I would commend the comprehensive presidential address made on the occasion by Mr Murarji J. Vaidya to all those interested in the promotion of this country's exports. The copious extracts that he gave from the records of the GATT, which he reinforced by quoting from the report of the Three Wise Men deputed by the World Bank to India recently, are sources of comfort, in that they make out an effective case for more exports from the less developed countries to the industrially advanced countries. The sympathetic attitude taken by the GATT in regard to "the problem of low cost imports from the expanding industries of under-developed countries" augurs well for any sustained export drive on the part of the less developed countries generally and of India in particular. It is up to us, therefore, to capitalise this goodwill to the maximum extent possible, but this pre-supposes two things (1) a correct assessment of the present position and prospects of our country's foreign trade in the context of world trade, and (2) a vigorous drive for pushing our exports. It is in having provided useful information on both these that the I.C.O.F.T. President has made a distinct contribution.

Let me first allude to the conclusions drawn by Mr. Vaidya from the examination of India's foreign trade vis-a-vis world trade. On the credit side, India's foreign trade, in tune with the trend of world trade, has recovered from the setback suffered in 1958. In 1959, as well as in the first few months of 1960, this has been the happy position. On the debit side, on the other hand, the expansion of our export trade has not been keeping pace with that of world exports, while our imports have been expanding at a faster rate than world imports. This explains the dangerously low level to which our foreign exchange reserves have dwindled (around Rs. 140 crores). On the basis of our average monthly imports, this sum of Rs. 140 crores would not cover the value of even two months' imports, which is perhaps the lowest foreign exchange reserves position of any country.

One has reasons to expect that, against this dismal background, the Planning Commission would have planned for exports on a really bold scale. But, once again, as in the case of the First and the Second Plans also, our targets for exports, to quote Mr. Vaidya, "have not been bold, taking into account the foreign exchange needs of the situation. They are just estimates of the likely achievements in the normal course." In view of this, it seems doubtful whether our country would at all be in a position to secure a balance on external account within even a period of ten years, as our planners seem to be hoping to do. In this context, the I.C.O.F.T. Chief has pertinently drawn attention to the experience of many developing countries, an aspect, which does not seem to have been taken into account fully by the Planning Commission. It is that, although, as the economic development progresses we may be able to reduce such key imports as foodgrains, steel, and machinery, to name the most obvious, this reduction is likely to be offset by imports of entirely new items. In other words, the pattern of imports will undergo a change qualitatively, but not quantitively. Inasmuch as the scope for effectively curtailing imports is thus severely limited, the only realistic and correct remedy, as Mr. Vaidya urged, is to plan our export drive during the Third Plan period in such a way that our export earnings will be able to cover both the maintenance imports and the loan repayments that fall due during this period.

Against this background, it is not comforting to find that, although our production, agricultural, industrial, and mineral alike, has been rising, the proportion of our exports to production has unfortunately not been rising as much as one would like. Indeed, barring coffee, hessian, sewing machines, iron ore, chromite, and manganese ore, the position has somewhat deteriorated between 1955-56 and 1958-59. An investigation should be made into the causes of decline in the share of exports out of the production of our export commodities and proper measures should be taken to rectify the situation.

Before passing on to the measures for promotion of exports outlined by Mr. Vaidya, there is need to refer to a very disturbing trend in the pattern of our foreign trade. While there has been a decline in our trade with the Commonwealth countries, especially the U.K., there has been an expansion in trade with the U.S.A., West Germany and the communist bloc. The percentage increase in the case of India's trade with the communist countries has perhaps been the sharpest, having risen from 2.15 in 1955-56 to 5.82 in 1959. This has naturally upset our balance of payments position. This is not so healthy a state of affairs, as may appear on the face of it and so needs to be looked into. We should urge the other Commonwealth countries, especially those with whom our trade has been declining, to devise measures to restore the customary balance; in the case of countries like West Germany and the U.S.A., we must persuade the concerned Governments, even as the Three Wise Men of the World Bank team stressed in their report, "to follow an enlightened trade policy for mutual benefit." In regard to the communist countries the favourable balance of trade may lull us into a mood of complacence, but we should not forget that this is at best a temporary phase based, as it is, on bilateral agreements which invariably provide for balancing the trade over a given period.

There is yet another danger that does not seem to have received the notice that it deserves. It is the distinct possibility of our trade with the non-communist countries being adversely hit by our exports to the communist countries. Our need today is not diversion but expansion of our exports. There have been instances, we are told, where additional exports of our traditional commodities to some communist countries (of course, through the STC) has not only resulted in the diminution in our trade with some non-communist countries but also in lowering the international prices of these commodities, because the communist countries, it is alleged, dump the goods imported from our country in our own traditional export markets. As a result the prices of our traditional exports fall and even the existing level of foreign exchange earnings from these exports tend to decline. Accordingly, the ICOFT President sounded a note of warning to both the STC and the Government of India to be cautious in building up the trade with the communist bloc.

To come now to the measures for promoting exports. Apart from initiating discussions with the GATT countries to arrive at some understanding with them in regard to imports from India, Mr. Vaidya listed the following measures:

(1) Introduction of a system of foreign exchange retention on the lines of the Japanese system;

(2) Encouragement of greater collaboration and co-operation between manufacturers and exporters in the utilisation of incentive licences;

(3) Barter by Indian private agencies without any restrictions as to the country to which these agencies may export non-traditional items and import, in return, articles required for State projects or private projects;

(4) Imposition of a condition in the case of industries set up with foreign collaboration that, wherever feasible, exports should be undertaken by the Indian manufacturers to neighbouring markets (this is, in fact, being already insisted upon by the Union Ministry of Commerce), and

(5) Issue of incentive import licences to exporters in proportion to the additional efforts made by them to increase exports, that is, linking of the quota of established importers with their export performance rather than their past imports. None of these is impracticable, but will the Government view them as such and, what is important, implement them promptly?

Business Notes

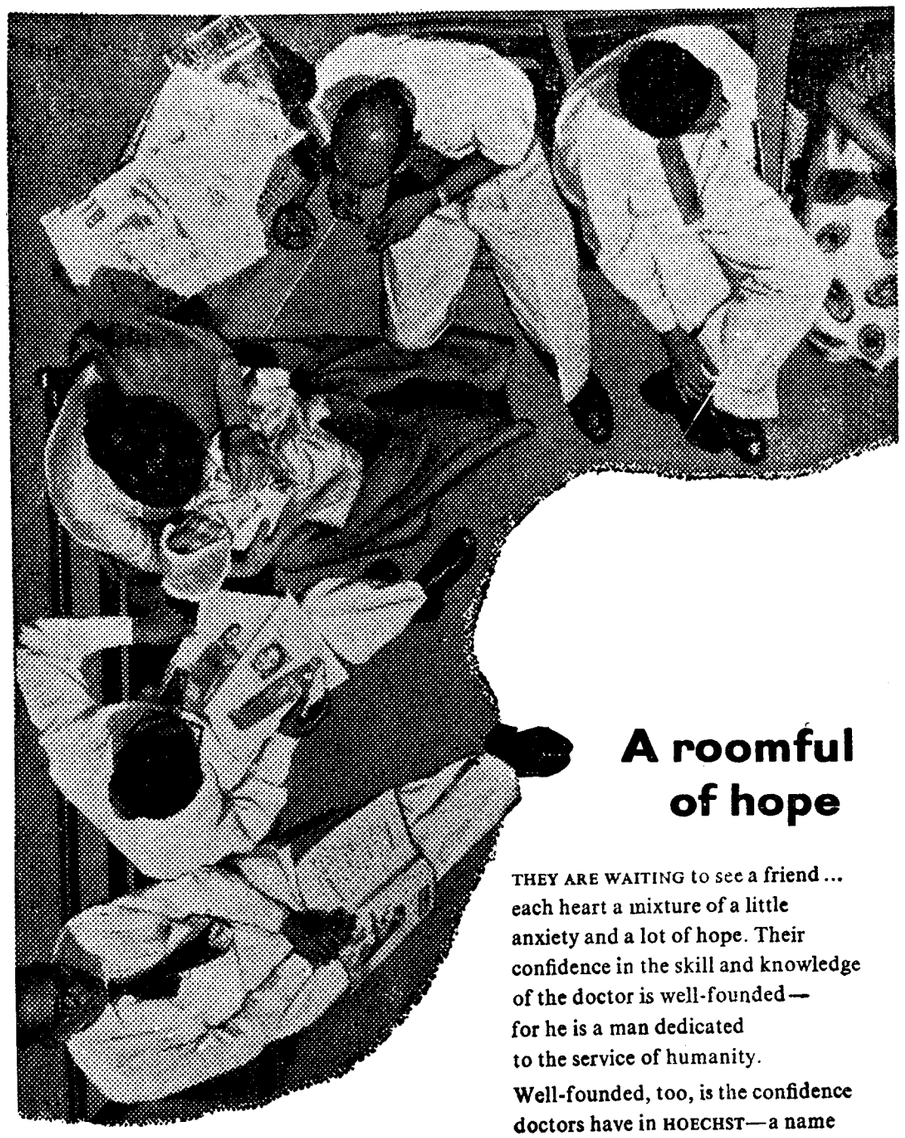
Development

INDUSTRY IN PUNJAB

THE PUNJAB AND DELHI CHAMBER OF COMMERCE has argued a well-reasoned case of its requirements of co-operation and assistance from the State Government through its official policy to accelerate the orderly expansion of industry in Punjab in a memorandum presented to the State Minister of Industries. Relatively speaking, Punjab is making good progress—and faster progress than many other States in India—which is evidenced by the fact that the number of registered factories in the State increased from 2587 in 1953 to about 3,000 at the present time, and the number of persons employed there has risen to a little over one lakh workers. But the memorandum emphasises the fact that agriculture in Punjab has reached a saturation point in so far as its employment potential is concerned. By implication the Chamber means to argue that industrial expansion must be hastened in order to absorb the constantly increasing employable population of the State. Besides industry, the Memorandum discusses the position of agriculture, trade in foodgrains, small industry and other components of the State's economy. But it is the part of the Memorandum devoted to industry which catches immediate attention.

One handicap under which Punjab is suffering in its search for greater industrialisation is the paucity of raw materials. It is suggested that a scientific assessment of the availability of raw materials should be made and necessary steps should be taken to make the supplies adequate when industries are likely to be set up on the strength of the other factors. The Memorandum points out the necessity for the creation of a healthy climate for the growth of industries. In this context it highlights the fact that for some time past there has been "flight of our entrepreneurship" as also of capital. Then it suggests that Government should sponsor a team in order to contact the entrepreneurs from Punjab who have set up industries elsewhere and persuade them to return to the home State. This particular contention has not been corroborated by any factual data which should be in the possession of the Chamber in the ordinary course. How the climate for industry in Punjab is not as healthy as it ought to be and where exactly the flight of capital and entrepreneurship is taking place ought to have been elaborated by the Chamber which is undoubtedly more competent to deal with the subject than any other agency in the State including the Government.

The Memorandum has made some suggestions about industrial relations. It has expressed its faith in the tripartite machinery for cordial labour-management relations. But it has drawn attention to certain gaps in the policy of the State Government. Nothing will be more conducive to harmonious employer-employee relations than free and frank consultation between the parties. But the State Tripartite Committee appears to have become defunct since 1958 and the Memorandum makes a sound plea for the revival of this Committee. It also draws attention to another lacuna in the State Government's labour policy. Conciliation Officers have been appointed to bring about settlement of industrial disputes. But the absence of Conciliation Boards in the State operates as a handicap. Under Section 23 of the Industrial Disputes Act, strikes are prohibited during the pendency of the hearing of disputes before the Conciliation Board. Since the Conciliation Boards do not exist in the State and the Conciliation Officers are called upon to settle the disputes, the paradoxical position arises in which a strike can be continued during the pendency of the hearing of a dispute. Further, the Memorandum asks that model principles for reference of disputes to adjudication should be framed in pursuance of the agreement reached at the 17th Session of the Indian Labour Conference. Many other States have framed such principles which have proved helpful. Likewise, many of the industrially advanced States have declared certain vital industries within their jurisdiction as public utilities to give them a certain amount of safeguard against strikes and lock-outs. The Memorandum urges upon the State Government to take similar action in respect of the important industries, at least those on which normal requirements of the community depend. All in all, this Memorandum has brought to



A roomful of hope

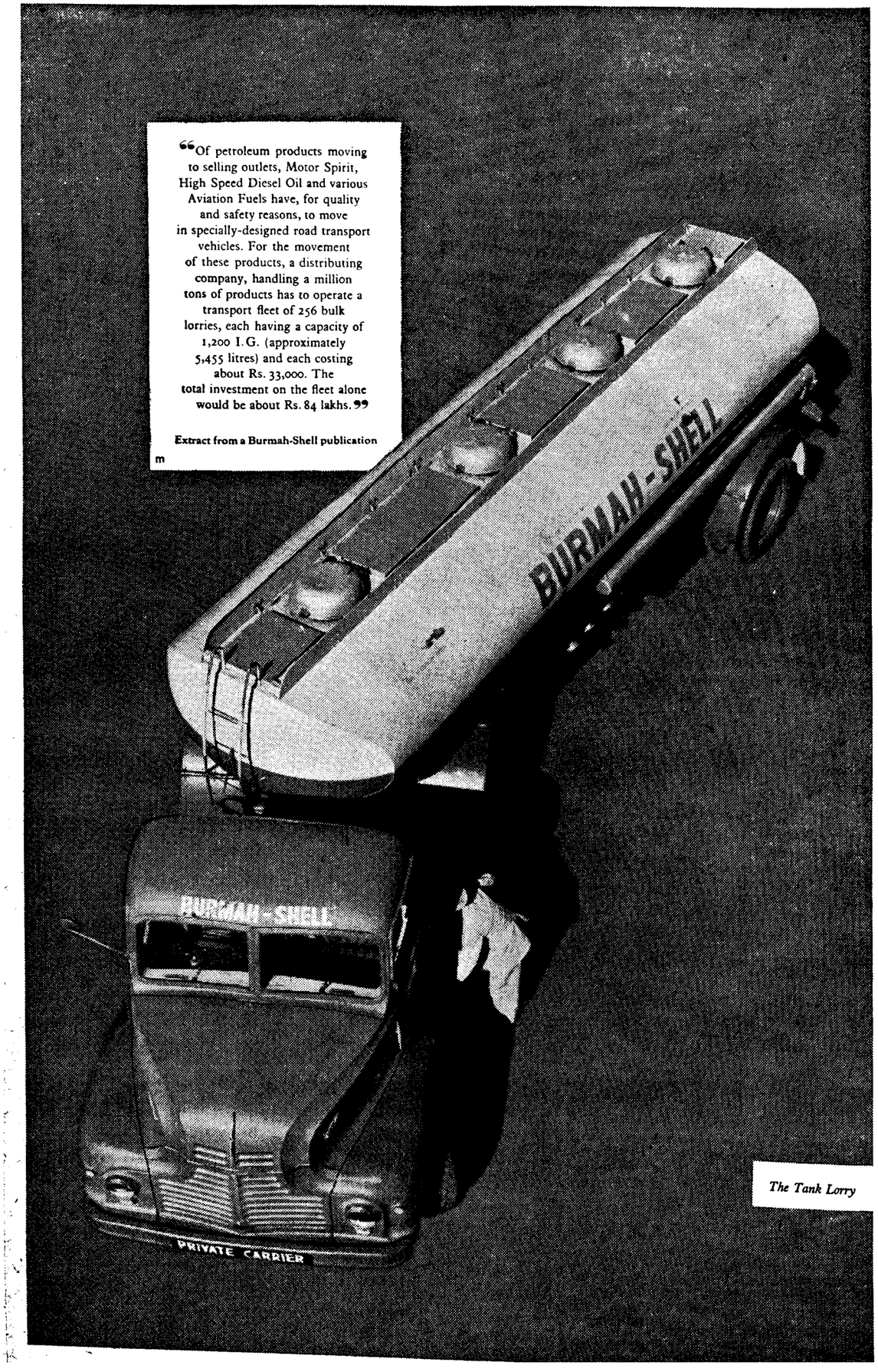
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the notice of the Government a number of points at which the industrial policy can be rationalised.

Industry

TOWARDS HIGHER EXPORTS

SIR SHRI RAM KT., Chairman, The Jay Engineering Works Ltd., at the annual general meeting of the Company gave a call to his fellow industrialists to make every effort to export as many non-traditional items as possible. To those who wanted to earn easy profits in the home market where the margins were larger as compared to those in the foreign market, he reminded that they were able to do so mainly due to the Government's policy of protection. It was, therefore, the duty of the manufacturers that they justified the protection they enjoyed while they were growing and made a bid to capture the export market. Referring to Jay Engineering, he pointed out that the Company had shown very encouraging results. During the year to March 31, 1960, the company exported goods—mostly sewing machines—worth Rs. 80 lakhs. This compares quite favourably with the last year's figure of Rs. 45 lakhs. In the next year, he added, the company's exports may touch the Rs. 125-lakh mark.

While he requested his fellow manufacturers to raise exports, he suggested that the Government, too, should provide certain facilities to exporters. For instance, his proposition, that a high-power committee be formed which could take quick decisions regarding the various incentives to be given for exports, is fairly practicable and should be seriously considered by the Government. Similarly, he has made another valuable suggestion that the Government should provide long-term credit at lower rates to producers of non-traditional items for exports. This is sure to prove an effective incentive to improve the export trade. In view of the difficulties that are being faced by the economy on account of the acute shortage of foreign exchange, it is necessary that both the Government and producers should discharge their respective obligations.

DELHI CLOTH AND GENERAL MILLS

AT THE Annual General Meeting of the Delhi Cloth and General Mills Ltd., Mr. Bharat Ram, Chairman of the Company, dealt at length on the difficulties faced by the mill industry. The Chairman stressed that insufficiency of raw material as well as a considerable increase in its price was one of the major difficulties of the industry. The increase in the costs of the industry has been further brought about by the onerous recommendations of the Textile Wage Board. While the costs have risen, the machinery has become outworn and now a situation has arisen when the industry does not have the means enough for renovation to create increased productivity.

The Chairman is of the view that the situation could be eased and the industry placed on a sound footing if enough cotton was imported and a sizable buffer stock built up. In his opinion, the buffer stock would exert a healthy influence on the prices of cotton which in turn would enable the prices of cloth to be kept at a reasonable level. Adequate renovation of machinery and financial assistance for modernisation was equally necessary if the industry is to be put on a sound footing. Referring to the targets of the handloom and the mill sector in the Third Plan, Mr. Bharat Ram opined that the handloom sector can only thrive on the basis of subsidy and that its development must eventually be at some cost to the general public. The performance of the handloom industry during the Second Plan does not carry the promise that it will be able to achieve the higher targets set for it in the Third Plan. In this context the function of the mill industry as a principal earner of foreign exchange cannot be ignored. To bring about a further increase in exports it is essential that prices of cloth should be kept down in order to face competition abroad. And that could only be achieved if the mill industry's costs were kept down. In this context the suggestions of the Chairman to re-invigorate the mill industry were quite reasonable and fair.

TRAVANCORE RAYONS' EXPANSION

A NEW cellulose film plant of the Travancore Rayons was inaugurated recently by the Kerala Governor, Mr. V. V. Giri. The commissioning of the new plant is expected to double the output of transparent cellulose paper and the company thereby expects to meet all the internal requirements of the country as far as this commodity is concerned. The company has been making gradual progress during the last several years. One significant feature of its expansion, as pointed out by the Chairman, Mr. A. R. Ramanathan Chettiar, is that the company achieved it mostly by ploughing back its profits. Another salient feature of its progress is that it has gradually tried to achieve self-sufficiency as far as raw materials are concerned. These are significant points. The production of sulphuric acid was taken up recently so that at present the company produces 50 tons of acid per day. At present the company depends only on one imported item—wood pulp—which constitutes only 14 per cent of the cost of the finished products. All in all, the present plant makes another landmark in the development of the company.

Trade

AGREEMENT WITH POLAND

INDIA's trade with the Communist countries has been increasing during the last few years. Till 1958, the balance of trade was unfavourable. It is only during the last two years that Indian goods were exported to Communist countries in significant quantities. This was on the basis of bilateral trade agreemets. A similar trade agreement was signed recently between India and Poland, which is expected to increase the total trade turnover by 20 per cent. Under the agreement Poland will export to India industrial equipment, machine tools, mining machinery, rails, chemical products and paper in exchange for vegetable fibres, ores, untreated leather and food products.

India's Trade with Poland

(Rs. lakhs)

	Imports	Exports
1956	2,17	1,09
1957	4,88	1,15
1958	2,26	92
1959	4,02	3,59
1959 (first half year)	2,74	54
1960 (first half year)	1,23	1,66

The table above shows that it is for the first time that during the first half of 1960 there is a surplus balance of trade in favour of India. A commodity wise analysis reveals that it is essentially due to the purchase of de-oiled cakes by Poland, which during the first quarter of 1960 alone amounted to Rs. 84.5 lakhs. Other commodities which have found favourable market in Poland are hides and skins, tea, groundnut and mica. Indian imports from Poland have mostly consisted of capital goods. Apart from rolling stock, machine tools and steel products, items like newsprint, dyestuffs and pharmaceuticals have been among the important imports. The present agreement therefore is mostly on the pattern of the previous agreements between the two countries. There are, however, always certain items which are traded beyond the agreements.

FROM THE CAPITAL'S CORRIDORS

ELECTRICAL GOODS

Current thinking in Government circles here envisages that although the already licensed capacity for the manufacture of electric motors of 300 H.P. and below and power and distribution transformers of 33 KV and below should suffice—provided all the units are worked on double shift basis—to meet the Third Plan demand targets fully, no embargo should be placed on further expansion of these two industries in view of the expanding output of electricity. These two industries, it is stressed, are capable of considerable further development on decentralised basis which will not involve any heavy investment. It has been suggested that further licensing of capacity to about 4-5 lakhs H.P. for the electric motors (up to 300 H.P.) and 4-5 lakhs KVA in respect of power and distribution transformers (33 KV and below) might be considered, in consultation with the Development Council for Heavy Electrical Industries, for installation in the latter half of the Third Plan.

To avoid concentration of the installed capacity in a few States, it has been suggested that further licensing of capacity for the manufacture of electric motors should preferably be effected in the States like Assam, Orissa, Bihar, Uttar Pradesh, Rajasthan, and Andhra Pradesh where there are no units at present or in the States like Kerala, Gujarat and Madhya Pradesh where there has been established only a small capacity so far. Similarly, in regard to the transformers industry, applicants from Assam, Orissa, Uttar Pradesh, Punjab, Rajasthan, Madhya Pradesh, Gujarat, Andhra Pradesh, Kerala and Bihar should be given preferential treatment. There does not seem to be any necessity for further expanding the capacity of the electric motors industry in Maharashtra, West Bengal, Madras, Mysore and Punjab, and of the transformers industry in Maharashtra, West Bengal, Madras and Mysore; the existing and already licensed capacity of the respective industries in these States is considered to be quite sufficient.

ELECTRIC MOTORS

At the beginning of the Second Five-Year Plan, there were 12 units manufacturing electric motors (up to 300 H.P.) in this country, with an annual installed capacity of 263,000 H.P. Since then 8 new units have gone into production and substantial expansion has taken place in some of the existing ones, leading to an additional capacity of 339,520 H.P. At present there are, therefore, 20 units manufacturing medium-sized electric motors with an annual installed capacity of 602,520 H.P. on single shift basis.

The present State-wise distribution of this installed capacity is as follows:

State	No. of units	Annual installed capacity (H.P.)
Maharashtra	5	199,600
West Bengal ..	6	174,320
Madras	7	36,000
Mysore	1	160,000
Punjab	1	32,600
Total	20	602,520

Further capacity of 886,320 H.P. has been licensed for the establishment of 29 new units and for effecting substantial expansion in 14 existing units. This capacity is in the process of being installed. With the implementation of these schemes, there will be 49 units with an installed capacity of 1,488,840 H.P. on single shift basis. The State-wise distribution of this capacity will be as follows:

State	No. of units	Annual installed capacity (H.P.)
Maharashtra	9	423,600
West Bengal	8	368,240
Madras	23	231,000
Mysore	2	240,000
Punjab	4	206,200
Gujarat	1	1,800
Kerala	1	3,000
Himachal Pradesh ..	1	15,000
Total	49	1,488,840

Besides the above capacity, the Heavy Electricals Plant at Bhopal will also produce 50,000 H.P. per annum electric motors of 200 H.P. and above. It is not clear how many of these will be in the range of 200 to 300 H.P., but some motors within this range are likely to be produced at this plant.

The Development Council for Heavy Electrical Industries has estimated that the demand for electric motors of 300 H.P. and below would rise to 2.5 million H.P. per annum by 1965-66. The Council has recommended that a capacity of 3.0 million H.P. should be established to achieve this production. The Planning Commission has tentatively accepted these targets.

TRANSFORMERS

At the beginning of the Second Plan, there were 13 units manufacturing power and distribution transformers with an annual installed capacity of 6,57,000 KVA. Since then three new units, with an annual capacity of 45,000 KVA, have gone into production and substantial expansion has taken place in some of the existing units, raising the capacity further by 5,42,000 KVA. At present there are, therefore, 16 units manufacturing power and distribution transformers in the country, with an annual installed capacity of 12,44,000 KVA on single shift basis.

The present Statewise distribution of this installed capacity is as follows:

State	No. of Units	Annual installed capacity (KVA)
Maharashtra	5	4,19,000
West Bengal	5	3,88,000
Madras	3	1,68,000
Mysore	2	2,59,000
Kerala	1	10,000
Total	16	12,44,000

Further capacity of about 7,07,800 KVA has been sanctioned for setting up one new unit and for effecting eight substantial expansions of the existing units. With the implementation of these schemes, the Statewise distribution of the industry will be as follows:

State	No. of Units	Annual installed capacity (KVA)
Maharashtra	5	5,74,000
West Bengal	5	4,88,000
Madras	3	4,00,800
Bihar	1	60 000
Mysore	2	3,79,000
Kerala	1	50,000
Total	17	19,51,800

The Development Council for Heavy Electrical Industries has recommended targets of capacity and production for power and distribution transformers of 33 KV and below as 4.0 million KVA and 3.5 million KVA respectively for the Third Five-Year Plan. The Planning Commission has tentatively accepted these targets.

CEMENT INDUSTRY

With the demand for cement now exceeding production, the need for allowing further expansion of the cement industry is also being increasingly felt here. In the later half of 1958, the Government of India had decided to go slow with the expansion of this industry for demand at that time was lagging behind output. This decision, it is understood, will be reversed shortly. There is generally a time-lag of about two years between the sanctioning of a scheme and its execution. It is, therefore, thought necessary to consider fresh applications so that the expansion of the cement industry keeps pace with the growing demand. Applications for a total additional capacity of 1.009 million tons are understood to have been received by the Government from the A.C.C. and other cement manufacturers to be implemented on the basis of the indigenous cement making machinery programme.

This additional capacity will be over and above the 1.664 million tons capacity covered by import licences and 1.045 million tons capacity already tentatively selected for implementation on the basis of the indigenous availability of machinery. The present installed capacity of the cement industry is 8.572 million tons. The Third Plan target has been tentatively fixed at 15 million tons.

MEETING LOSS ON SUGAR EXPORTS

Who should foot the loss on export of sugar, a 50,000 tons quota which was announced by the Government of India a couple of weeks ago? The total loss on export of these 50,000 tons of sugar, knowledgeable circles opine, will be of the order of about Rs. 1.25 crores.

The Indian Sugar Mills Association a few days ago submitted a memorandum to the Government asking for an increase in the internal price of sugar to compensate the industry for this loss. The industry claims that the 50 nP. per maund allowance granted to it by the Government in 1958, when sugar prices were first fixed, to meet loss on exports has been nearly wiped out by the increase in cost of production in the past two years. The cost of production of sugar, according to the Indian Sugar Mills Association, rose by 39 nP. per maund during the last crushing season alone, compared to the cost of production in 1957-58. The following is the break-up of this increase in cost of production during the last crushing season:

Cause	Increase in Cost (per maund)
1. Implementation of the interim award of the Wage Board ..	10 nP.
2. Packaging charges	12 nP.
3. Higher prices of stores (coal, limestone, sulphur etc.)	7 nP.
4. Insurance charges (due to increase in capital employed) ..	1 nP.
5. Railway freight	3.25nP.
6. Return on capital employed ..	24 nP.
Total	57.25nP.
Deduct allowance already provided by the Tariff Commission for a season of 151 days	18.00nP.
Net increase	39.25nP.

The Government, it is understood, is not inclined to accept this view, presumably on the ground that this increase in cost of production ought to have been nullified to a large extent by the economies by large-scale production. The price of sugar, it is contended, was fixed at Rs. 36 per maund in 1958 when production was about 20 lakh tons. Now production has gone up to 24 lakh tons and may increase further to about 27 lakh tons during the next crushing season. This should bring down the over-head charges. The controlled price of sugar was raised last year to Rs. 37.85 per maund due to the 3 annas per maund increase in cane prices. From the industry's point of view, there has been no change in the price of the commodity.

The final decision of the Government on this issue is expected to be made known to the industry shortly.

COMMITTEE ON DISTRIBUTION OF NATIONAL INCOME

The personnel and terms of reference of the Committee set up by the Planning Commission to enquire into how the increased national income generated by the First and the Second Five-Year Plans has been shared by the community, has been announced. As indicated in this column earlier, the Committee will be headed by Prof. P. C. Mahalanobis, Honorary Statistical Adviser to the Government of India. The other members of the Committee are Dr. V. K. R. V. Rao, Director of the Institute of Economic Growth, Delhi; Dr. P. S. Lokanathan, Director-General, National Council of Applied Economic Research; Dr. B. N. Ganguli, Director, Delhi School of Economics; Mr. Vishnu Sahay, Secretary, Planning Commission; Dr. D. L. Mazumdar, Secretary, Department of Company Law Administration; Dr. B. K. Madan, Executive Director of the Reserve Bank of India; Mr. B. N. Datar, Adviser to the Union Ministry of Labour and Employment; and Mr. P. C. Mathew, Director, Central Statistical Organisation (Member-Secretary).

The terms of reference to the Committee are (i) to review changes in the levels of living during the First and the Second Five-Year Plans, (ii) to study recent trends in the distribution of income and wealth, and, in particular, (iii) to ascertain the extent to which the operation of the economic system has resulted in concentration of wealth and means of productin.

It is officially stated that the Committee's enquiry will be at the expert level; its primary object being "to ascertain such statistical and economic data as may be gathered at present, to identify the gaps in the existing information and to suggest steps for removing these deficiencies."

Some circles in the capital are of the view the Mahalanobis Committee will do well in not only collecting the statistical data about the distribution of the national income, but also probing into the causes which, during the past ten years, have led to concentration of wealth in a few pockets. It is pointed out that this will help the Government of India to adjust its economic policies. It is also suggested that the Reserve Bank of India, which is at present required to prepare a report on the assets of foreign undertakings operating in this country, should also be entrusted with the task of making a report on the assets of Indian undertakings since 1947. This should facilitate the work of the Mahalanobis Committee.

FOREIGN AID

The U.S. Government is expected to announce its contribution to India's Second and Third Plans this week. The contribution for the Second Plan will cover its last year of operation. According to reports, 250 million dollars are likely to be made available by the U.S.A. during its fiscal year, July 1, 1960, to June 30, 1961. Of these, 50 million dollars will be from the Export-Import Bank and the rest from D.L.F. Of the remaining 200 million dollars, 50 million dollars, it is expected, will be untied to be utilizable for imports of capital goods from the United States. At least 25 million dollars are expected to be made available to bridge the Second Plan's foreign exchange gap.

The Government of India, it is understood, is pressing the U.K. Government to give a further credit of £10 million in addition to the £15 million credit granted recently. Indications are that the U.K. will offer at least £5 million more credit shortly.

Japan, it is reported, is planning to give $20 million credit for the Third Plan.

COAL SHORTAGE — RAILWAY MINISTRY'S CASE

The Ministerial cold war over coal shortage continues, notwithstanding the fact that two blast furnaces, one each at Durgapur and Rourkela, have been lighted.

The contention of the Railway authorities is that the steel plants in the public sector were planned on certain assumptions in regard to coal and other raw material supplies. It is claimed that a number of these assumptions have not been fulfilled. Three coal washeries, for example, were to be established side by side with the setting up of the steel plants. Only one washery has been set up as yet and production there too is only small. Apart from making available right type of coal to the steel plants, the washeries were to provide bunkers which, along with the installation of tippling apparatus at the steel plants, were to mechanise loading and unloading of coal. Another assumption was that loading and unloading of coal for the steel plants had to be on all the seven days in a week. This assumption too has not come out to be true. The three steel plants had not till lately made arrangements for this. From November 1, however, loading on all the seven days in a week may be taken up. Further, iron ore mine for the Rourkela plant has not been mechanised; as a result iron ore for this plant, instead of being moved from a distance of only 36 miles, is being drawn from distant areas which cater to the requirements of Tata's, Indian Iron and Durgapur steel plants. Similar is the story of limestone supplies which are being moved from Sutna or from North-East Bengal. It is alleged that neither Rourkela nor Durgapur have installed tipplers for wagon unloading. This, prima facie, means, delay in loading, delay in unloading and non-utilisation of specially built coal wagons to be run as "coal specials."

Railway authorities are also complaining about the quality of coal allotted for their own use. This coal is allotted from the public sector collieries, where there are neither arrangements for screening of coal, nor for proper loading. The Railways, it is alleged, get inferior quality coal, which seriously affects their efficiency.

A further claim made by the Railway authorities is that from September 21 to September 30, Railways offered 5,215 wagons daily to the Coal Controller who used only 4,318 wagons a day. The average of wagons used, it is pointed out, should have been 4,915 per day. It is contended that though the Coal Controller has been informed that his first priority for the allocation of wagons should be for steel plants, actual loading for these plants as yet has been less than 1400 wagons a day. It is alleged that collieries were cancelling their allocations of wagons, which might mean that there was no coking coal available.

Apropos Railway sidings, it is stated that the National Coal Development Corporation was largely responsible for the delay. The Corporation has not yet provided a single bunker nor has it made any permanent arrangements for loading of coal. The Railways have asked for the opening of dumps at suitable places, so that requirements of coal during the busy season are easily met.

This is a very alarming state of affairs indeed and should absolve the Railway authorities of all the blame. But is it so? There is another side of the picture as well. It is no secret that coal production has not been according to the Plan and that washeries could not be ready by the time the blast furnaces in the steel plants were to be lighted. But the bigger issue from the point of view of Railways is whether they are ready with their special tippling wagons? In Bhilai, tippling apparatus was ready long before wagons were ready and were put in use. Then again, in India total automation is at a discount. The Planning Commission's emphasis is on employment. There is on record a common agreement to which the Railway authorities are a party. This agreement provides that there shall be no tippling arrangements at Rourkela and that manual labour would be used for unloading coal. What have the Railway authorities to say about this?

The case of Durgapur is slightly on a different footing. There are two types of wagons — open and closed. It was agreed that the closed and open wagons will be available for this plant in a certain proportion. It is learnt that arrangements for tippling of small wagons at Durgapur are ready. It is complained that it is the Railways which are not sending out wagons in the agreed proportion.

DIESEL LOCO SHOP

The Government of India has decided to set up a Diesel Locomotive Shop in the public sector. There are 181 diesel locomotives in service on Indian railways at present and orders have been placed for another 78 locomotives. The Third Plan target envisages 450 such locomotives to be put on the rails by 1965-66.

Due to heavy movement of goods, particularly coal, diesel locomotives have been introduced on Asansol-Rourkela, Barkakhana-Daulatganj and Gaya-Mugalsarai sections. Coal movement on these sections is said to be so heavy that there is no longer any possibility to cope with this traffic with steam locomotives. These sections will be electrified ultimately and diesel locomotives will be in use here only till then.

Some part of India, however, will continue to be served by diesel locomotives These include Kandla-Palampur section in Saurashtra and Barauni-Amingaon section in Bihar. For the latter section 60 diesel locomotives are about to be ordered. Hilly areas in Assam will also be served by diesel locomotives particularly due to the difficult nature of the terrain there. For quicker movement of coal, the railway system from Mugalsarai to Saharanpur via Lucknow is also proposed to be served by diesel locomotives. In fact, for this section tenders for 40 locomotives have already been called.

ALLOY STEEL PLANT

The Union Government, it is believed, is likely to decide to locate the Alloy Steel Plant at Durgapur. The initial capacity of the plant, it is understood, will be 50,000 tons annually, expandable to 200,000 tons.

The total cost of the project is estimated around Rs. 50 crores. Of this, nearly Rs. 20 crores will be the foreign exchange component.

The project report for this plant was recently submitted by Dastur and Company.

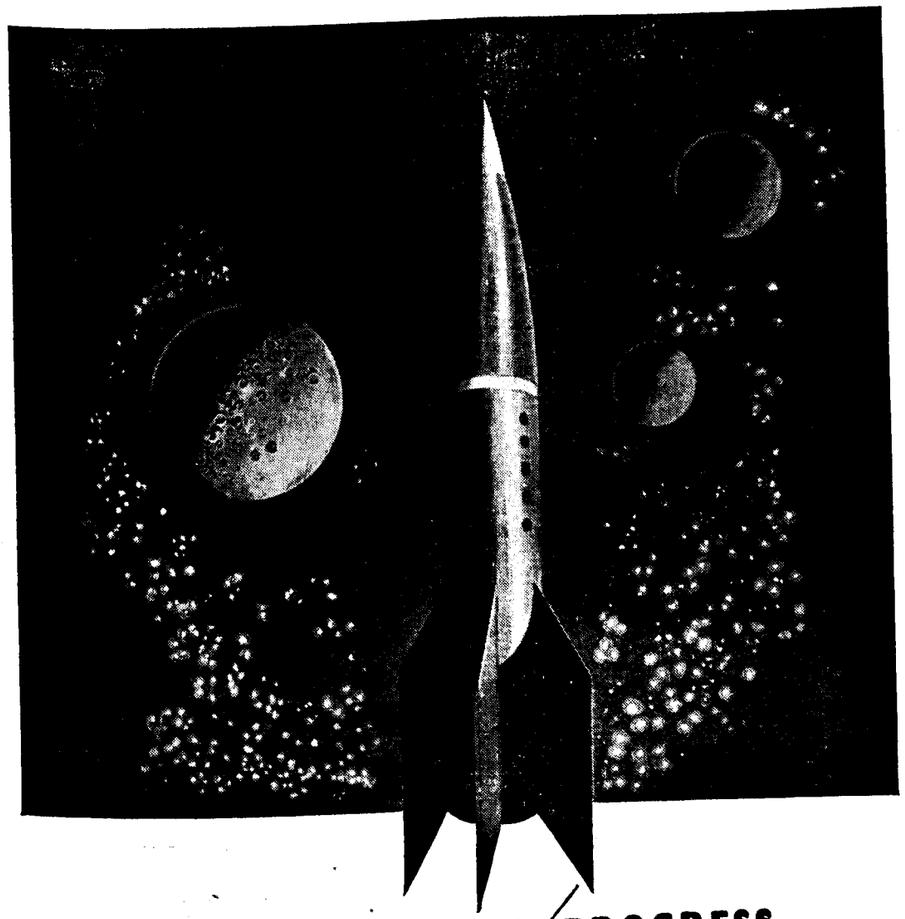
TRADE TALKS WITH RUSSIA

A Russian delegation is expected here on October 21 to negotiate trade plans for a three-year period. These plans, under the Indo-U.S.S.R. Trade Agreement, have been hitherto drawn on yearly basis. The longer period of three years will enable both the countries to plan their trade better. India, for example, may increase the cultivation of tea. As already reported, India would like to import machinery and equipment from the rupee-payment countries in general and Russia in particular.

An Indian team, headed by Dr. D. S. Kothari, of the Ministry of Defence, has left for Russia to finalise the deal for the purchase of Helicopters and certain categories of engineering equipment. According to reports, Russia is prepared to set up a Helicopter manufacturing factory in India, under "certain conditions."

IMPORT OF RICE FROM BURMA

India has invited a trade delegation from Burma to negotiate a new rice deal. Provided prices are favourable, India will like to import three lakh tons of rice from Burma during the current financial year.



COMPANY AFFAIRS

BETTER PERFORMANCE OF SHREE BHAWANI

Considerable improvement was witnessed in the working of Shree Bhawani Cotton Mills Limited during the year to March 31, 1960, as against the previous year. Sales were higher by 18 per cent and gross profits before depreciation by 90 per cent. The working results would have been better but for the fact that the mills experienced acute shortage of electric power during the year under review as a result of restrictions imposed on power supply by the Bhakra Nangal Hydel Project authorities due to reduced energy output caused by water shortage in the dams.

The cotton crop, during the cotton year 1959-60, was the lowest on record for several years and amounted to only 37½ lakh bales as against 48½ lakh bales for the previous year. This resulted in an acute shortage of cotton and a substantial quantity of cotton had to be imported from abroad at prohibitive rates. The rates of indigenous cotton also rose very considerably. Apart from this, the Wage Board set up by the Government for the Textile Industry recommended several measures resulting in increased earnings of the workmen with effect from 1st January, 1960. All these resulted in an increase in the cost of production.

The year's working results show a surplus of 8.90 lakhs out of which Rs. 6.81 lakhs have been provided for depreciation and Rs. 2 lakhs for development rebate reserve. The remaining amount has been carried forward.

MORARJEE GOCULDAS PLANS FOR MODERNISATION

During the year to June 30, 1960 the Morarjee Goculdas Spinning and Weaving Company Ltd. made additions to the plant and machinery to the extent of an aggregate value of Rs. 17.58 lakhs. Under the expansion and modernization programme undertaken by the company further orders for new machinery to the extent of approximately Rs. 24 lakhs were placed during the year. This fact is revealed from the working results which show that out of a gross profit of Rs. 41.10 lakhs the Directors have proposed to transfer Rs. 10.37 lakhs towards expenditure on plant and machinery. Provisions have been made for development rebate reserves to the extent of Rs. 3.15 lakhs, for general reserves Rs. 2.50 lakhs and towards taxation Rs. 10 lakhs. The payment of dividend at the rate of Rs. 6.43 per share (subject to tax) on 4½ per cent free of income-tax cumulative preference shares will absorb Rs. 1.11 lakhs. The payment on ordinary dividend at the rate of Rs. 21.50 per share (subject to tax) will absorb Rs. 11.13 lakhs.

The Directors have reported that in spite of the prevailing high prices of items of manufacture and more particularly of Indian cotton which had a poor crop, the company had succeeded in disclosing a satisfactory working this year.

DELHI CLOTH MILLS : MORE DIVERSIFICATION

Despite cost inflation due to appreciable rise in cotton prices owing to failure of crops and enhanced incidence of wages and dearness allowance following the implementation of Textile Wage Board's recommendations, the Textile units of the Delhi Cloth and General Mills Co. Ltd. did well during the year to June 30, 1960. The working of Silk Factory, however, was handicapped on account of short supply of raw materials. In spite of power supply difficulties, the working of Lyallpur Cotton Mills has been satisfactory. The working of the Chemical Division of the company was marked by all round improvement in production. However, profits of Caustic Soda Plant have been seriously affected by price control enforced since October, 1959. Fertilizer sales have srown an improvement but will require intentive selling effort in the next few years for enabling our plant to run on full capacity. The Vanaspati Factory of the Company showed improvement in production but the results have not been as satisfactory as last year as a consequence of selling prices not moving in parity with the steep rise in oil prices. This trend may get more emphasized in the years to come. Sugar Factories' working was normal. The Company is considering the expansion of the Sugar Factories. Slow but steady progress was maintained in the Confectionery business of the Company. The Distillery of the Company also showed a marked improvement.

In order to keep pace with the technological developments and to maintain its competitive capacity, the company had taken in hand the work of renovation and modernisation of one of its old units. Further proposals are being considered for diversification of manufacturing lines.

During the year under review the profit after deduction of depreciation and taxes etc. comes to Rs. 82.80 lakhs. The Directors have proposed the payment of an ordinary dividend at the rate of 12 per cent.

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Subscribed Capital	Rs.	60,00,000
Paid-up Capital	Rs.	45,50,000
Reserve Fund	Rs.	1,08,00,000

BANKING BUSINESS
OF EVERY DESCRIPTION
TRANSACTED

M. J. Maclaren,
General Manager.

COMMODITY NEWS AND NOTES

DEMAND FOR NATURAL RUBBER

The Rubber Producers Council of the Federation of Malaya in its annual report for 1959 states that there is every indication that firm demand for natural rubber will continue in 1960 and the future outlook is promising also owing to the continuing upward trend in world usage of all rubbers over the years. Nevertheless it would be imprudent for Malayan producers not to continue in every way possible to improve their competitive position, notably by replanting and research. Total Federation output for the year, it is reported, reached 695,976 tons compared with 660,866 tons in 1958 and 635,933 tons in 1957.

WOOL EXPORTS BY AUSTRALIA

According to a report issued by the Bureau of Agricultural Economics, Australia had good prospects of increasing exports of wool to China, but wool exports to Russia and other Communist countries are likely to decline. The Bureau which has recently concluded a survey of the wool situation in Communist countries said available evidence supported the opinion that Russia could achieve the objective of its present seven-year plan for increasing wool production to 1,208 million lbs. by 1965. Self-sufficiency would allow Russia to reduce net imports of wool to insignificant amounts after that year. In the past financial year, Russia's wool purchases from Australia totalled 40 million lbs. The Bureau forecast that Russia could eventually become an exporter of fine wool to other Communist countries in Europe, which now were valuable markets for Australia.

U.S. COTTON ESTIMATE

Official estimates of the US cotton crop published by the Department of Agriculture have so far shown little variation this season. The latest figures indicate production of 14,553,000 bales, a reduction of 28,000 bales compared with a month previously. Yield per acre is 450 lbs. The regularity of the forecasts is shown by the fact that in the first official estimate in August, the crop was indicated at 1,471,000 bales and the yield at 447 lbs. In the past very considerable changes were liable from month to month, but as the forecasting system has been tightened up in recent years, variations are by no means as wide. The latest figures supplement the impression previously gained that total supplies should be more or less the same as in the past three seasons. Importing countries have rebuilt their stocks by steady purchases.

IRON ORE IN ANDHRA PRADESH

The Geological Survey of India carried out a preliminary survey of iron ore occurences in some villages near Kothagudem, Warangal district in Andhra Pradesh during 1957-58. In the southern slopes of the hill, two miles south of Nilancha village a lens shaped hematite band with an average thickness of 20 feet is seen for a distance of 900 feet along its strike and is exposed for an average distance of 300 feet down the dip. The ore content is of mixed grade. The estimated reserves of the ore in its original place as well as those of float ores are 360,000 tons and 92,920 tons respectively. The hills west of villages Ulta, Tatraiyepalli and Gopalpur also contain low grade iron ores in the form of banded magnetite-hematite quartzites with their iron content ranging between 22 per cent and 28 per cent. The reserves are estimated to be about 40 million tons. The Department also proposes to undertake systematic mapping, mineral and geological investigations for ground-water and engineering geology aspects in other regions of the State.

HAVE INEQUALITIES IN INCOME INCREASED?

(Continued from page 738)

has remained practically stationary at 13½%. The share of the top-most 5% group has increased from 16% to 19%. In other words, the change has been for greater inequality among the urban population.

Table III, which gives side by side the figures for 1952, 1957 and 1959, makes interesting comparison. The first two figures are from the N.S.S. and the last from the Indian Institute of Public Opinion. The first two indicate expenditure, but the third indicates income. The last column shows the per capita expenditure in 1957, corresponding to the upper limit of each fractile group. It may perhaps be added that the figures obtained by interpolation may differ to a certain extent from the figures which might have been obtained directly by adding the figures relating to the families in each per-centile group but it is assumed that the distortion is approximately the same in the 4th and 11th rounds so that the comparability of the figures is not affected.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION
Cawnpore Woollen Mills Branch — Cooper Allen Branch
New Egerton Woollen Mills Branch — North West Tannery Branch

LONDON OFFICE.
BEGG SUTHERLAND DIVISION
SECRETARIES & TREASURERS
The Elgin Mills Co. Ltd. — Cawnpore Sugar Works Ltd.
Cawnpore Textiles Ltd. — Champaran Sugar Co. Ltd.
Brushware Limited — Saran Engineering Co. Ltd.
Secretaries for : Beta Picker & Co. Private Ltd. Agents for : Royal Exchange Assurance.

Company Meetings

THE DELHI CLOTH & GENERAL MILLS CO. LTD., DELHI

Speech delivered by Lala Bharat Ram, Chairman, at the annual General Meeting of shareholders held on 17-10-60 in the office of the Company at Bara Hindu Rao, Delhi.

Ladies & Gentlemen,

With your permission, I will take the Accounts and Directors' Report as read.

It is a matter of satisfaction that the profits of the Company are better than in the last year.

The Cotton Mill Industry, as a whole, has also fared better than in the last year in the matter of profits. This, however, should not mislead us to think that the industry is set straight on the road to higher and higher prosperity and that the various difficult problems it had to face in the past no longer exist. On the contrary, it appears to me that as one set of difficulties are surmounted, another set is ready to appear in its place. During the last year I had made a reference to the difficult situation in the matter of supplies of cotton. This continued to grow worse due to the lower Indian crop and the Government not taking timely steps to import larger quantities of cotton. There was, thus, both a physical insufficiency of raw material as well as a considerable increase in its price. As is to be expected in a period of planned development, the demand for cloth kept on rising. Consequently, the prices of cloth went up all over the country. These circumstances leading to this difficult situation have, I am afraid, not been sufficiently appreciated by those who have been criticising the cotton mill industry.

Apart from the increases in the price of cotton and its physical insufficiency, the costs of the industry have been further increased by the recommendations of the Textile Wage Board which granted an ad hoc increase to all workers from 1st January, 1960, and has also stipulated a further increase with effect from 1962. At the same time, the industry has not been permitted to increase its capacity and is therefore unable to recoup these increasing costs by larger volumes of production. The cotton mill industry is one of the oldest in the country and a large part of its machinery is not only old in years but also obsolete in its working. Adequate replacement and renovation programmes call for large-scale financial outlay, which are beyond the limited internal resources of the industry. A considerable part of such machinery has also to be imported for which foreign exchange is not freely available. Financial institutions like the N.I.D.C., I.F.C. etc are no doubt assisting with loans, but these are far from adequate and are subject to many limitations. The industry therefore faces a situation in which it has to meet increasing costs without having the facilities for matching these with increased productivity through renovation of machinery and improvement in techniques.

If the industry is to be placed on a sound footing and the demands of consumers met at reasonable prices. it is essential that these basic problems must be identified and solved in a rational way. The first step to be taken, to my mind, is to increase at once the availability of cotton not only for the current season but over a period of years. For this purpose, I would suggest that the Government should immediately import cotton, not only to meet the needs of this season and to make good shortfalls of the last season, but also build up a sizeable surplus buffer stock. The mere existence of such a buffer would have a healthy influence on the prices of cotton which is turn would enable the prices of cloth to be kept at a reasonable level.

The production programme for cloth should be made out so as to ensure a reasonable balance between the supply and demand for cloth. The demand for cloth at the end of the Third Plan period has been estimated by the Planning Commission at 9,300 million yds. per annum. The Indian Cotton Mills' Federation has placed this demand somewhat higher but even the Planning Commission's target of 9,300 million yds. will call for additional cloth output of over 2,000 million yds. It would appear to be the intention of the planners that out of this increase, some 500 million yds. should be allocated to the mill industry and the rest to the handloom and powerloom sectors. It is well known that the handloom sector can only thrive on the basis of subsidy and that its development must eventually be at some cost to the general public. Apart from this, it is pertinent to consider how far the handloom industry could be in a position to achieve the increase proposed for it, because, if it fails to do so, and the mill industry's production is limited to the planned targets, there is bound to be again a scarcity of cloth, with resultant, higher prices.

The performance of the handloom industry during the Second Plan period does not carry the promise that it will be able to achieve the higher targets proposed for it in the Draft Third Plan. There is considerable doubt whether the published statistics give an accurate picture of the actual production of the handloom industry. The published statistics of production by handlooms are not based on actual reports of production but derived from the quantities of yarn released for the handloom industry and the cloth that should have been produced from these. The production, according to these published statistics is of the order of 1,900 million yds. per year whereas it is surmised that the actual production could not be more than 1,100 million yds. The gap between these two figures is so wide that one can easily imagine the situation that could arise if the increases proposed for the handloom industry were allocated to it without scientific investigation.

It is my earnest submission that we look on this as a problem, not of farming out production opportunities to this Sector or that but of providing adequate supplies of cloth to the people of the country at prices which are both reasonable and stable so that standards of living may rise. If this purpose is kept in mind all these issues fall into perspective, and it will be easy to see the need for production to be allocated on a realistic basis and for providing the industry with the means to achieve its targets, namely, sufficient supplies of raw materials at reasonable prices, adequate financial assistance for modernisation and renovation, and some restraint in fiscal and other increases in costs.

There is another important aspect which makes it desirable that we strengthen the cotton mill industry in the country. As is well known, the textile industry is one of the major earners of foreign exchange by export of cloth. But increasingly in the past years

competition in the export markets is becoming harder to face while at the same time the costs of industry at home are going up, with the result that there is a serious threat of being priced out of the export markets. The recent conspicuous rise in the prices of cloth within the country led to diversion of cloth from exports to domestic markets. From the point of view of exports also, therefore, it is essential that domestic prices should be kept at a reasonable level so that the exports do not suffer.

Incidentally you will be glad to know that the exports of your company have further increased during the year, and we are the second largest exporters of cotton textiles from India.

From these matters which are specific to the textile industry, let me dwell for a while on a subject basic to the progress of all our industries, namely, the problem of agricultural production and prices. Experience with the First and Second Five-Year Plans has taught us two important lessons. One is the imperative need, if standards of living are to rise, for keeping price-levels stable over a period of years. The other is the realisation that agricultural prices are and will continue in the foreseeable future to be a major influence on price levels. In the field of agriculture, as in that of industry, the most effective means of keeping prices low and stable is to increase productivity. In fact, there is no alternative to this, for it is only on the basis of reasonable prices of agricultural products that sustained industrial progress can be built and standards of living improved.

I know I am, perhaps, treading on delicate ground, but it does seem to me that it is time for the Government and the people to give thought to the serious indiscipline that has crept into almost every walk of life. If this is not given immediate consideration and steps are not taken to remedy the position, it is bound to lead to a permanent weakness in the structure of our society. Confining myself, however, to indiscipline among employees as a class, I would humbly urge upon the Government to consider the effect of labour legislation on this problem of discipline in industry. Our labour legislation is founded on the belief that employees are always exploited and they should be meticulously protected from such exploitation. The actual effect of such legislation, however, has often been to protect inefficiency and indiscipline on the part of the employee by making it extremely difficult for the employer to take corrective action quickly and effectively enough. I am willing to grant that in some cases individual injustices do occur but an elaborate legal structure built to protect everyone from every such injustice has resulted in large-scale indiscipline going unpunished. I would, therefore, suggest that we should weight the two evils—one of indiscipline affecting the entire fabric of society and the other of stray cases of individual injustices occuring here or there.

As is well known, the Company is required, under the new Income Tax Law, to deduct Income tax at 30% from all dividends. This would cause hardship to holders of Preference Shares with fixed rates of dividends as they would now be paid only those rates minus 30%. As this is not equitable to them, you will be pleased to know that your Directors have proposed to change the rates of dividend payable on these shares so as to ensure that after deduction of 30%, these shareholders will get the same net amount as before.

Before I close, let me convey my thanks to all my colleagues who form part of this organisation—the D.C.M.—and whose efforts have been responsible for the satisfactory working of the Company.

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

THE JAY ENGINEERING WORKS LIMITED

Speech delivered by Sir Shri Ram, Kt., Chairman, The Jay Engineering Works Limited at the 23rd Annual General Meeting of the Company held on 15th October, 1960.

Ladies and Gentlemen,

The Balance Sheet and Profit & Loss Accounts and the Directors' Report have been in your hands for some time and these with your permission I will take as read.

The comparative figures of sales etc. between the year ending 31st March, 1959 and the year ending 31st March, 1960 are :

	For the year ending 31-3-1959	31-3-1960
Sales	5,33,24,107	7,20,63,503
Profit before providing for incometax	44,22,192	51,94,362
No. of Sewing Machines made	1,97,126	2,42,035
No. of Fans made	2,70,807	3,45,772
No. of Schools	527	716
No. of Students	40,000	50,000
No. of Selling points ..	1,500	1,800

You will be glad to know that for the first time the Fan Factory was able to produce more than 50,000 Fans in the month of April, 1960.

REDUCTION IN FAN PRICES

As you know, at the time of the last Budget, when additional excise duty was levied on fans, we soon after reduced the prices to the extent of the additional excise duty, (in spite of the fact that the excise duties on aluminium sheets and ingots, pig iron etc. meant monthly increase in cost of over fifty thousand rupees) so that our customers did not have to pay net higher prices for our fans, in the hope that increased production will cover this loss.

So far we had been making electrical stampings to meet part of our requirements. We have now been granted a licence to increase our capacity for making laminations so that we may be able, not only to meet our entire requirements, but also be able to supply to other manufacturers. Steps have been taken to add necessary amount of machinery etc. for this purpose.

HIRE - PURCHASE SCHEME

We started the hire-purchase scheme not only in the case of sewing machines, but in the case of fans also, particularly for the cold weather. Although our scheme will mean higher cost and less profits, but it

will help those buyers who could not pay the full price at one time, to pay by easy instalments, total cost being the same.

Air-Circulators, Exhaust Fans,, and Fractional H.P. Motors are now in regular production.

I am sorry to say that Zig-zag Sewing Machine is still not in production, but this time I am glad that while we could have started production somewhere about July or August, but our Design Section got some new ideas, which will make the machine more efficient than before, and we are now hoping that we will start production by January or February next year.

We have now made a good study and have good experience of the foreign markets, and the export of our sewing machines can be considerably increased.

Since the present factory cannot meet the demand we have applied for a licence for a complete new unit of the capacity of 25,000 sewing machines a month, mainly of the zig-zag type, and I and my colleagues are confident of being able to export almost the whole production of the new factory. We hope the licence will be soon granted.

During the year we have fully mechanised our Foundry and it is, if not the only one, one of the very few mechanised foundries in the country.

EXPORTS

As is well known our country is in a difficult position so far as foreign exchange is concerned. In keeping with our policy of continuously increasing our exports, I am glad, that while in the year ending 31st March, 1959 our exports were worth about 45 lakhs, in the year ending 31st March, 1960 our exports were over 80 lakhs. Every effort is being made to see that by 31st March, 1961 we may be able to increase our exports to somewhere near 1,25,00,000.

While on the question of exports, I will appeal to all brother industrialists, particularly of the non-traditional type, to make every effort to export more and more year after year, and to those not exporting, to start exporting. It is true that the margin of profit by sale in India is much higher than what it would be if the goods are exported, but we have also to remember that these margins of profit by sale in India, are due to Government's policy of severe restrictions on imports. It is, therefore, the duty of all of us to help our country by increasing exports in the hour of its need.

PROBLEM OF INDISCIPLINE

I will also, in all humility, make a few suggestions to the Government. It is very necessary that quick decisions should be arrived at as regards the various incentives to be given for exports, or difficulties to be removed, and I would suggest that a high-power committee consisting of, say, the Secretary of the Finance Ministry, of the Industries Ministry, the Steel Ministry, and the Railway Ministry, with two representatives of the Export Promotion Councils be formed with very wide power, to take quick decisions, and implement them without too much of redtapism. Of course, where they may consider it necessary, they can consult higher authorities.

WANTED: LONG-TERM CREDIT

Among other incentives an important one is about the long-term credit on engineering goods for export, and the other a lower rate of interest on long-term credit. Everybody is interested in export and while the Reserve Bank gives loans at concessional rates for agricultural purposes, co-operative purposes, hand-loom purposes, etc., in this case also it can help, particularly in the case of non-traditional items. I also think, and very strongly, that concessions in the matter of income-tax etc. should also be given in the case of exports.

While no doubt it is true that in a very small way there is some increase in the exports of engineering goods, but it is not enough, and I am sure that if the Government and the manufacturers make up their minds, then by the end of the Third Five-Year Plan, the exports of engineering goods alone should go up to worth about 50 crores of rupees a year.

INDUSTRIES' ASSOCIATIONS

I would, therefore, suggest that individual industries should make their own associations to share such losses of profits as may be suffered by those whose goods are of approved quality and who export in increasing quantities. These may be shared by all manufacturers pro rata on the basis of their production. If, however, manufacturers cannot form their own associations, then even at the risk of incurring the displeasure of the business community, I would suggest that on such industries a small cess may be levied, and the export of those goods may be handed over to the State Trading Corporation, who I hope will utilise the normal trade channels for the purpose, but we must make up our own mind that every year the export of engineering and non-traditional goods should go on increasing so that in the last year of the Third Five-Year Plan we export not less than Rs. 50 crores worth of engineering goods alone, and if possible even more.

I have pleasure in saying that the relation with our staff and workers continue to be cordial, and it is the result of these relations that we have been able to steadily increase production, and we are, therefore, grateful to all over colleagues whether in the Factory side or on the Sale for their devotion and hard work.

THE
UNITED COMMERCIAL
BANK LIMITED

Head Office: CALCUTTA

Authorised Capital	..	Rs. 8,00,00,000
Subscribed Capital	..	Rs. 4,00,00,000
Paid-up Capital	..	Rs. 2,00,00,000
Reserve Fund	..	Rs. 1,75,00,000
Working Funds 31-12-59 over	..	Rs. 145,00,00,000

* BRANCHES ALL OVER INDIA AND ABROAD.
* AGENTS THROUGHOUT THE WORLD.
* PROVIDES EVERY BANKING FACILITY.

G. D. Birla, Chairman — S. T. Sadasivan, General Manager

UNDER SECRETARY TO GOVT. 27 OCT 1960 PUBLIC DEPARTMENT

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months / Average of weeks ended Saturdays			Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54		..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55		..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56		..	86.6	81.0	96.2	99.1	100.1	99.6	99.7	92.5
1956-57		.	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58			106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59		..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60		..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
July	1959	..	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
August	,,	..	121.7	98.3	115.5	119.4	109.2	109.5	109.5	117.1
September	,,	..	120.5	99.7	116.3	122.6	111.3	109.8	110.0	117.2
July	1960	..	124.0	109.6	119.5	137.2	130.4	119.4	121.0	124.7
August	,,	..	123.9	106.7	119.5	137.0	130.1	121.0	122.3	125.0
September	,,	..	123.9	104.5	119.6	138.8	129.7	121.5	122.7	125.3
10-9-1960		..	124.1	103.6	119.6	138.1	129.2	121.3	122.4	125.2
17-9-1960		..	123.6	104.5	119.6	139.1	129.5	121.4	122.6	125.2
24-9-1960		..	123.9	105.5	119.5	141.1	130.0	121.5	122.7	125.7
1-10-1960		..	122.8	105.5	119.5	140.6	129.7	121.5	122.7	125.1

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	..	105	104		106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	—	154	399	460	510	165*	462	167	164*	171
July	404	423	—	160	406	483*	515	165*	467	169	164*	174*
August	402	421	—	160	410	483*	515	—	470	—	—	—
September	—	—	—	—	—	—	—	—	472	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 7-10-1960			30-9-1960			23-9-1960			16-9-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams) ..	115 45	112.40	113.87	116.80	114.71	115.51	116.90	115.67	116 34	116 93	115.24	116.05
Silver (per kilogram) ..	193.15	190.15	191.65	194.14	192.21	192.87	194.68	193.18	193.95	194 36	193 07	193.70

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	454,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117.76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333,83	1,750,77
Average of Fridays										
July 1959 ..	1,698,91	23,54	1,722,45	117.76	172,01	289,77	16.82	131,85	1,360.83	1,722,45
August „ ..	1,670,76	23,63	1,694,39	117,76	163,01	280,77	16.57	134,95	1,278,68	1,694,39
September „ ..	1,658,75	24,40	1,683,16	117,76	163,01	280,77	16,68	136,13	1,266,26	1,683,16
July 1960 ..	1,827,14	25,64	1,852,77	117,76	140,01	257,77	13,91	128,54	1,466.47	1,852,77
August „ ..	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819.21
September „	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.30	131,80	1,437,70	1,810,26
Week-Ending										
9-9-1960 ..	1,808,22	14,73	1,822,94	117,76	123,01	240,77	13.21	130,52	1,451,66	1,822,94
16-9-1960 ..	1,792,60	21,65	1,814,25	117,76	123,01	240,77	13.27	131,76	1,441,72	1,814,25
23-9-1960 ..	1,783,97	21,29	1,805,25	117,76	123,01	240,77	13.34	132,76	1,431,72	1,805,25
30-9-1960 ..	1,790,04	14,99	1,805,03	117,76	123,01	240,77	13.34	132,52	1,431,74	1,805,03

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,79	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51.82	13,60
1957-58* ..	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,81	25,57	28,23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
July 1959 ..	57,01	23,49	81,19	161,83	323,52	54,65	468,18	23,61	5,56	11,57	24,46	69,14	320,74	13,10
August „ ..	57,38	37,65	84,17	155,45	334,65	63,80	488,44	23,70	3,88	15,23	21,44	74,08	340,57	9,55
Sept. „ ..	61,55	20,48	78,06	120,78	280,88	65,03	430,91	24,51	4,30	20,60	17,35	76,50	278,28	9,36
July 1960 ..	63,54	20,24	120,31	132,35	336,44	73,49	494,93	25,70	13,72	21,02	32,81	125,06	260,19	16,48
August „ ..	60,44	23,00	118,40	120,40	322,25	76,19	483,44	19,92	23,55	21,65	37,69	117,00	251,73	11,90
Sept. „ ..	67,44	30,26	108,27	92,64	298,59	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85	12,03
Week-Ending														
9-9-1960 ..	62,63	27,25	115,68	89,85	295,41	76,84	457,25	14,81	27,26	22,67	29,18	148,57	202,77	11,99
16-9-1960 ..	81,72	35.50	99,62	92,27	309,11	77,39	471,49	21,73	22,16	23,44	28,67	137,11	226,37	12,01
23-9-1960 ..	76,63	23,43	110,72	91,72	302,50	77,42	464,92	21,36	21,69	20,93	30,58	143,14	215,15	12,06
30-9-1960 ..	63,32	18,46	104,94	87,62	274,34	81,30	440,64	15,09	16,85	16,17	27,36	130,63	222,32	12,22

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

TABLE I

GROWTH OF COMPANY SECTOR

(1001 Public Limited Companies)

(Amounts in Crores of Rupees)

nies-	1956	1957	1958	Percentage increase (+) decrease (—) of: 1956 over 1955	1957 over 1956	1958 over 1957	1958 over 1955
Paid-up capital plus free reserves (net worth) at the end of the year	747	816	865	908	9.3	6.0	5.0	21.6
Gross fixed assets at the end of the year ..	936	1070	1245	1389	14.4	16.3	11.6	48.4
Net fixed assets at the end of the year	531	629	757	852	18.4	20.5	12.5	60.4
Inventory at the end of the year	420	511	563	566	21.6	10.1	0.5	34.7
Total assets (net) at the end of the year	1430	1652	1844	1954	15.5	11.6	6.0	36.7
Total income during the year	1614	1838	2004	2082	13.9	9.1	3.9	29.0
Sales (Main Income) during the year	1397	1566	1703	1789	12.1	8.7	5.1	28.1
Profits before tax during the year	119	131	107	120	10.1	—18.0	11.6	0.8
Profits after tax during the year	68	72	56	64	5.5	—22.3	15.1	— 5.7
Dividends during the year	39	42	42	46	9.0	— 0.5	10.0	19.3
Retained profits during the year	29	29	14	18	0.8	—53.9	31.2	—39.0

TABLE II

PROFITS AFTER TAX AS PERCENTAGE OF NET WORTH†

Industry	750 Companies: No. of Companies.	1951-55 Average	1001 Companies: No. of Companies	1955	1956	1957	1958	1955-58 Average
1. Cotton Textiles	145	5.6	204	9.2	7.8	— 0.9	0.3	4.1
2. Jute Textiles	44	5.9	44	0.6‡	— 4.4	3.1	7.7	1.8
3. Other Textiles	14	3.7	11	9.3	9.6	7.6	8 4	8.7
4. Iron and Steel	2	17 6	2	21.9	14.6	11.2	11.9	14.9
5. Engineering*	57	6.4	85	10.4	9.8	9.7	9.7	9.9
6. Mineral Oils	—	—	2	14.7	28.8	16.7	14.7	18.7
7. Cement	7	11.0	11	11.6	10.7	7.6	5.5	8.9
8. Sugar	52	10.0	73	8.1	10.2	9.7	8.3	9.1
9. Paper	12	10.6	13	10.2	6.1	7.2	10.7	8.6
10. Vegetable Oil	16	—	15	9.1	3.7	— 3.8	5.9	3.7
11. Chemicals§	37	3.0	43	6.3	6.3	5.5	6.3	6.1
12. Matches	4	11.0	4	9.1	8.0	3.5	9.5	7.5
13. Coal	38	6.5	47	6.6	3.1	5.6	6.7	5.5
14. Electricity Generation and Supply	20	7.3	21	7.3	6.7	7.9	8.1	7.5
15. Shipping	10	5.1	10	5.3	12.6	13.4	6.2	9.4
16. Tea Plantations	113	14.3	167	5.4	11.2	3.8	6.0	6.6
17. Other Plantations	26	14.0	43	12.8	13.8	9.1	9.8	11.4
18. Trading	23	4.9	39	6.0	6.6	4.6	7.2	6.1
19. Total (including others) ..	750	7.9	1001	9.1	8.8	6.4	7.1	7.9

† Paid-up capital plus all reserves (other than taxation and depreciation reserves) and balance of profit.
* (1) Non-ferrous metals, (2) Transport Equipment, (3) Electrical machinery and (4) Machinery (other than transport electrical).
§ (1) Basic industrial chemicals, (2) Medicines and pharmaceuticals and (3) other chemicals.
‡ For 23 companies, accounts relating to twelve monthsended March 1956 are used instead of those for twelve months ended September 1955, used earlier.

Source: Reserve Bank of India Bulletin.

TABLE IIII

GROSS PROFITS† AS PERCENTAGE OF GROSS SALES@

	750 Companies		1001 Companies					
	No. of Companies	1951-55 Average	No. of Companies	1955	1956	1957	1958	1955-58 Average
1. Cotton Textiles	145	6.5	204	9.0	8.5	3.2	4.0	6.2
2. Jute Textiles	44	5.7	44	2.7§§	— 0.2	3.1	6.1	2.9
3. Other Textiles	14	8.8	11	14.6	16.0	11.9	12.0	13.6
4. Iron and Steel	2	20.6	2	25.6	22.9	18.0	15.2	20.4
5. Engineering*	57	8.6	85	9.7	9.3	8.6	9.5	9.3
6. Mineral Oils	—	—	2	21.5	28.9	22.7	20.9	23.5
7. Cement	7	20.3	11	20.7	17.2	13.5	11.9	15.8
8. Sugar	52	10.4	73	10.9	10.9	8.7	7.5	9.5
9. Paper	12	18.3	13	16.6	13.9	12.9	16.1	14.9
10. Vegitable Oil	16	1.3	15	3.8	2.3	1.1	3.2	2.6
11. Chemicals§	37	6.7	43	8.2	8.0	8.9	9.6	8.7
12. Matches	4	7.6	4	7.7	7.0	5.2	5.7	6.4
13. Coal	38	9.0	47	10.5	7.3	9.1	10.1	9.3
14. Electricity Generation and Supply ‡	20	33.2	21	29.6	25.6	24.4	25.2	26.2
15. Shipping	10	11.2	10	12.4	21.4	21.9	11.0	16.7
16. Tea Plantations	113	26.8	167	15.3	23.7	12.0	15.2	16.6
17. Other Plantations	26	39.8	43	44.1	41.8	29.3	30.5	36.4
18. Trading	23	1.7	39	2.3	2.6	2.7	3.7	2.8
19. Total (including others)	750	9.2	1001	10.4	10.1	8.2	8.7	9.4

@Main Income.

* (1) Non-ferrous metals, (2) Transport equipment, (3) Electrical machinery and, (4) Machinery (other than transport and electrical).

§ (1) Basic Industrial Chemicals, (2) Medicines and Pharmaceuticals and, (3) Other chemictls.

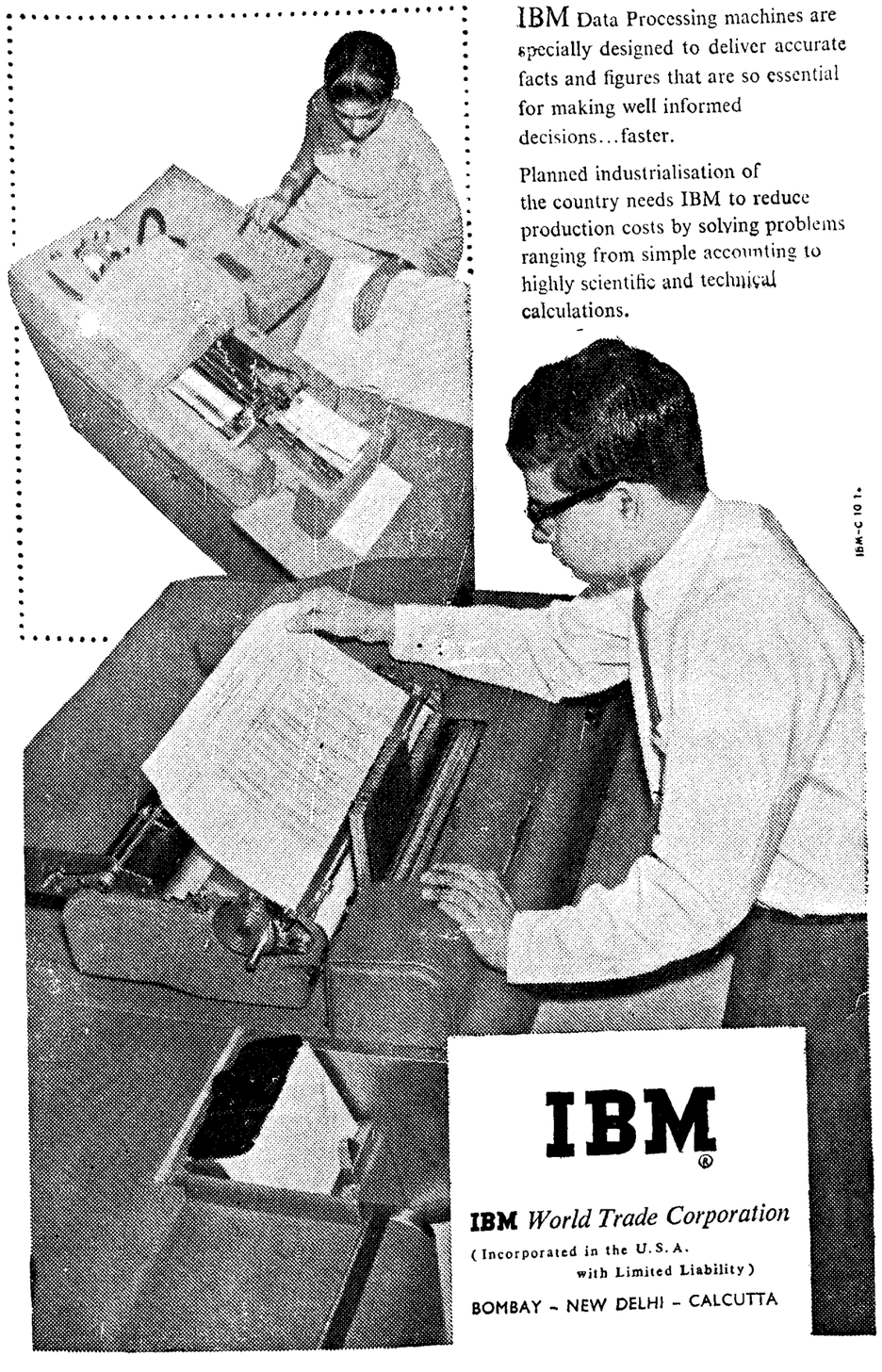
† Including managing agents' remuneration, interest charges and tax provision but excluding depreciation.

‡ Depreciation deducted as per conditions stipulated in Electricity (Supply) Amendment Act, 1948.

§§For 23 companies, accounts relating to twelve months ended March 1956 are used instead of those for twelve months ended September 1955, used earlier.

Source: Reserve Bank of India Bulletin.

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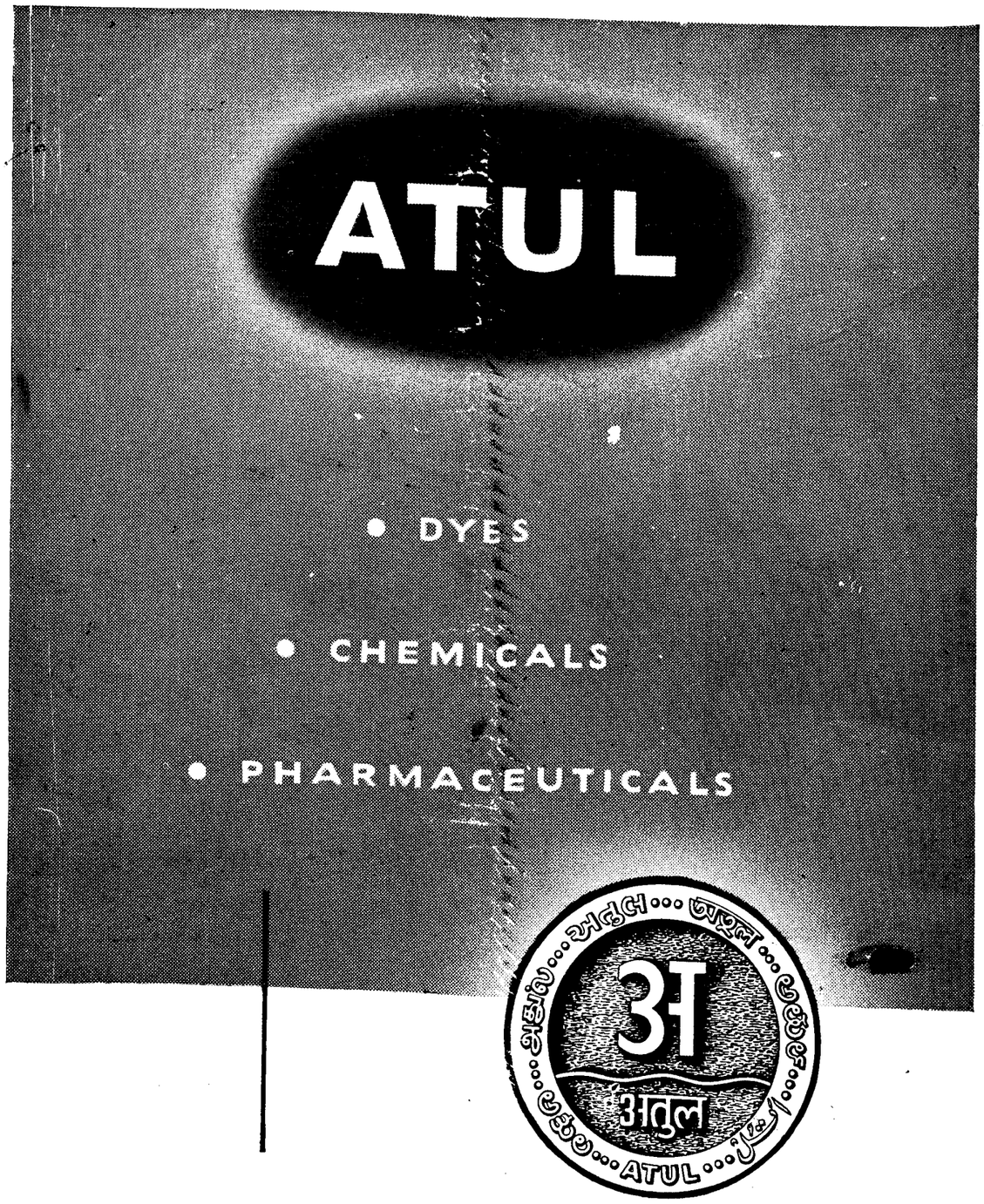
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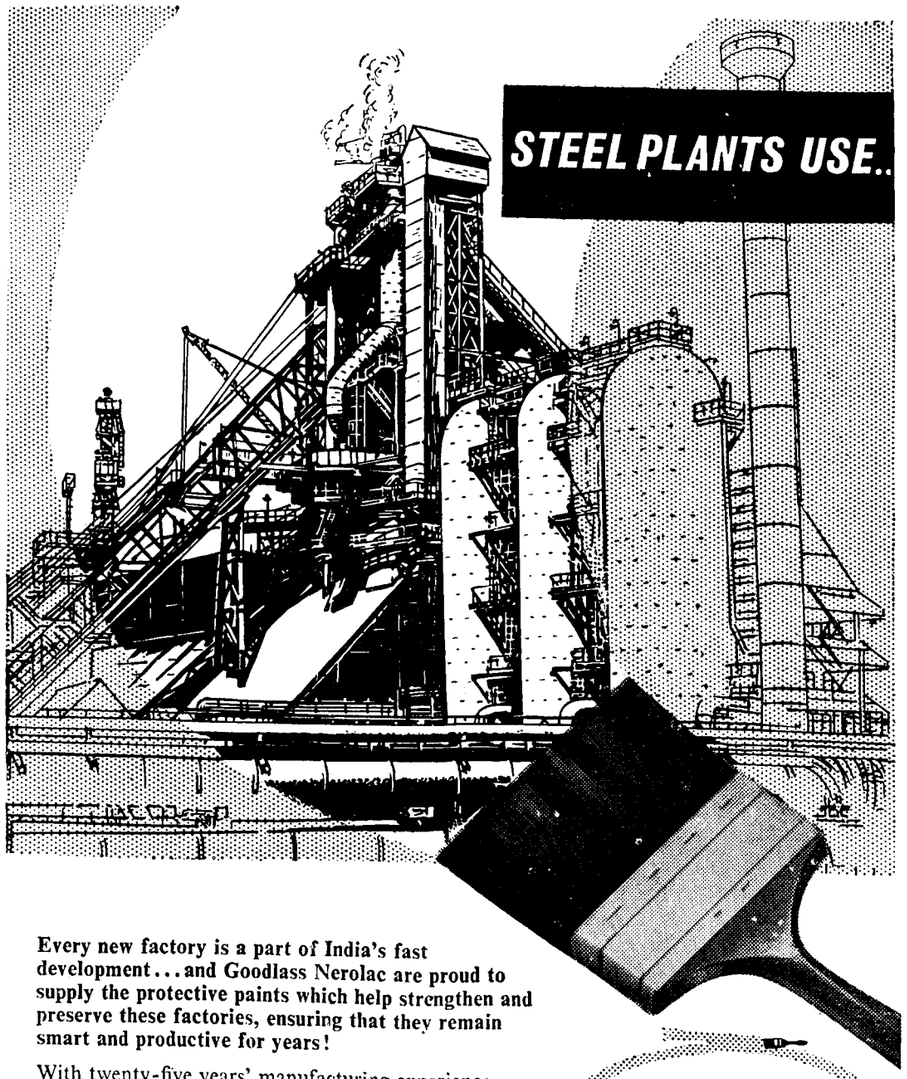
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SECRETARIAT LIBRARY GOVERNMENT OF INDIA

The Eastern Economist

OCTOBER 28, 1960.

Gold and the Dollar

THE event of the last ten days has been the dramatic rise in the price of gold in European markets. At the time of writing the price is $40, but the peak reached was $41, and since the United States statutory price for gold is only $35 to the ounce, it is obvious that demand and supply are not obeying the Treasury of the United States. This is not the first time that departures have taken place, but in the past the United States, largely because of its large gold stocks, has been able for some time to dictate its price almost everywhere in the world, where imports were committed. This does not include India because of our insulation from international prices. In any case, however, the question now arises as to whether the United States is in the same position to enforce its discipline upon the world.

During the last three years the outflow from the United States has been estimated at $3.9 billion and the short-term liabilities of the United States are in the region of $10 billion. When the dollar is under pressure, as at present, the short-term liabilities are extremely vulnerable and present an aspect of extreme discomfort to the United States Treasury authorities. The bold talk of maintaining the dollar without sufficient gold reserves and with vulnerable short-term liabilities must naturally look far less effective today than almost at any time in the United States history. It is not surprising that talks of devaluation of the dollar continue to resound all over the world. So far as India is concerned, as has already been stated, our gold price is not held by bonds of imports and, in any case, our price is more than double the ruling price in London. The question which is relevant is not the price of gold in India, but the possibility of India having to adjust herself to a devalued dollar. If the dollar should be devalued in terms of gold, it is extremely likely that the parity between the dollar and European currencies will be maintained. The view has been expressed in Bombay that India need not follow suit, but this does not take account of the extreme vulnerability of our own trade, should our main competitors in exports, such as Pakistan on jute goods, and Ceylon, Pakistan and Indonesia on tea, devalue with sterling. It is obviously a difficult problem as to what would be the net consequences of devaluation. Much depends upon the scale of devaluation.

But the first indications are to the effect that India will have no choice but to march with sterling and with the dollar. This is not recognition of the form in which Dr. B. R. Shenoy has been approaching devaluation of the Indian rupee, because that was the proposal of devaluation in isolation not in respect of gold only, but in respect of all currencies. The present suggestion is merely an indication that when world movements prescribe a change in terms of trade, some benefits should not be lost because of the arguments of prestige. If the United States dollar is devalued and the pound sterling goes with it, there is no prestige to be obtained by maintaining an artificial Indian rupee. To say that this contingency is possible should not induce any flight from the rupee and should not indeed alter the course of current trade, but it is wise to reckon with when the pressure on the dollar is greater than it may be able to sustain with an unreal gold price in the United States.

The Government and the Press

IN the course of the last eight days two events have occurred which raise some important issues of principle about the relationship between the Government and the Press as well as the function of the Press in commenting on current affairs. On Friday last the correspondent of the *Pravda* put a lengthy and involved question to the Prime Minister at his Press Conference about an article published in *The Times of India*. On Tuesday this week the question of a show cause notice to the Bhubhaneshwar correspondent of *The Statesman* figured during question-time in the Orissa Legislative Assembly. It is significant that the two contemporaries concerned are among the important dailies of this country and known for their high journalistic standards and independence of views.

The grievance of the *Pravda* correspondent was that a particular editorial published in *The Times of India* was of an anti-Soviet nature and its publication was offensive to the Soviet Union and as such it was harmful to friendly relations between India and the Soviet Union. Not stopping at that, the correspondent wanted to know whether the Prime Minister agreed that it would pro-

duce such an effect and, if so, what measures would be taken to prevent such publications in future. The Prime Minister hardly touched the crucial issues which were implicit in the *Pravda* correspondent's question. His reply was, evidently, evasive, when he stated that the views expressed by *The Times of India* were its own particular views, though he characterised them as 'ridiculously absurd' and ended up by saying that it was difficult to deal with them.

The views in question raised in *The Times of India* article related to the role of Mr. Khrushchev at the United Nations General Assembly and the kind of invectives in which he took the liberty to indulge on many occasions. There can be no doubt that the criticism of the Soviet Premier contained in the article was objective and even assuming that its tone could have been milder, there was nothing in the least to suggest that the opinions were 'ridiculously absurd'. Such denunciation can hardly refute frank criticism.

Whatever may be the concept of the freedom and functions of the Press in the Soviet Union—and apparently the assumptions made by the *Pravda* correspondent were based on that concept—the occasion demanded that the Prime Minister should have clarified the position that in a democracy the Press had the right to freedom of expression of views, no matter whether they were calculated to win the concurrence of the Government or were critical of its policies and actions. Whether they reflected the majority viewpoint or not was an irrelevant consideration and, no exception could be taken to them so long as they were objective and sincerely held. The question of Government taking any measures to prevent their publication does not arise at all in this country unless it militates against the law. Oftentimes, the fourth estate has to perform its function as a severe critic of Government policies and actions and Government on its part has to take the criticism for what it is genuinely worth. It is in this manner that Authority is constantly kept on its guard against lapses.

The assumption that any adverse criticism of the Prime Minister or the Government of a friendly foreign country constitutes an insult to them and undermines the basis of harmonious relations is hard to sustain. If this assumption were to be accepted as a criterion of the conduct of the Press, it would lead to the intolerable position that on each single issue the Press must endorse whatever policies or pronouncements are made by such Governments, irrespective of their merits. In the case of India, this assumption would lead to an untenable position. India's policy of positive neutrality and friendship with all would, on the basis of this assumption, gag the Press in this country inasmuch as diametrically opposite policies adopted by the countries of the two power blocs cannot all be endorsed. Friendly relations between any two countries are essentially grounded on the deep foundation of goodwill among the people and a certain measure of community of purpose in vital spheres of mutual as well as international interests. That friendship is by no stretch of imagination so brittle as to give way before fair and objective criticism by the Press in one country of the doings of the Government of the other country.

The Bhubhaneshwar correspondent of *The Statesman* was served with a show cause notice why his accreditation should not be cancelled as the headlines appearing at the top of his dispatch, relating to the August floods in Orissa, mixed up reports of the flood situation with the widening rift within the ruling Congress Party. The Chief Minister hastened to explain during question-time that the matter had been discussed with the Editor of the paper and settled. The matter was certainly by no means of such a magnitude as to call for the drastic action of a show cause notice. Dr. Mahatab sought to explain the by-passing of the Accreditation Committee in this case with the assertion that the Government had certain responsibilities to discharge. These are high-sounding words, but they are as much hollow, probably more. The truth of the matter appears to be that factious bickerings inside the State Congress Party have become so intractable that the Chief Minister feels touchy about any references to them. Governments, whether at the Centre or in the States, ought to take legitimate Press criticism for what it is intrinsically worth. Forbearance and not undue sensitiveness will help keep a responsive attitude.

Port Development: The Case of Mangalore

THE National Harbour Board, meeting in Delhi during the weekend, is scheduled to discuss the report of the Intermediate Ports Committee. One of the main recommendations of the Committee is in respect of the development of Mangalore Port. It is an admitted fact that the development of port capacity in this country in the context of the immediate future, is directly related to the question of export of iron ore. The geographical position of the country has enabled it to become a base source of supply to the Japanese Steel Industry as well as to the developing steel expansion programmes of the East European countries and West Europe. Again, the qualities of the iron ore available for export are stated to be suitable for use in the open hearth as well as blast furnaces and these compare favourably with the qualities available from other major sources like Brazil, Canada, Sweden, Chile and North and South Africa. It is also to be noted that the country has considerable deposits especially in areas where the prospects of setting up large steel plants are not immediate. In view of the need for maximising the country's foreign exchange resources, it is of very great importance that this source should be fully tapped by enabling further exports of substantial quantities of iron ore.

The significance of iron ore exports can be seen from the fact that whereas in 1956-57, their value was of the order of Rs. 9 crores, according to 1960-61 estimate, they are likely to go up to Rs. 20 crores. It is also estimated that in 1965-66, on the basis of existing contracts, the total export will go up to 7 million tons (from about 4 million tons in 1960-61) yielding at current prices Rs. 35 crores. A note appended to the Intermediate Ports Committee report by Mr. D. Sandilya, the then Managing Director of the State Trading Corporation, points out that there are distinct possibilities of the country being able to step up this figure to even 9 million tons, provided our capacity to export is built up to meet the potential demand. It is here that the importance of port development comes.

In the Draft Outline of the Third Five-Year Plan, it has been stated that the main objective will be to maintain and improve the existing port facilities rather than to increase port capacity. This seems to be a short-sighted view. This is because, as stated by the Intermediate Ports Committee, even in respect of iron ore export, as against the contracted demand for 4½ million tons in 1960-61, the shortfall in port capacity will be 3.5 lakh tons. It is stated that on the basis of programmes already made, port capacity for export of iron ore will aggregate to 6.4 million tons in 1965-66 whereas as stated earlier, that demand can very well go up to 9 million tons. This means that the overall deficit in the port capacity will rise from 3½ lakh tons to 2.6 million tons by 1965-66. Seen in this context, it will be clear that just as Visakhapatnam has been developed as a major one for catering to the demands of the Japanese steel mills, a major port on the West Coast for realising our trade possibilities to Western Europe has become an imperative necessity. It has also to be remembered that buyers of iron ore overseas are having programmes to build large ore carriers in order to save ocean transport costs. This makes it all the more necessary for the country to provide adequate facilities for the reception of these carriers at our ports.

The Intermediate Ports Committee has cogently argued as to why priority should be given for the development of Mangalore as an all-weather deep draft port. In view of the advantageous position of Mangalore in respect of high grade and low grade iron ore mining areas of Mysore, it feels that a traffic in iron ore of the order of two million tons per annum can be developed at Mangalore besides a general cargo traffic of 5 to 6 lakh tons per annum if an all-weather port is constructed and a railway link is made connecting Mangalore with Hassan. The cost of upgrading the port is estimated to be Rs. 12 crores. Surely, this cannot be deemed to be excessive if account is taken of the weighty advantages that would accrue from the development of the port. It is also not irrelevant here to point out that for the illusory scheme of 'National Service' by students contemplated by the Union Ministry of Education, an expenditure of Rs. 138 crores extending over a five-year period has been estimated. If a scheme of such doubtful utility over which there has been a substantial volume of criticism, can be assigned any place in planning, it is all the more the reason why Government should not stint over port development where capacity must be at least commensurate with, if not ahead of, needs. Apart from the fact that from the point of view of reducing regional disparities, Mysore has a strong case for the development of Mangalore port, the larger interests of the country demand that the recommendation of the Intermediate Ports Committee in respect of Mangalore port deserves serious examination with a view to early implementation.

Rising Prices and Replacement Costs

THE steep rise in the cost of plant and machinery since the end of World War II has complicated the problem of replacement of industrial units in this country as elsewhere. Plants and machinery procured at relatively nominal costs two decades ago cannot be replaced with anything less than five to seven times the original cost. Unfortunately, the fiscal authorities allow provision for depreciation on the "written-down-value" of the balance sheet costs, which is extremely inadequate for purposes of rehabilitation of the worn-out plants. Recently, the Tariff Commission examined the price structure of a number of industries. Rehabilitation as an item of cost has not been accepted uniformly in the case of all the industries. While in the case of cement and iron and steel, the claim for rehabilitation has been conceded and a special allowance has been permitted in the cost structure, the application of the same principle has been denied to such industries as sugar, paper, tin-plate, and so on.

Last year, the Ministry of Labour and Employment commissioned the National Council of Applied Economic Research to look into the question of provision for depreciation and rehabilitation in industrial undertakings. This Ministry has faced the special problem of the allocation of depreciation and rehabilitation in calculating bonus payable to workers. After enunciating the criteria for replacement, the Council made a thorough balance sheet study of the four leading industries, namely, jute, sugar, cement and chemical fertilizers. The findings of the Council have now been made public and it is, indeed, encouraging to note that the Council has disagreed with the Tariff Commission on the vital issue of rehabilitation. The Council has particularly recommended that every industrial undertaking must make an allowance for rising prices of machinery while estimating depreciation. The current practice followed in this respect, according to the Council, makes for an inadequate provision for replacement, particularly at a time when the rise in prices is spectacular.

The Council has rightly recommended that depreciation allowance to cover replacement cost of the fixed assets of a firm should be made "legally obligatory". The Council has also urged that while estimating the replacement costs, every firm should be asked to take into account the increases, if any, in the price of relevant assets following a simple formula evolved by the Council.

The paper and sugar industries in particular have repeatedly protested to the Tariff Commission and the Ministry of Commerce and Industry against the dis-allowance of proper provision for rehabilitation in fixing the prices of their products. The Tariff Commission in the case of these industries acknowledged that there were some factories which needed funds for rehabilitation. Just because pressure of demand for rehabilitation of various units was uneven, the benefit of rehabilitation had been denied to all the units. This is, unquestionably, unfair to these vital consumer industries and sooner this invidious discrimination is eliminated the better it will be for industry. Happily, this crucial aspect is being examined once again by the Tariff Commission while studying the working of the price-linking formula in the sugar industry. It is hoped that the Tariff Commission will make amends for its earlier mistake in this case. After the case of sugar industry is settled, other industries, such as paper and tin-plate, will certainly follow suit.

A DELHI DIARY

THE EXODUS

THERE has been exodus in two directions this week —firstly to the hills and, secondly, to Raipur. I am happy to say that I belong to the first category; but I have behaved somewhat like a lone wolf leaving the streams of people going to Kashmir. I have chosen a Southern hill station— Wellington, to be exact. There are some who talk about Ootacamund as the Queen of hill stations. All I need do at the present time is to claim that Wellington (with all its military character) might be a good Crown Prince, and, perhaps, Coonoor, more feminine, is a Princess Royal. It is not, however, the virtues of these hill stations which I wish to advertise, though I consider it a terrible pity that not more is made of both Wellington and Coonoor. There is in Wellington a somewhat military image, which does it insufficient justice. Quite apart from the numerous training institutions, there exists in the Defence Services Staff College, in my opinion, one of the effective post-graduate teaching centres in the country. I will speak on it one day, but unfortunately, on this occasion, my vision is elsewhere.

KUNDAH: WHO IS SHE?

Has any of my readers heard of Kundah, and what is more, known her in her grandeur? When I was first asking this question last week, an enlightened acquaintance of mine said: Kundah; who is she? For the edification of numerous ill-informed persons, I now declaim my piece. Kundah is the great hydro-electric project with which the Madras Government at the Nilgiris is doubling the electric supply of the State in the Second and the Third Five-Year Plans. It is a series of four power stations conceived in a grand piece in which the husbanding of the waters in the Nilgiris has been exploited by the use of water tunnels and by great heads of water to make up for the absence of volume. In its elements all the individual ingredients exist elsewhere—dams and reservoirs, penstock pipes, great turbines, and even water tunnels. Twenty years ago, I remember I was quite excited at seeing water in a canal in the Mandhya district of Mysore pass through the Hulekere Tunnel. What makes Kundah exceptional is the magnitude of operations, and the fine utilisation of both water and height so as to extract from unwilling nature (in four stages, 420,000 kwh. of electricity) almost everything she has there. It is a breath-taking performance; when it is completed there will also be for the sophisticated, some interesting statistics which may be all-time records. One of these will be a tunnel 32,000 ft. long running deep into hills in order to take water from one side of a hill to another and bring it down to the third and fourth power houses. Even the second power house which is now nearing completion has its water tunnels. One must see them to appreciate how different these tunnels are from the little aqueducts which have hitherto been more or less what has been the full extent of our ambitions in forcing water through inhospitable ground.

One day, no doubt, an artist worthy of his subject will paint the great dams which make the Kundah project, beginning from Upper Bhawani, Avalanche and Emerald. (Are not their names as beautiful as the valleys and the reservoirs created?) But for the present all I will record is the remarkable manner in which there has been a linking of rivers at the highest level possible. The operation has been powerwise abundantly fruitful. In India's Second Five-Year Plan two generators producing 20,000 kw. each and four producing 36,000 kw. each will be in operation by March 31, 1961. If my arithmetic serves me right, this makes 184,000 kw., a magnificent block of power extracted from the mountains more by their height than by their catchment area. The third stage will include an additional 20,000 kw. in the first power house and one more in the second of 36,000 kw. The remainder will be in two additional power houses and all will be rather more than 184,000 kw. scheduled in the Second Plan. Kundah might well be a grand show-piece for All-India. In my present mood of enthusiasm let me say I have not seen its equal anywhere at least in respect of economy and imaginative use of niggardly resources. The great sweeps of the Danube at Ybbs and the Sutlej at Bhakra belong to a different order; there nature has been both massive and helpful, whereas at Kundah she has done everything to prevent power from being wrung from her hands.

Apart from the greatness of the conception,—born, it seems, thirty years ago—let me pay my bouquet of tributes to our contemporaries. In the first place, there has been magnificent collaboration inside the Colombo Plan with Canada. The Canadian engineers belonging to the Montreal Engineering Company and India's engineers have worked shoulder to shoulder—one might almost say, hill to hill and tunnel to tunnel—to bring about one of the happiest cases of international co-operation which I know. The Indian engineers are desperately under-aid compared to their Canadian counterparts, but no one, as far as I am aware, has dreamt of making odious comparisons. Mr. S. Krishnaswami's team erecting the second power house must be seen in its working clothes to give one a feeling of intense pride, and even more abundant assurance in the future. Not the least of the successes of the Indian engineers has been the manner in which they have brought along in their grand sweep the small contractors. Two large contractors, Gannon Dunkerley and the Hind Construction Company, of Calcutta, have done magnificent jobs. But there are nearly fifty small contractors, each of whose work is individually small, but whose collective contribution is greater than that of the big units. Thus in this wonderful project there has been combined international friendship, vision, imagination, bigness, smallness, the public and private sectors, and all the aspects of technology—civil, electrical, mechanical—and above all human management. Work of this magnitude cannot go like clockwork without a fine capacity in the management of men—the greatest technology of all! And of dedication let me only say there is a great deal still to be found amongst India's civil servants. This is not a popular statement or a discreet one but I am compelled to say that when one sees projects going together like this, politics, so terribly overwrought in Delhi, finds its appropriate place!

Even more indiscreetly may I refer to the salaries of India's top engineers engaged on this huge project which in all will involve an expenditure of Rs. 50 crores? I cannot imagine how men separated from their families for long periods and, therefore, condemned to live with two establishments can manage as they do. The fact that they manage makes us, who are neither building nor separated, look even smaller in our own eyes. For knowledge of our unworthiness, members of the Fourth Estate, visit Kundah!

ARGUS.

1960

THE WEEK'S NOTES

Planning

SWISS CREDIT

THE IMPORTANCE of the agreement with Switzerland signed last July, instruments of ratification of which were exchanged last week in New Delhi, lies in the fact that it is for the first time that an important neutral country will be associated in the development plans of this country. The Swiss Ambassador, Dr. Cuttat, speaking on the occasion, pointed out that this was the first credit of its kind sponsored by the Swiss Government and it was significant that it had chosen India as its partner. The credit extends over a fairly long period, namely 10 years, and will cover transactions of the value of 100 million Swiss francs (Rs. 10.9 crores). It will be utilised for the purchase of Swiss capital goods. It is stated that a sum of 60 million Swiss francs will be available immediately and the balance later. A striking feature of the agreement is that the credit is provided by a consortium of Swiss banks and it is only guaranteed by the Swiss Government. It is obvious that the agreement will enable Swiss private industries to take a more active part in India's economic progress. During the last 10 years. India has drawn upon Swiss technology for many of her projects, notably, the Hindustan Machine Tools Factory in Bangalore, and the Integral Coach Factory in Perambur near Madras. A scientific research centre is shortly to be established by the biggest chemical and pharmaceutical industry of Switzerland which will be opened to the private as well as public sectors for training. Again, Swiss private industry will also lend its assistance in the establishment of a training centre for the manufacture of precision instruments.

From the speech of the Swiss Ambassador, it was evident that the present credit is only the first instalment, and there is the prospect of further Swiss credit also. At the same time, it is necessary that the prospects should be explored for improving trade relations between the two countries. The Swiss Ambassador himself pointed out that the trade was bound to improve as soon as Indian exporters were able to provide top quality products for "our high-level marketing". During the last few years, India has been having an unfavourable balance of trade with Switzerland as can be seen from the table below:

(Rs. lakhs)

	Imports	Exports	Balance of Trade
1955 ..	10,99	97	—10,02
1956 ..	16,25	92	—15,33
1957 ..	17,81	1,24	—16,57
1958 ..	9,70	81	— 8,89
1959 ..	7,83	89	— 6,94
1959 (Jan.-June)	3,76	41	— 3,35
1960 (Jan.-June)	4,22	30	— 3,92

This may, perhaps be inevitable but there is no reason why the prospects of improving Indian exports should not be examined. The main items of Indian exports that enter into the trade are given below:

(Rs. '000)

	1957	1958	1959
Coffee, tea, and spices ..	3,29	3,99	2.36
Textile fibres	12,31	6,09	7,76
Crude fertilisers and minerals	12,92	8,71	11,94
Metalliferous ores	12,47	3,18	Neg.
Essential oils	16,99	13,80	4,99
Textile yarn and fabrics ..	22,78	13,37	13.69

It is possible that with some more efforts Indian exports of such items as tea, coffee, mica, pepper and spices, for which there seems to be more demand in Switzerland, may conceivably expand. In the meantime, there is ground for much satisfaction that the agreement now ratified would help in widening the area of economic co-operation between the two countries.

Joint Sector

AN INTERESTING EXPERIMENT

THE CONSULTATIVE COMMITTEE of the Maharashtra Government on the Third Five-Year Plan took a commendable decision on making a new experiment whose progress will be watched with interest. It appears that Mr. Y. B. Chavan, Chief Minister of the State and the Chairman of the Consultative Committee, is one of the principal sources of inspiration behind this experiment. The Committee has appointed a Study Group which will examine the problem of starting new industries in the State in the "Joint Sector" to be participated in by the Government and private investors. The choice of Mr. R. G. Saraiya, for the Chairmanship of the Study Group is quite appropriate and, furthermore, at least half the members of the Study Group are known for their long and intimate association with industry. They are expected to bring an objective outlook to bear upon the consideration of the problem referred to them.

The Study Group has been charged with the function of making an assessment of the scope for establishment of industrial enterprises in the Joint Sector and also to suggest projects which could be given preference in it. Further it has to make recommendations on the terms of partnership between the State Government and the private investors as regards share-holding and control of managment.

Considering the likely differences on the views of the two categories of participants on the terms of partnership and the attention that will have to be paid to the investigation of the claims of various enterprises

for eligibility for priority, the time limit of November 15, 1960, which has been set for the completion of the Committee's work is utterly inadequate. In an important experiment of this kind impatience is the least warranted. While presenting the first budget of the State to the Legislative Assembly, the Finance Minister highlighted the fact that, barring Bombay and a few other industrial centres, the general level of industrial development in the State was low. This is another reason why the Study Group should be allowed sufficient time for its assignment.

The State Government would do well not to insist on any formula involving a marginal majority for it in shareholding, such as that involved in the formula of 51:49 to which the Central Government has attached great sanctity. Mutual trust and the stakes of the two partners will provide a reasonable guarantee of prudent and efficient methods in financial and managerial policies in operating the enterprises. It should be the aim of the State Government to attract not only private capital for the Joint Sector but entrepreneurship in which the State Government certainly cannot claim to be rich and experienced. It is now common knowledge that the Maharashtra Government had put up a hard fight in pressing its claim before the Planning Commission for a sizeable outlay for the State's Third Plan in view of the attention it will have to pay to accelarate economic expansion in the less developed regions of Vidarbha, Marathawada and other parts of Maharashtra. The Study Group would do well to keep this question in view.

Karnal Case

DISMISSAL OF APPEAL

THE PUNJAB GOVERNMENT'S petition to the Supreme Court for leave to appeal against the judgment of acquital passed by the Sessions Judge in the Karnal triple murder case has been dismissed. Mr D. S. Grewal, a former Superintendent of Police, who was the principal target of a painful and prolonged criminal trial, thus emerges victorious with his innocence fully vindicated. The rejection of the petition by the Supreme Court constitutes a crushing defeat for the State Government in one of the most sordid affairs in this problem State.

In the recent history of the Punjab, scarcely has a criminal case attracted so much attention both of the authorities and of the general public as this one. That the State Government showed astonishingly unusual interest in this case is evident from the fact that it spent over a lakh of rupees from its exchequer in pursuing it and preferred the appeal to the Supreme Court in a final bid to attempt to secure reversal of Mr. Grewal's acquittal along with that of other roped in this case. Reports, which need not be lightly dismissed, are freely circulating that the State Government made the petition to the Supreme Court against legal advice. The crowded court rooms and the space allotted by newspapers for the coverage of its day-to-day proceedings bear testimony to the tremendous interest of the public in the case. The keen interest roused in the public by this case is understandable because to the common man in the Punjab this case had come to be associated with the high-handedness of some high-ups in the State. The public considered it to be a test case for the judiciary to reiterate its independence of the executive. The judiciary, happily, has stood this test.

With the legal battle over, all eyes will now turn to what action the Government takes against the officials whose conduct has been censured by the Sessions Judge in unmistakable words. If these officers are not taken to task, it requires no special intelligence to point out that the confidence of the public in the administration of the State, already shaken to the roots, will be shattered. Great interest also attaches to the stand the Congress High Command takes to keep the State's Chief Minister, Mr. Pratap Singh Kairon, in the saddle. This stand has to be clarified now and expeditiously if the faith of the people in impartial administration is to be restored. Will public faith in the High Command's capacity to rise to the occasion by subordinating considerations about personalities to fair democratic conventions be justified in this case?

France

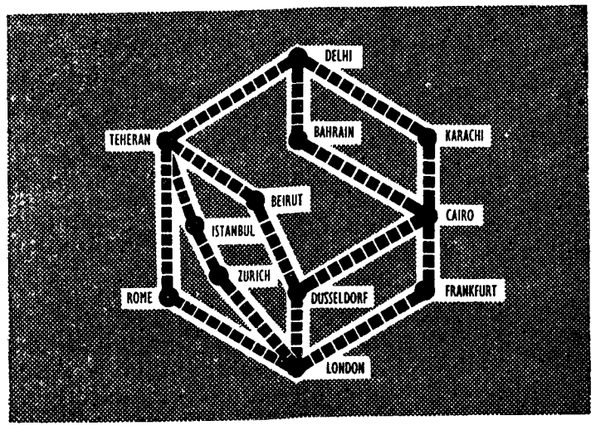
ALGERIAN ISSUE

A CENSURE motion aimed at overthrowing the Debre Government on the ostensible issue of setting up a French atomic striking force failed in the National Assembly this week since the motion could gain only 207 votes which was 70 short on the absolute majority needed to overthrow the Government. Apart from the fact that the failure of the censure motion automatically results in the adoption of the striking force, it is a victory for President de Gaulle and his personal position will now be strengthened after the trial of strength with opponents of his policy. It is, however, by no means certain that it will help in the restoration of national unity. While his recent tour of the lower Alpine region testified to his personal popularity, it is also becoming clear that a rapidly growing number of Frenchmen are becoming doubtful whether General de Gaulle can help them. On the Algerian issue, particularly, he is under growing pressure from all sides. While the army and the rightists oppose a settlement with the rebels, and there have been vague rumours of a right-wing plot to overthrow the regime, pressure for a settlement from the Left has intensified since the preliminary truce talks with the rebels broke down three months ago. The Socialists, for example, led by ex-premier Guy Mollet, who waged war in Algeria in 1956-57, recently reversed themselves to demand a speedy peace settlement. Paradoxically, however, the division over Algeria among the Opposition in fact seems to have saved the Government in this week's censure vote.

With Mr. Khrushchev repeating last week his 'de facto' recognition of the Algerian Provisional Government which now seems to be more than ever ready to accept Soviet and Chinese help, and the debate on Algeria in the UN next month, which will have the effect of causing further friction between France and her allies, there is speculation that President de Gaulle is likely to make a new move to put an end to the fighting in Algeria. Because, it must be remembered that a year ago, it was his promise of Algerian 'self-determination' that was largely responsible for preventing the passage of the African-Asian resolution on Algeria. This year, however, France has to reckon with the new African UN members, almost all of them favouring Algerian independence. In these circumstances, General de Gaulle cannot afford to follow a policy of indecision and must act with haste. At the same time, it has to be recognised that whatever may be the views of the intellectuals, led by Jean-Paul Sartre, over the ending of the French army's six-year war against Algerian nationalist rebels, the overthrow of the Gaullist regime will not help matters very much. On the other hand, if President de Gaulle disappears, it is very unlikely that a liberal Government would come to power in France to make peace with Algeria with greater determination and employing more efficacious methods.

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The World Abroad

THE MAINSPRING OF PROGRESS

By

ODYSSEUS

ONE of the most important points made by Professor F. A. Hayek in his newly published "Constitution of Liberty" (Routledge & Kegan Paul. London. 45sh.) is that scientific advance has popularised the belief, shared by many scientists and other "experts", that the range of our ignorance is steadily diminishing and that, therefore, we can hope to achieve comprehensive deliberate control of all human activities. This is why so many experts, intoxicated by the advance of knowledge, so often become the enemies of freedom. In fact, the advance of knowledge constantly discloses new and vast realms of ignorance. The increasing complexity of civilization, which the advance of knowledge enables us to build, inevitably increases the individual's ignorance of most of this knowledge.

Every change in conditions creates a new problem, which makes necessary some change in the use of resources. This problem is solved by moving towards a new over-all adjustment. Each individual who takes part in the process has little idea of what he is doing, and—planners please note!—we have no way of foreseeing or predicting who will, at each step, make the first appropriate move, or what particular combinations of knowledge or skill, personal aims, attitudes, desires, or circumstances, will suggest to some man the suitable answer, or by what channels his example will be communicated to others, who will follow his lead—if the State leaves him the freedom to give it. But it is from the countless steps taken by unknown individuals in the course of doing familiar things in changed circumstances that there spring the innovations that will prevail. The successful combination of knowledge and aptitude is the product of individuals imitating those who have been more successful, and who have also been guided by indicators, such as prices offered for their product, or expressions of approval, moral or aesthetic. In short, individuals succeed because they are free to use the experiences of other free men.

What is essential to enable the process of change and growth to work is that each individual should be free to act on his particular—and always unique—knowledge or intuition.

WHERE IGNORANCE IS BLISS

If we were omniscient, there would be little case for liberty. Freedom is essential to leave room for the unforeseeable. It is because we rarely know which of us knows best that we trust the independence and competitive efforts of the mass of individuals to induce the emergence of what, when we see it, and not before, we shall want.

It is because freedom means the renunciation of direct control of individual initiative and enterprise that a free society can make so much more use of so much more knowledge than the minds of the wisest ruler or of any committee of experts can grasp.

In a sentence which is one of the most memorable in a book of memorable sentences, Professor Hayek says: "Freedom granted only when it is known beforehand that its effects will be beneficial is not freedom. If we know how freedom would be used, the case for it would largely disappear. We shall never get the benefits of freedom, never obtain those unforeseeable new developments for which it provides the opportunity, if it is not also granted where the uses made of it by some do not seem desirable. It is therefore no argument against individual freedom that it is frequently abused. Freedom necessarily means that many things will be done which we do not like. Our faith in freedom does not rest on the foreseeable results in particular circumstances but on the belief that it will, on balance, release more forces for the good than for the bad."

It also follows that the importance of our being free to do a particular thing has nothing to do with whether we, or the majority, are ever likely to make use of that particular possibility. To grant no more freedom than all can exercise is to misunderstand freedom's function. The freedom that will be used by only one man in a million may be more important to society, and more beneficial to the majority, than any freedom that we all use. To insist that it is absurd to suppose that the propertyless labourer under a capitalist regime enjoys any liberty that he would lose under Socialism does not destroy the case for liberty. For it may be extremely important that some should enjoy liberty—that some few men should be able to dispose of their time as they like—although such liberty may be neither possible nore desirable for the majority. Civilization, in order to survive, requires differentiation in social conditions. If an egalitarian society had insisted in the 5th century B.C. that no citizen should be entitled to more leisure than any other, the world would have been deprived of Plato's philosophy. If Henry Ford had not been free to make himself lously rich, the world would have been deprived (a) of cheap motors and (b) of the beneficient work of the Ford Foundation. Ditto for Nuffield in the UK. If egalitarianism is allowed to prevail, it will be difficult to find successors to Plato, Ford, and Nuffield. We shall live in a static society.

The results of freedom (e.g. Plato's dialogues, the Ford Foundation, and Nuffield College at Oxford) cannot be achieved by the majority deciding what should be done by the individual, because majority action is limited to the already tried and ascertained, i.e., the majority would have to know Plato's philosophy before it could instruct him to think it out, and about mass production methods before it could instruct Ford and Nuffield to invent them.

The benefits that you derive from freedom are thus largely the result of the uses made of freedom by others, and mostly of uses of which you could not avail yourself. From this, Professor Hayek draws the important conclusion: "It is therefore not necessarily freedom that I can exercise myself that is most important for me. It is certainly more important that anything can be tried by somebody than that all can do the same thing."

FREEDOM AND THE MAJORITY

The importance of freedom to do a particular thing —to study philosophy, invent the assembly line, or write

music—has nothing to do with the number of people who want to do it. Failure to understand this in so many contemporary Welfare States has meant that, in them, change and growth is hamstrung by controls although the majority may be wholly unaware that their freedom has been significantly curtailed. To assume that only the exercises of freedom that the majority will practise are important creates a stagnant society that will be overtaken by a lively neighbour.

As a so-called "intellectual" I am the last to disparage intellectual freedom, but I am impressed by Professor Hayek's observation that the intellectual process is in effect to a large extent one of elimination, selection, and the elaboration of ideas already formed, and that the flow of new ideas springs to a great extent, from the spheres in which action, often non-rational, and material events impinge upon each other. This flow would dry up if freedom were confined to "intellectuals."

The importance of freedom, therefore, does not depend on the elevated character of the activities that it makes possible. Freedom of action, even in humble things, is as important as freedom of thought.

The endeavour to achieve certain results by co-operation and organisation is, of course, as much a part of competition as individual effort. The distinction is not, as Marxists would have us believe, between individual and group action, but between conditions in which (a) alternative ways based on different views may be tried and (b) in which one agency, be it dictator or a government department, has the exclusive right and power to prevent others from trying. It is when such exclusive rights are conferred on particular individuals or groups, presumed to have superior knowledge, that the process ceases to be one of experimental change and growth and that beliefs which happen to prevail at a given moment may become an obstacle to progress.

The argument for liberty is not against organisation as such but against all exclusive, privileged, monopolistic organisation, against the use of coercion to prevent one from trying to do better. To turn a whole nation into a single organization, built and directed according to a single plan, is to extinguish the very forces that shaped the individual minds that planned it.

[This is the final article in a set of three entitled: "Freedom: Restatement of A Faith.—Ed.]

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The European Scene

W. EUROPE AND THE U. S. RECESSION

From Our Special West European Correspondent

PARIS, October 22.

IN Jules Romains' novel 'Doctor Knock' that unscrupulous medico solemnly warns a patient who has nothing wrong with him, "Good health is an unstable and precarious condition which bodes nothing but ill." Economists are of this opinion when they make their diagnoses of national economies. If a country is neither suffering from inflation nor plunged in depression, then it must be in the sorry condition of normality, which is dangerous beacuse it can be shown to contain the seeds both of depression and of inflation. Carlyle called economics the "dismal science" because it is entirely founded on the notion of scarcity (i.e. ecnomic "goods" are defined as "what is scarce"), but modern economists, living in an age of unprecedented material progress, have made it doubly dismal by defining economic well being as the brief transition from inflationary scarcity to recessionary plenty. That many Western economies have in fact succeeded in holding this intermediate position for several years together has not lessened the constant flow of warnings about imminent inflation and/or threatening depression. A Parisian journalist has just pointed out that in West Europe over the past 12 years the cyclical succession of boom and slump has been replaced by cyclical discussion of the dangers of boom or slump. "That," he added, "is progress".

The point is illustrated in the latest report of the Common Market Commission, which opens by declaring that the Continental economies are doing brilliantly but at once adds—feeling guilty about this unprofessional optimism—that governments must (a) take immediate steps to throttle a threatening inflation and (b) lay urgent plans to combat the recession that is coming in 1961! Similarly in the specific case of West Germany, the Christian Democrats are preparing to tell the electors that the "miracle" continues unabated—while Dr. Erhard proposes draconian measures to stifle inflation and while Dr. Blessing (boss of the country's reserve bank) warns that the peak of the boom is past and it is time to think of easing credit. The point about such disagreements is that they are only apparent. Everyone is right. A healthy economy that is expanding at a satisfactory rate will show contradictory tendencies to slip this way or that, but if warnings of danger are loud enough and pessimistic enough governments can take the required counter-measures and nothing catastrophic happens.

The reasons for conflicting assessments of West Europe's present situation are these. The region has made a spectacular recovery by concentrating on exports, which is why West Germany and Italy today have the second and third biggest central reserves in the world, while the rise in France's reserves is well known. This boom creates very full employment (West Germany has a labour shortage and France's unemployment rate is 0.14 per cent compared with Britain's 1.5 per cent and the USA's 5 per cent), and thus an inflationary pressure. Large export earnings increase liquidities, and to these is added an influx (or repatriation) of capital caused by confidence in the currency. Industry invests to keep up with the boom and to counter the labour shortage, and governments overspend as governments apparently must. The short-term inflationary danger is obvious. Yet, at the same time, the very reliance on exports that lies at the base of the recovery exposes these economies to fluctuations in world trade more than when they tried to keep expansion going on a watertight domestic inflation (watertight because protected from world markets by non-convertibility, quotas, etc.) At the present moment, the USA—which is the best market for their exports—is suffering what is variously described as a "recession", a "periodic adjustment" or a "pause", and is at all events importing less both from the Continental countries and from the raw-material producers who in turn patronise West European industry. Thus there is a danger of slow-down, somewhat more remote than the inflationary threat but just as real.

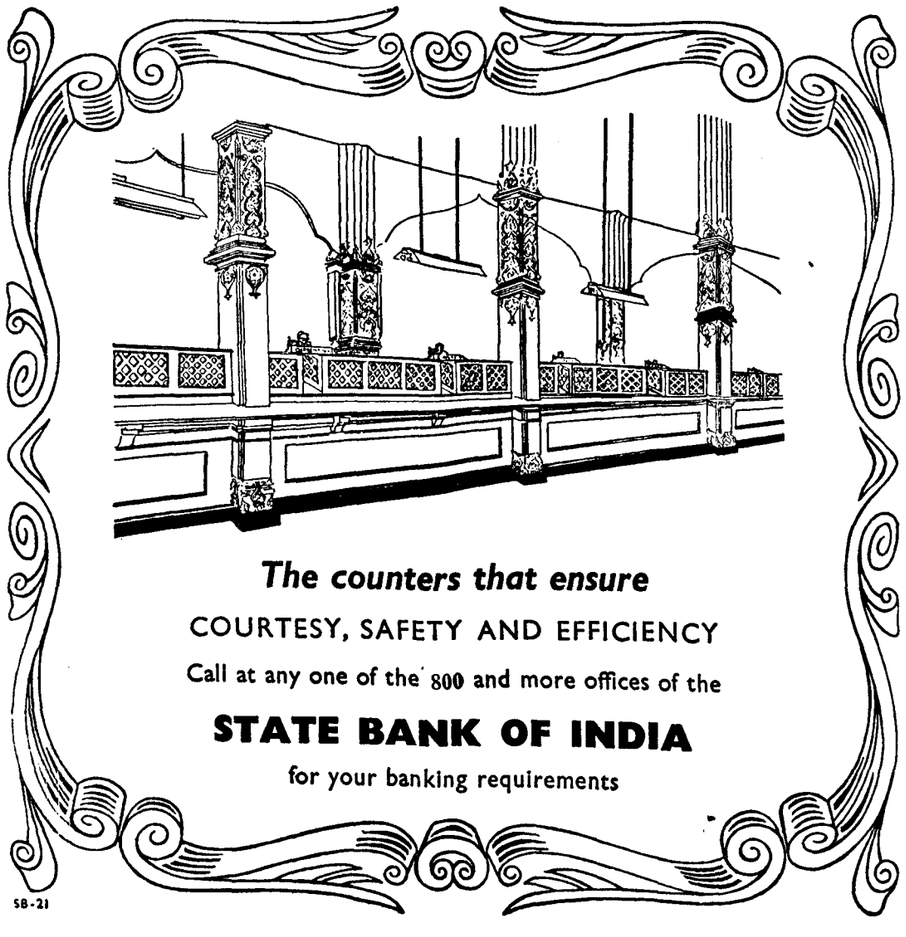
At a guess, one would say that West Europe is just now passing from the phase where the inflationary danger was greater to the phase where the recessionary threat becomes more important. This does not mean that there is going to be a recession; the tightrope walker leans first this way, then that, but he does not fall. The signal that marked the transition was probably the reduction in interest rates by the Bank of France; this has not yet been followed by the Bundesbank nor by the Bank of England, but the former has begun defending dear money instead of just practising it, which shows that it admits its policies are not beyond question, and London would obviously reduce its rates once Bonn has done so. The place to watch for a change in sentiment is the place where the European economies have stuck their necks out most, and that is undoubtedly the automobile industry. They have stuck their necks out here, firstly, by letting this industry become too important in their domestic economy and, secondly, by letting it account for too large a share of their exports. So this industry will be the first to feel the draught when export markets get tougher and when US spending falls, and the one whose production cuts will be most acutely felt inside the national economies.

What do you find when you look closely at this industry? First, that its monthly average output has increased by 50 per cent between 1958 and 1960, confirming the boom in Continental industries. Secondly, that its output in the first eight months of this year was a record, confirming that optimism about the future continued right up to August. Next—however—that its exports, particularly to the USA, have been falling all this year and, since exports have become 50 to 60 per cent of output (for we said the boom was based on exports), production cut-backs have just become inevitable. The British Motor Corporation put one third of its workers on shorter-time this month, Renault, the biggest French producer, has sacked 3,000 workers this month and put others on short time, and the Borgward group in Bremen has given 2,000 men notice for next month. Concurrently, various mergers and combinations (a sure sign of bad weather) have affected the Jaguar, Daimler, Simca and Citroen makes. These are the first symptoms of the automobile crisis of which something was said here several months ago. They are not necessarily the prelude to disaster, either for this industry or for the European economies, but they show that the wind has changed quarter.

Once the balance has tipped, however slightly, to the side of contraction, the West Europeans begin to take more seriously the US recession. Up to now they had been complacently pointing out the contrast be-

tween US stagnation and their own continued progress: while the expected US recovery failed to materialise this year, the Common Market countries increased industrial output by 11 per cent, against an increase of 7.5 per cent last year and 3 per cent the year before. The fact—and it is a fact—that West Europe has achieved its economic emancipation from the USA, that it is no longer tied to modest fluctuations in American activity, was taken to mean that the two regions could follow contrary courses: Europe could go on reaping the fruits of its wider market, modernisation and cheaper labour, while the USA languished in recession. In reality, emancipation does not mean isolation, or insulation from the world markets in which the USA is still a major force. The US recession (or whatever euphemism you choose to cover the present depressing state of affairs in America) will surely impinge on West Europe; that region's greater independence will show up in two factors: the transmission of depressive influences will not be instantaneous except for special cases like automobiles and steel, and those influences will not be magnified and multiplied as they cross the Atlantic. The days are gone when a 2 per cent fall in the USA was translated into a 10 per cent fall in West Europe, but the general direction of change will remain the same on both sides of the ocean, with a time-lag of 9 to 12 months. (This being the time taken for depressive influences to make the circuit via the raw-material producers to West Europe, for industries other than automobiles.)

So the recession danger is not imminent; the Common Market Commission puts it down for the second half of next year. Meanwhile, some countries in this region and notably West Germany still have the inflationary threat to cope with because capital is over-abundant and labour scarce. Fortunately, the measures required to deal with this double threat are not contradictory; it is not a question of deciding whether to put bank rate up or down. Action taken now to stop price rises will break a link in the current inflation and at the same time keep exports moving to meet the remoter recessionary influence. Steps taken now to increase imports will relieve current pressure in home markets while contributing to maintaining activity in other countries so that they will not have to reduce their imports next year. Liquidities neutralised now will be available to stimulate expansion later instead of adding to excess demand today. In sum, the best way to deal with tomorrow's recession is to deal with today's inflation. In fact, the European governments have done this over the past two years. It is because they have turned a deaf ear to the expansion-at-any-price sirens that they can now envisage the repercussions of the US setback, not with indifference, but with serenity. Their one real difficulty will be limiting the effects of the automobile crisis. My conclusion is that, although for the next few months there may be signs that West European governments are still mopping up odd patches of inflation and hesitating to cheapen money before their neighbours do so, the general drift of policy will be toward an easing of restrictions in order to preserve the region, as far as possible, from the approaching influence of the US recession.



Our West German Letter

NO ATOM BOMB IN POCKET-EDITION

From Our West German Correspondents

BONN, October 15.

BONN, the temporary capital of West Germany, harbours an old university with its Institute of Physical Chemistry. In this scientific establishment Professor Wilhelm Groth has developed a process for production of cleavable uranium by using a gass centrifugal machine. These experiments are neither sensational nor new; they are going on in fact since 1941. Not only in Bonn but also the State-owned DEGUSA (Deutsche Gold- und Silberscheideanstalt, Frankfurt), the AEG (Allgemeine Elektrizitatsgesellschaft, Berlin) and the firm of H. Matrin, Kiel are experimenting with the gas centrifugal machine for the same purpose. Also in Holland are similar experiments being executed. The final aim is to produce nuclear power for peaceful use by cheaper methods. Allegedly, on the suggestion of the U.S. Government, the West German Government has applied to the Patent Office for declaring Professor Groth's process as "State-secret." These proceedings have caused an uproar in the Communist satellite countries, especially in East Germany, as it was "assumed" for propapanda purposes that by the new procedure West Germany would be able to, produce tiny, cheap atom bombs or, as some papers put it, the Bundesrepublik could now manufacture the atom bomb for the man in the street. It is well known that the West German Government has committed itself not to produce nuclear weapons. But besides, American scientists believe that German scientists who were taken to Russia after the war as prisoners, have already developed such a gas centrifugal pump for the Soviets. And finally, Professor Werner Heisenberg, West Germany's famous physicist (Nobel Prize winner at the age of 31), declared today that he considered the new experiments or invention as "middlingly insignificant." He added that a substantial progress had not been achieved and besides, there was already far too much cleavable material. Conclusion: "Much ado about nothing!"

As far as we know, there is not yet an atom-powered aircraft. But there is already the first turbine powered helicopter, manufactured by the Bristol Helicopter Division of the Westland Aircraft Ltd. This plane, the "Belvedere" can carry 2,722 kilograms of freight or not less than 19 fully equipped troops. Several nations, amongst them West Germany, are interested in this outstanding aircraft. The first ready planes are just taken over by the R.A.F. Experts in West Germany themselves are wondering why the Indian Government (according to the "Daily Express" as reported by its New Delhi correspondent) should send a mission to Moscow to buy 8 helicopters and 8 other freight planes which are urgently needed by the I.A.F. for border defences or a border road development project. The German experts are amazed at this forthcoming deal as the British newspaper reports that 8 Russian helicopters bought by the Indonesian Government are grounded due to clutch trouble and the clutches have not yet been replaced although they went out of order last May.

* * *

There are pretty serious differences between the Minister of Economics, Professor Erhard, and the German Industry. The President of the Combined Federations of Industry (Bundesverband der Deutschen Industrie), Fritz Berg (who headed a goodwill mission to India in 1955) attacked the Minister in a Press conference and tried to prove that Erhard's plans to weather the dangerous consequences of the present boom would prove ruinous. It would be outside the scope of this letter to go into details of this controversy, but it will suffice to quote the weekly Economic Report of the Institute of German Industry, Cologne. It says: "The industry realises that some steam must be let off now. It thinks, however, that constructive actions like promoting the export of private capital and restricting investments to those promoting rationalization, instead of enlarging capacity, are much sounder than any throttling of exports. It (the industry) is also willing to aid the Government and the Federal Bank (Deutsche Bundesbank) by raising a 1,000 million DM development aid loan from industry to siphon off excessive liquidity. Developing countries receiving loans from this fund would not be obliged to buy German goods in order to avoid the so-called boomerang effect. That means that the German boom would only become hotter if these loans were used for orders of German goods. But the German industry can only do this if there is no interference with foreign trade." (We shall refer later to the above mentioned development aid loan.) While Minister Erhard went to Teheran to open the German Industrial Exhibition and to Kabul to negotiate with the Afghan Government how Germany could further technical and financial assistance, Chancellor Adenauer received Mr. Berg to talk over the pending problems. Erhard had suggested to keep the present price level by reducing the export and easing the import. Erhard took it very badly that the Chancellor dealt with Berg behind his back. No sooner the Minister had stepped out of the plane that brought him back from the East, he had a talk with Dr. Adenauer about which both partners kept complete silence. It was not for the first time that these two outstanding personalities to whom the German people is indebted for recovering so splendidly from the aftermath of a lost war, had clashed. It will be remembered that Dr. Adenauer had tried to get rid of Erhard as Minister by suggesting his candidature for the Presidentship after the second and final term of Dr. Heuss was over.) After his latest experience, Professor Erhard cancelled his scheduled visit to Spain and Portugal which was planned for the beginning of next month.

* * *

In the context of stable prices and wages, the result of an opinion survey undertaken by the leading German institute of public opinion EMNID should be of special interest. According to this survey, more than 80 per cent of the West German population prefer that the present level of prices and wages should remain unchanged. Of the 2,000 persons interrogated, 83 per cent voted against an increase of wages if this would mean an increase in prices. Only 12 per cent would prefer the increase of wages if at the same time prices would rise. The rest made no statements. One can conclude from this survey that the majority favours the possibility of financial planning in the private household at long sight. Another survey undertaken by the Statistical Section of the EWG (Europaeische Wirtschafts-Gemeinschaft of the SIX) should also be mentioned here. It is based on the answers of 2,000 families in each of the 6 countries, having careful regard to the purchasing power of each country's currency. The average yearly net income of a married steel worker with 2 children amounts in Luxemburg to 9,894 DM, in Belgium to 8,672, in France to 8,016, in West Germany to 6,791, in the Netherlands

to 6,660 and in Italy to 6,146 DM. (Compare these figures with the yearly average income in India!)

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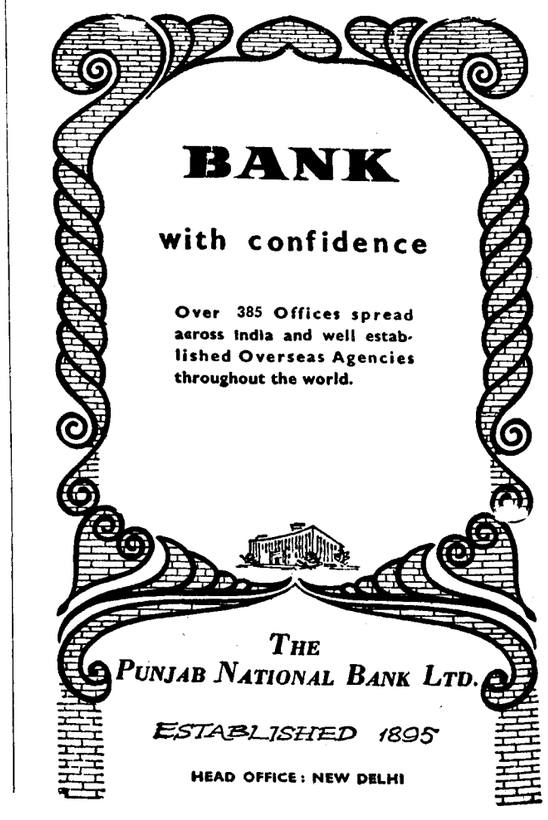
After Germany had been taken to task at the World Bank meeting in Washington for not contributing its proper share in aid for developing countries things have started moving here in this respect at a slightly quicker pace. The planned loan by the German industry of 1,000 million DM has already been quoted. No decision has yet been made in regard to its allotment to the various receiving countries. As a newcomer in the field of development aid now appear the Federal States of the Bundesrepublik. At the recent meeting of the Finance Ministers of these States in Bad Duerkheim this subject has been thoroughly discussed and the Finance Minister of North Rhine-Westphalia, Mr. Puetz, was the first who told the Legislative Assembly of his State that members should be prepared to find in the next budget this new item. The Central Government is at prestnt considering as special bill, the so-called "Entwicklungshilfe-Gesetz" which will provide a fund of 1,500 million DM. More details about the fund will probably become known during the next months. That the climate for development aid is on the whole evidently improving was proved by the meeting of the Ostasiatische Verein (East Asia Association) in Wiesbaden which was well attended by representatives of the Foreign Office and the Ministry of Economics as well as by bankers, leading personalities of the industry and diplomats. The only subject discussed there was the aid for developing countries. Dr. Reinhard Kuevary, Economic Adviser to the UNO, spoke on his experiences in Burma which, as he said, might be the same in other Asian countries under similar conditions. He admitted that the Burmese Government is encouraging private investors, but in practice all kind of difficulties and delays appear because the authorities concerned are very often not in the position to make the necessary quick and right decisions. It seems, therefore, important to give also aid in form of training suitable persons in administration of undertakings in the private and public sectors. The other speaker, Dr. Muthias Schmitt, Director of the Berliner Bank, pointed out that the time of the almost classical division between industrial countries and countries yielding raw materials is definitely over and a new relationship between industrial countries and developing countries has to be created. The problem of underdeveloped countries has become a developing problem of the entire world economy. Therefore, this kind of aid has to be considered by the West as an investment for its own economic future.

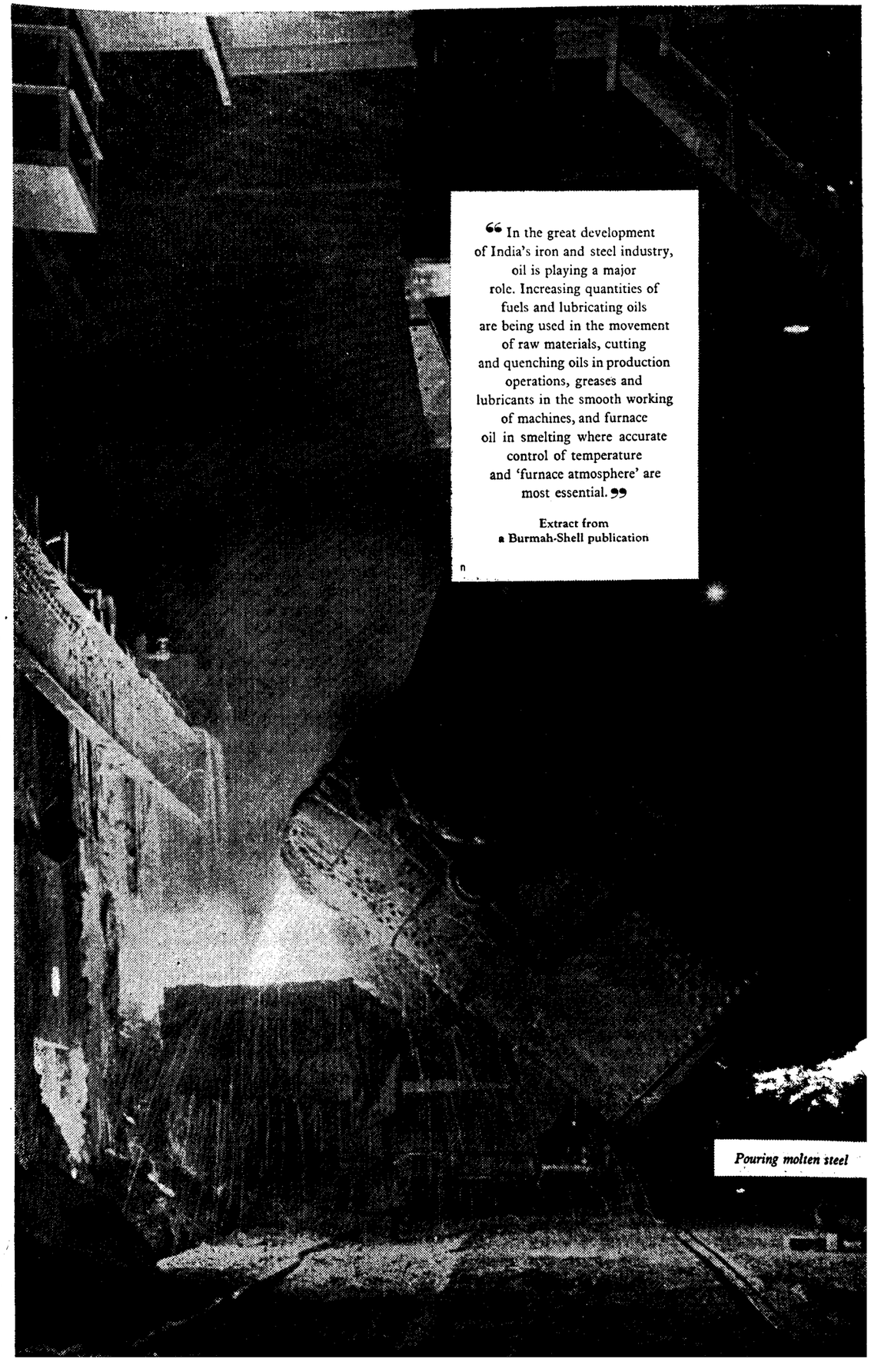
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The relations between the Bundesrepublik and the Soviet-controlled German Democratic Republic have considerably deteriorated during the last weeks. The Communist regime has suddenly introduced various kinds of controls on the border between East and West Berlin. There is no justification for it at all because Berlin is still under the jurisdiction of the four powers, USA, Great Britain, France and the Soviet Union as fixed by the Potsdam Agreement of 1945. The astonishing fact was that the new strict controls were introduced while the Leipzig Fair was being held where West German exhibitors and visitors were present. Now, on recommendation of the Bonn Government, the Combined Federations of Industry have decided not to participate any longer in this fair. But much more serious is that the West German Government has terminated the so-called inter-zonal agreement with East Germany as from 31st December. It is true that Bonn has declared at the same time that it would be prepared to enter into negotiations for a new agreement. The pre-conditions for it would be that the East German Government has to drop the new controls. It remains now to be seen whether this Government considers its inter-zonal trade as an important factor or not. The West German export to East Germany amounted in 1959 to 1,078 million DM and the import from there to 892 million DM. More detailed figures of West German exports to its Communist neighbours are: Iron and steel 281 million DM, machinery 130 million DM, coal and coke 110 million DM and chemical products 100 million DM. East Germany exported to West Germany mainly lignite and petrol. Since the two Governments do not maintain diplomatic relations—in fact, Bonn does not recognize the East German regime—the semi-official intercourse is being carried out in a peculiar way. The bilateral contracts are being signed by the "Authorized Agent for the currency territories of the Deutsche Mark (DM-West)" and respectively by his counterpart DM-East. The West German cease of trade with East Germany can, of course, only succeed if the NATO partners refuse equally to have further trade relations with the German Democratic Republic.

* * *

While some nations prefer the nationalization of private enterprises, West Germany is going the other way round, which means "privatization" (if such word ever exists). The first example of this peculiar proceedings was the till then State-owned Preussische Bergwerks-und Huetten-A.G. (Preussag). Shares for 83 million DM of this unit were sold to people with low incomes. Now follows the famous State-owned Volkswagen-Werk (People's Car Works) which produces the world-famours middle class car. According to half page advertisements in dailies and weeklies, on January 16, 1961, shares of this company can be bought with rebates of 10—20 per cent by people with yearly incomes between 6,000 and 8,000 DM. If a shareholder sells his share or shares before March 15, 1963, he has to refund the amount of the granted rebate. Most probably the single 100 DM share will be offered at a rate of 350 DM. The Minister in charge of State properties, Dr. Hans Wilhelmi, assumes that there will be in future about one million shareholders of the Volkswagen-Werk.





Economic Report from the U.S.

ASSISTANCE TO DEVELOPING LANDS

By

GUY SIMS FITCH

WASHINGTON, Oct. 15.

WITH the annual meeting here a few weeks ago of the World Bank and the International Monetary Fund, followed by the third session of the Development Assistance Group (DAG), the entire subject of economic assistance to developing lands has received a renewed emphasis and a closer examination. The Bank and the Fund, of course, are twin international financing agencies of the United Nations, the former interested primarily in development loans, the latter in monetary stabiliation. DAG, a much newer body, which was set up early this year, is made up of ten leading capital exporting nations that can be expected to play important roles in governmental assistance to developing countries. As has been made clear, DAG's functions are mainly technical rather than operational, with stress on ways and means of mobilizing and co-ordinating capital flows to developing areas. It also is clear that with the inclusion of the United States, Canada and Japan as members, along with a number of Western European nations, DAG's is a global interest in development problems and progress. While DAG's principal concern is with aid methods, it is performing another useful function in bringing more nations into active participation in international assistace efforts—a basic requirement if the amount of aid to developing lands is to be increased to any major extent.

It is generally recognized that the other industrial countries, themselves the recipients of large amounts of U.S. economic aid in the past, now are in position to enlarge their own contributions to economic development around the world, to more nearly match what the United States has been doing for some years. One of the nations frequently mentioned in this context is the Federal Republic of Germany, which has made notable economic strides in recent years. A look at the record shows that in 1959, Government grants and loans by the free industrialized nations aggregated some $4,000 million, of which about two-thirds was supplied by the United States and most of the rest by the United Kingdom and France. Over the six-year period of 1954-59, the economic assistance total came to $18,000 million, of which the United States supplied no less than $12,000 million. It is highly encouraging then that a number of other industrialized countries have indicated that they are or will be expanding their assistance efforts. This includes several that were represented at the recent DAG meeting. What may be the most notable effort made so far to bring Western Europe and Japan into aid programme heretofore financed mainly by the United States is the International Development Association (IDA), just established as a World Bank affiliate. Of the $1,000 million IDA capitalization, the United States is scheduled to put up $320 million, and 16 other industrial countries an aggregate of $433 million. These contributions will be entirely in gold or "hard"—that is, convertible—currencies. But making IDA a truly global development effort is the provision for contributions from 51 less-developed countries as well, to make up the rest of the $1,000 million. In their case, however, they are permitted to subscribe with only 10 per cent of their shares in gold or convertible money, and the remainder in their own "soft"—non-convertible—currencies. IDA also goes beyond the usual international development financing in yet another way. Its loans to developing lands will be on terms that are more flexible than the normal World Bank or commercial loans, and repayment will be permitted in soft currencies.

Until now, to all intents and purposes, the United States has been the only nation officially offering soft-loan development assistance on any major scale. It has done this through its Development Loan Fund (DLF), which by this past June 30, in only 26 months of operations, had authorized 153 loans with a value of $1,450 million in 44 developing countries. In addition, the United States is associated with its Western Hemisphere neighbours, through the Inter-American Development Bank (IADB), in a new regional venture to finance economic development in Latin America. While the U.S. contribution to this Bank is by far the largest, contributions also have been scheduled from the other participating nations. And, as in the case of IDA and DLF, the IADB charter also provides a mechanism for making "soft" loans. What all this adds up to is a new concept in world banking. It is a concept which meets an important need in that it can help get soft currencies into constructive international use, while making it easier for developing countries to obtain funds required for the acceleration of their economic progress. This is especially the case with IDA, which represents the truly global effort, with the broadest assistance base and the widest potential application of the soft-loan idea. Through IDA's use of soft currencies, moreover, another interesting ingredient is added to the development picture: in effect, an aid recipient may also turn out to be an aid provider.

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WORLDGRAM

India

Plant to Produce Newsprint from Sugarcane Fibre: A planned paper plant in Maharashtra State will produce 60,000 tons of newsprint annually from sugarcane fibre, using methods developed through eight years of American research. The newsprint mill at Karad, 220 miles from Bombay, will be conducted by Sahu Jain Ltd., managing agents for one of India's largest industrial complexes, comprising companies engaged in paper, sugar, cement, heavy chemicals, nitrogenous fertilizer manufacturing etc. As a result of a joint agreement between the Indian company, Crown Zellerbach Corporation, and the Hawaiian Development Company, the mill will receive technical assistance and patent permits for production of newsprint from bagasse, the fibrous residue of sugar production. The proposed Maharashtra plant, for which the Government of India already has granted an industrial licence, will represent an investment of approximately $20m.

•

New Fertilizer Factory in Madras: Madras State will soon have another new fertilizer factory to be known as the Premier Fertilisers Ltd., this new venture will be sponsored and managed by the well-known group Emcete & Sons who control the well-known institutions like the Indian Overseas Bank Ltd., and United India Fire and General Insurance Company Ltd., in Madras and Travancore Rayons Ltd. in Kerala. The factory will be located near Cuddalore, 120 miles South of Madras city in South Arcot district. It will have a manufacturing capacity of 40,000 tons of superphosphate and 16,500 tons of sulphuric acid per annum. The new company has an authorised capital of Rs. 1 crore, made up of Rs. 25 lakhs in 9% taxable preference shares and Rs. 75 lakhs in the equities. The face value of both the shares will be Rs. 10 each.

•

Durgapur Steel Works: The first battery of the coke ovens had been lighted by Mr. K. Sen, General Manager of the Steel Project on August 24, 1959, and the first coke was pushed on November 22, 1959. The battery has been working very satisfactorily and of late its daily production has been 1,484 metric tons of coke, which is more than the targetted capacity for the battery. The coke ovens form an integral part of modern steel works. The Durgapur Steelworks with its three batteries of ovens will carbonise daily 5,200 tons of dry coal into 3,900 tons of coke. Each battery consists of 78 ovens. The ovens are devised to use blast furnace gas as well as coke oven gas as fuel.

United States

Loan for Import of Capital Equipment: The U.S. Government has announced approval of a $25m. (Rs. 11.9 crores) loan to the Government of India for the importation of capital equipment. The loan will come from the U.S. Development Loan Fund (DLF); and it will be used for procuring equipment to increase the productive capacity of small and medium sized private industrial enterprises in the fields of metallurgy, electrical installations, machine tools, earth moving equipment and chemicals. The loan is repayable in rupees. The approval of a loan of this type marks a departure from the practice of DLF in recent months, during which it has given only project-type loans. In recent years India's foreign exchange resources have been increasingly devoted to large-scale projects, in accordance with India's objective of self-sustained economic growth. Consequently there is a need for foreign exchange to cover capital imports in the immediate months ahead for establishment, expansion and modernization of smaller private enterprises. Funds provided by DLF are expected to attract additional investment of Indian rupees by Indian investors and to contribute substantially to strengthening the private industrial segment in the Indian economy. This is the 22nd loan given to India by the U.S. Development Loan Fund, and brings to $3654 million (Rs. 1,739 crores) the total amount of U.S. economic assistance to India.

•

Third U.S. Loan for Steel: The United States Government has announced approval of a $25 million (Rs. 11.9 crore) loan to India for the purpose of financing importation of steel and steel-products needed by private and public enterprises. The loan was approved by the U.S. Development Loan Fund, pushing the total amount of DLF loans to India past the Rs. 200 crore mark ($420 million). Steel sheets are expected to account for more than half of the procurement under the loan announced. The remainder will consist of tin plates, strips, tool and alloy steel, billets, wire and rods. This is the third loan given by the DLF to India for steel procurement. The first agreement, signed in December 1958, provided for $40 million worth of steel for private and public sector undertakings and the second, concluded in July 1959, for $20 million for private industrial projects.

United Kingdom

Dormen, Long Ltd. Plans Expansion: The British steel firm of Dormen, Long Ltd., has announced that it is to embark on extensive development, expected to cost £36 million, to modernise rolling mill facilities. This will be additional to the £7m. expenditure announced in July, and will increase overall potential by a further 400,000 ingot tons a year, bringing the company's annual ingot production potential up to 3 million. The Company will, through this expansion, also substantially increase its capacity in the light product field. The initial part of the programme includes a new primary mill at Lackenby, Yorkshire, for the production of 22,500 tons of slabs and blooms a week from ingots of up to 20 tons.

•

Development of a High Speed Internally-toothed Saw: A U.K. firm of saw-makers have developed a high speed internally toothed saw to be incorporated in tube sawing machines. This machine, for use in the ferrous and non-ferrous tube industries, will saw a tube without inherent 'flash' associated with the normal externally toothed saw. A separate deburring operation is now, for the first time, unnecessary. The saw is unusual because the teeth are milled on the internal diameter. It is of the segmental type and has six high-speed steel, taper-ground segments which are dowelled and screwed into position on a circular plate to make the saw blade. Teeth can be reground a number of times while the repair and fitting of new segments is simple and quick. The saw blade is located inside the reciprocating head of the machine and an eccentric movement enables the saw to cut the wall of the tube only. The tube is clamped along the central axis of the saw and there is no movement across the tube's diameter.

•

Production of Television Sets: The General Electric Company Ltd., at its factory in Coventry, is pro-

ducing television sets at the rate of 5,000 a week. This reflects the successful application of a mechanisation policy which balances what is technically possible with what is economic, and in the interests of the customer. The main production line begins with the metal chassis frame work and finishes with the receiver packed in its carton, says the British periodical "The Engineer."

Japan

Trade Talk Initiated with Australia: A recent announcement made by the Ministry of Foreign Affairs states that Japan on October 4, initiated trade talks with Australia in Tokyo for the revision of the Agreement on commerce between Japan and the Commonwealth of Australia, which came into force on July 6, 1957 to be valid for three years and fell due for expiration on July 5, 1960. Provisionally, the validity of the agreement has been extended until the revised one takes effect following final deliberations in the trade talks.

*

Bank Loan for Plant and Equipment: According to a survey made recently by the Bank of Japan, all Bank's new loans disbursed during August for investment in plant and equipment to industrial sectors amounted to Y70,100 million, accounting for 56.8 per cent of the net increase of their loans and discounts in the month under review. The amount runs 19 per cent ahead of that in July and comes next to the previous record height of Y72,500 million attained in March this year. It also shows a gain of 35 per cent compared with the total of a year earlier.

U.A.R.

Shipyard Agreement with Soviet Union: An agreement was signed in Moscow on August 23, between the UAR Southern Region's Five Year Industrialisation Authority and the Soviet Import and Export Organisation, providing for the construction of a shipyard at Alexandria. Under the terms of the agreement, the Soviet Union will extend to the Southern Region, all technical facilities in connection with the designing and construction of the yard, together with the technical aid in planning the project. The necessary materials for the purpose will also be provided by the Soviet Union. The shipyard will handle ships of a length up to 70 metres. All types of ships will also be repaired in it.

Czechoslovakia

Farm Production: It is reported that farmers in Czechoslovakia will not limit themselves to increasing total agricultural output by 22 to 23 per cent during the Third Five-Year Plan (1961-65). Production costs are to be cut by two-thirds in the same period. Mechanisation is the key to increasing productivity and cutting costs, and to this end a new series of machines for almost all kinds of farm work has been completed using a large number of standardized parts. The plan also calls for some seven hundred modern all-purpose drawing kilns to be erected, six or seven to every district. Construction of communal cowsheds and other co-operative buildings will be pushed. A total of 32,000 million crowns will be invested in agriculture during the Third Five-Year Plan, of which 17,500 million will be spent on new machinery.

Yugoslavia

Leather Plant Exported to the Sudan: "Invest-Import" of Beograd recently sold a complete leather processing plant to the Sudan. Under the terms of this contract the "Kostroj" factory of Slovenske Konjice should deliver machines for the tanning and processing of leather valued at 122,000 pound sterling. This delivery will take place in accordance with the agreement concluded between the two countries in July 1959.

Brazil

Coffee Exports: Coffee exports during July hit an all-time high of 1,919,258 bags of 132 lbs. each. This, acording to the Brazilian Coffee Institute, broke the previous record of 1,830,430 bags registered in July, 1907. Coffee exports, by ports, were the following: Santos 1,380,771 bags; Rio de Janeiro, 212,154 bags; Paranagua, 181,568 bags; Vitoria, 112,093; Recife, 4,561; Bahia 1,869; Angra dos Reis, 22,342; Niteroi, 3,900 bags. This activity is indicative of Brazil's struggle to retain her traditional place among world coffee suppliers. At one time Brazil exported more than seventy per cent of the world's coffee. Today the Brazilian share of the world market is estimated at a little more than forty per cent.

Netherlands

Export of Bicycles: An increase of about 35 per cent over 1958 is reported in the total number of bicycles sold by the Dutch last year. Out of 700,000 disposed of, exports totalled about 1,97,000 which was almost 50 per cent more than in the previous year and constituted a record figure. Between 1952 and 1953 Dutch cycle exports dropped alarmingly from 185,000 to 56,000; so the jump last year indicates a remarkably successful sales campaign. In recent years there has, in fact, been a marked change in these exports. Eight years ago, 84 per cent went to Indonesia and 2 per cent to the United States. Last year exports to Indonesia dropped to zero, while those to America soared to 78 per cent with a further 14 per cent to Canada.

Morocco

Almond Harvest in 1959: The 1959 Morocco almond harvest is now estimated at 4,500 short tons, compared with 6,500 tons in 1958. Exports for the 1959-60 season through March 1, 1960 totalled 2,300 short tons. West Germany continues to be the largest purchaser of the Moroccan almonds. These data do not include bitter almond.

World Bank

Loan for Mexican Highways: The World Bank has made a loan equivalent to $25 million to assist in the development of Mexico's highway network. The loan will finance the foreign exchange cost of building or improving 13 roads having a total length of approximately 2,000 miles in Central and Southern Mexico. The roads are among the most important in a five-year programme being undertaken by the Mexican Government to develop the Federal Highway system. The first Pennsylvania Bank and Trust Company (Philadelphia) and the Grace National Bank of New York are participating in the loan, without the World Bank's guarantee for a total amount of $1,50,000 representing part of the first maturity which falls due May 1, 1965. The Bank loan is for a term of 19 years and bears interest of 5¾ per cent per annum including the 1 per cent commission which is allocated to the Bank's Special Reservation. Amortization will begin on May 1, 1965. Including this loan, the Bank has made 9 loans totalling $211.3 million in Mexico. The earlier loans were made for the extension of electric power facilities, railway rehabilitation and industry.

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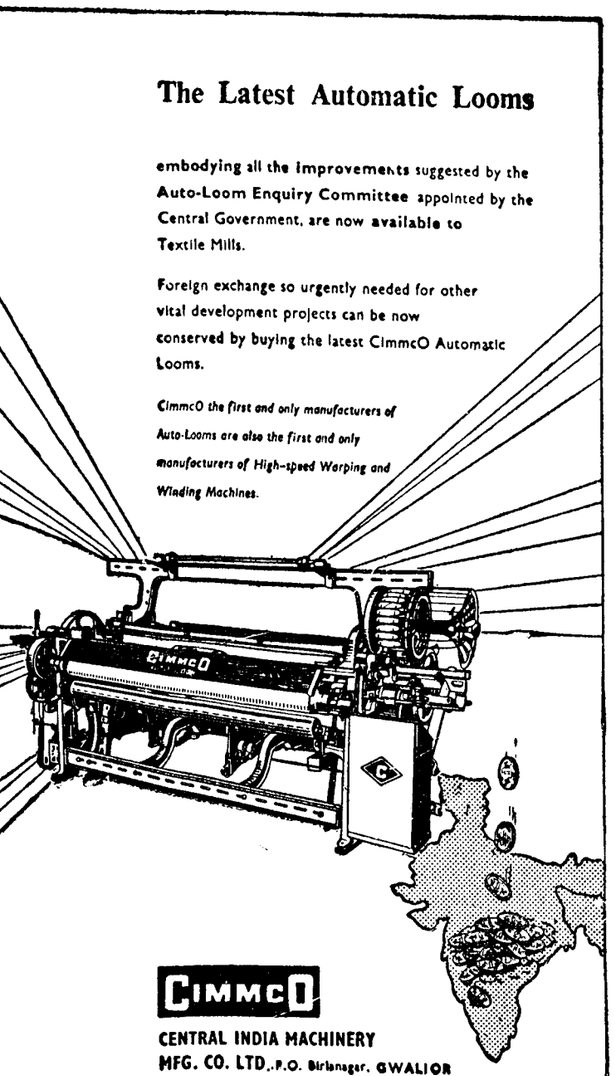
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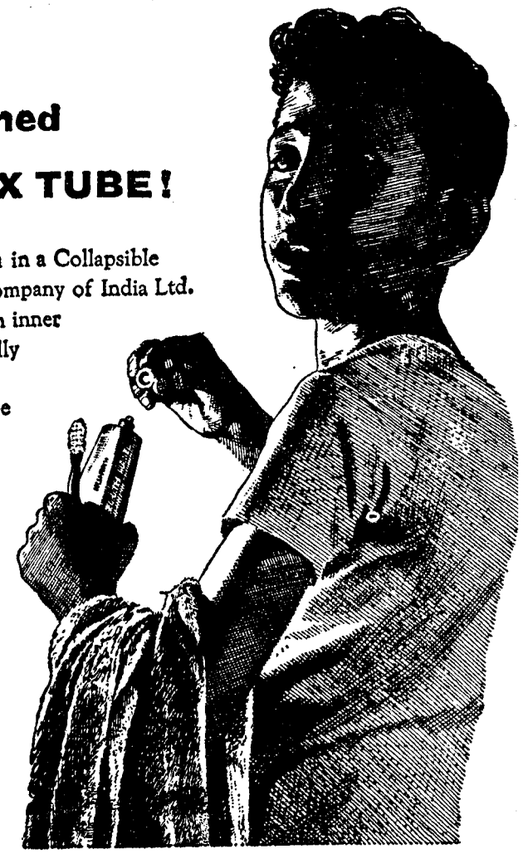
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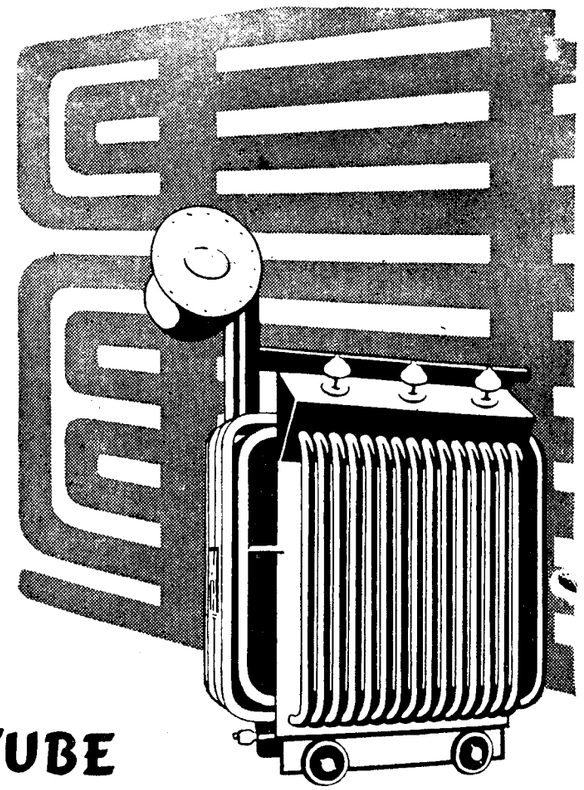
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NEWS IN BRIEF

INDIAN

The Uppal Committee on location and utilisation of wastelands in India has come to the conclusion that several large-sized blocks of land infested with thick growth of jungle, bushes and shrubs are available in the Punjab, and have great potentiality for agricultural production as the lands in these blocks are fertile and irrigation is available in most cases.

*

It is reported by the end of the Second Plan, 19,000 villages and small towns with a population of less than 10,000 will have been electrified in the country, as against 7,400 at the end of the First Plan.

*

Pulps of jute sticks having satisfactory brightness and strength properties for manufacture of cheap grade wrappings, newsprint and writing papers have been prepared by the mechanical process at the Forest Research Institute, Dehra Dun. The yield is 75 to 80 per cent.

*

Open hearth furnace number four of the Bhilai Steel Works was opened recently. Like the other three furnaces already in operation, this furnace also has a capacity of 250 tons and is capable of producing 500 tons of steel per day.

*

The Transmission Department of A.E.I. Telecommunications Division has announced that a £130,000 order for carrier transmission equipment has been received from Murphy Radio of Welwyn Garden City. The equipment will form part of an extensive radio network for the 720 mile Oil India Pipeline Project in Northern India.

*

The Centre has spent in Himachal Pradesh Manipur and Tripura almost 3½ times of their income since they became the Union Territories. Figures collated for the period between 1956-57 to 1959-60 show that the three territories earned Rs. 1,430.55 lakhs, while the Centre contributed Rs. 4,080.35 lakhs to the total expenditure of Rs. 5,510.91 lakhs.

*

Pictorial labels will henceforword be displayed on packages and wagons containing explosives and allied dangerous goods during transit by rail. The labels would indicate the hazards involved in handling the contents.

*

Tapioca is cultivated on 3 lakhs of acres in Kerala and the total production is estimated at about 10 lakhs tons. Only a small percentage is consumed as food by the poor and the rest is exported to various other States in India and also abroad.

*

The Government of India have decided to permit the import of fruits (dried and fresh), asafoetida, cumix seeds, and medicinal herbs from Afghanistan on an ad hoc basis, during the period ending July 20, 1961. This step has been taken in pursuance of the trade arrangement recently agreed to between the two countries.

*

The outstanding balance of the 2¼ per cent Hyderabad Loan 1955-60 (H.E.H. the Nizam's Government 2¼ per cent O.S. Rupee Loan 1365-70F) issued in O.S. Rupees in terms of the late Government of Hyderabad Finance Department Notification No. 2 dated the 10th October, 1946 is repayable at par on 1st November, 1960 and no interest will accrue thereon from that date.

FOREIGN

The question whether financing facilities for exporters are adequate is now being studied by the UK Government. The problem has arisen because there are indications that some small and medium sized companies have found it difficult during the credit squeeze to finance export orders.

*

According to figures compiled by Wood Gundy and Co., Canadian Government, Provincial, Municipal and Corporation bond financing for September and the first nine months this year was higher than a year ago.

*

As far as the basic statistical position is concerned it is hoped, that the world pepper crop, this year, will be very much the same as in 1959, that is to say about 60,000 tons.

*

It is reported Norway would be able to quadruple output of aluminium during the 1960's bringing it up from around the current level of 200,000 tons annually to between 700,000—800,000 by the end of the decade.

*

In the centre of Rotterdam, Holland's second largest city, work has started on the construction of Holland's first underground railway, which is to link some key points in the town centre on the north bank of the River Meuse with the rapidly expanding districts of the South Bank.

*

It is reported the terms of a 50 million Swiss francs loan to be offered on behalf of British Aluminium on the Swiss capital market have now been agreed.

*

The US Commerce Department has reported that the rate of personal income in the US edged slightly higher in September from the August level and established a new record. It ran at a seasonally adjusted annual rate of $408,400 million—up $200 million from the August rate.

*

The Egyptian Ministry of Agriculture reports ginnings of the 1960-61 cotton crop up to the end of September (including scarto) as 1,426,000 kantars, compared with 1,220,000 kantars a year ago.

*

Rubber imports into Singapore and the Federation of Malaya in September totalled 28,186 tons or 2,993 tons more than in August. Imports into Singapore during September were 24,680 tons against 22,105 tons in August and Federation imports amounted to 3,506 tons against 3,088 tons in the previous month.

*

World production of rubber during July is estimated at 155,000 tons, according to the latest report of the International Study Group. This compares with production of 160,000 tons during June and brings total output for the first seven months of this year to 1,115,000 tons.

*

A machine for the simultaneous spinning and doubling of cotton, mixed yarns and special yarns has been designed by engineers of a textile machinery plant in Tashkent.

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(B) AGE LIMIT: Candidates should not be over 45 years of age as on 1st November, 1960.

(C) QUALIFICATIONS: Applicants should have a minimum of 15 years' commercial banking experience out of which not less than five years should be in a responsible position. Preference will be given to applicants with high academic qualifications who have made a special study of Economics, Banking, Commerce or Accountancy.

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3. Applications in the prescribed form, obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Lucknow, Trivandrum and Patna accompanied by copies **(originals should not be sent)** of **at least** two testimonials should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the 12th November, 1960.

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

5. Selected candidates must be prepared to serve in any office of the Bank in India and to undertake tours when required.

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

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

8. Canvassing will be regarded as a disqualification.

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The Coatesville Declaration

By CROESUS

WHILST accepting the Ten-Point Declaration (otherwise known as the Coatesville Declaration) prepared by over fifty well-known corporation executives of the U.S., Mr. James Wadsworth, the U.S. representative to the U.N., expressed, at a meeting of the World Affairs Centre in New Work, the hope that "the Declaration would become known in the developing nations that recently became independent." I do not know whether Mr Wadsworth had India also at the back of his mind when he referred to "the developing nations that recently became independent." But, even if he intended to exclude India to respect the singularly sensitive susceptibilities of some of our countrymen, I am bound to invite attention to this Declaration of both the powers-that-be and the people at large of our country, because I feel convinced that, despite all the distortions that our leftist friends have sedulously spread, there are certain redeemable features of private enterprise that they cannot black out, try, however, much they may. It is because the Coatesville Declaration has highlighted these features that I was drawn to it.

It is a fairly common complaint one hears against private enterprise that inherent in this system is the tendency to keep up international tension so as to keep going the arms race and, therefore, arms production. But, as the Ten-Point Declaration makes it clear, the private enterprise system has made the U.S. "a true arsenal of democracy not merely with bombs and missiles, but with food for the hungry, aid for the needy, and spiritual inspiration for free men in the world over." Dedicated to a proper understanding of freedom, the document expresses the belief that needs to be shared by a very wide cross-section of the people of our country that "foes of freedom are formidable as long as freedom is not fully understood." If the foes of freedom are formidable, the task of making more and more people fully to understand freedom is no less formidable. For advocates of freedom (in any walk of life) are only too facilely dubbed as "reactionaries" or "vested interests" and, even when there is not the slightest shred of evidence to carry conviction, it is amazing how readily quite a large section of the public is prepared to accept these descriptions of even those whose 'bona-fides' cannot be qustioned. And this in spite of the clear warning of one of the greatest men of letters—"Credulity is a child's strength, but a man's weakness." Consistent—or is it persistent?—pleading is, therefore, necessary of the case of freedom, even as of free enterprise, to cultivate the requisite goodwill at least among those who love democracy (so many claim they love democracy that it is really difficult to make out who actually does it) so that we can look forward to an era of prosperity and freedom with equality of opportunity and social justice. Our people must not only understand freedom but also learn to associate that concept with freedom in as many spheres of life as possible. As Mr. Eugene Black, the World Bank President, once said, people must accept free enterprise "not as a necessary evil but as an affirmative good." In other words, or rather in the words of a well-known Indian business man, the conviction must grow that "free enterprise was born with man and shall survive as long as man survives."

There are certain basic freedoms, such as freedom of enterprise, which characterise the US economy and which may be said to be responsible for the description, "Arsenal of Democracy" that America has earned for herself. The Coatesville Declaration spells out the following ten basic freedoms:

1. Freedom of competitive private enterprise;
2. Freedom of choice of occupation;
3. Freedom of voluntary organisation for private enterprise;
4. Freedom of contract;
5. Freedom to own property;
6. Freedom to produce, buy or sell;
7. Freedom of competition;
8. Freedom to trade;
9. Freedom to make profits, and
10. Freedom of a sound currency dominated by economic, rather than political, forces.

Inasmuch as many of these freedoms have been enshrined in, and guaranteed to us under, our own constitution, we should not find it difficult to subscribe to the Coatesville Declaration at least in spirit. But then it presupposes a free understanding of freedom and a genuine love of democracy. These are essentially subjective traits and, as such, are difficult to assess accurately. But I suppose as approximately accurate an assessment as possible is within the region of possiblity, provided anyone of our steadily increasing number of research institutions takes a poll by sending out a list of these ten freedoms and calling for replies from as representative a sample as possible as to how many are for these freedoms and why, and how many are not for them and, again, why. Maybe I am over-simplifying the admittedly highly technical job of these institutes in the way I have posed the questions, but, needless to say, it is for the latter to formulate their questionnaire in their own inimitable way. In any case, I do hope the suggestion will be accepted.

Double Standards Again?

WHEN the Chairman of the Indian Cotton Mills' Federation suggested, early in September, at a press conference convened to explain the reduction in prices recommended by the Federation, that statutory effect must be given to these reductions, he must doubtless have had premonitions about some mills at least, especially those which are neither members of a regional millowners' association nor of the Federation, not falling in line. It is now feared that all the mills are not playing the game in so far as the reduction in cloth prices announced by the Federation is concerned. There are all sorts of rumours that some mills have not at all been toeing the line. It is alleged, for instance, that some Government-controlled mills are not observing the Federation's price formula. If this is so, it may be asked whether the authorities are not winking at the existence of double standards, one for mills managed by the Government, and another for mills managed by private 'entrepreneurs'. True, a categorical charge cannot be made yet, pending a scrutiny by the Price Committee of the Federation of the two proforma returns which have been asked for of all the mills. But the fact that not all the mills have yet submitted these returns could not have escaped the notice of the Textile Commissioner. If it has come to his notice, the public does not yet know of the action, if any, that he may have taken to pull up the defaulting mills. It could not also be that the authorities have not heard the rumours about some mills, which have not cared to furnish the returns, taking shelter under the excuse that the qualities of the cloth that are being produced by them were not in production in August, 1959 and deeming it fit to follow the "realisation multiplier" formula laid down by the old Tariff Board. While this may be applying the unction to their souls and salving their conscience, it is certainly not tantamount to playing cricket. There may be hard cases that would be adversely affected by the Federation's price formula. As a matter of fact, in a Press Note issued on September 3, and reiterated in a press handout on September 5, the Federation itself referred to the existence of units which had become financially weak due to the continuous crisis from 1957 and which were still making business sales in August, 1959. And, under the new price formula, such mills would again be making uneconomic sales. This means that it is open for such mills, whether managed by Government or by private 'entrepreneurs', to establish this unenviable experience of theirs by providing the information called for by the Federation (in proforma one and proforma two). But to ignore this and to take the law in their own hands, even if they are under Government management, is, to say the least, unfair to all concerned.

Business Notes

Foreign Trade

DEAL WITH RUSSIA

EVER SINCE the signing of the first Indo-Soviet Trade Agreement on December 2, 1953, the exchange of commodities between the two countries has been increasing with the result that today the Soviet Union is one of the five important countries trading with India. This week, while Mr. N. S. Potelivech, Soviet Minister for Foreign Trade, was here in the Capital, another deal was signed between the two countries. The deal, it is gathered, aims at the doubling of the present level of trade within the coming three years. With this end in view, certain new items are expected to enter the list of commodities for exchange. For instance, apart from the items already traded, fabricated materials like rolled steel products, other metal manufactures and woollen goods, would also be among the goods exported from India.

One significant feature of the Indo-Soviet trade is that the payments for any adverse balance have to be made in non-convertible rupees. Before November 1958, when the trade agreement which is now in currency, was signed, all outstanding balances of currency could be converted into sterling. But now it has been rendered non-convertible. The outstanding amount has to be carried over to the next trading period. Trade balance in the recent years has, therefore, shown positive improvement. In 1959, for instance, the balance of trade was heavily in India's favour. The exports stood around a level of Rs. 30.33 crores while imports were to the extent of Rs. 16.65 crores only. Among the important commodities for exports—apart from tea, which was the single most important item—were raw wool, raw and manufactured leather, tobacco, mica, jute manufactures and cotton textiles. Among the important commodities imported to India were: iron and steel products, newsprint, chemicals and fertilizers and agricultural implements. With the signing of the present deal, the level of trade is likely to rise much faster than in the past seven years.

Raw Cotton

EGYPT'S EXPORTS TO INDIA

INDIA IMPORTED 208,545 bales of Egyptian cotton in 1959-60, as against 56,740 bales in 1958-59, 68,137 bales in 1957-58 and 56,374 bales in 1956-57. In 1955-56, however, India had accounted for as much as 2,19,273 bales of Egyptian cotton, perhaps the highest ever intake by her. India has thus been, and continues to be, a very good customer of Egypt, accounting currently for some 12 to 15 per cent of the total exports of Egyptian cotton. Last season, her offtake was the fourth highest among all countries and the first among the free currency countries. Notwithstanding the remarkable progress achieved by Egypt in her exports of cotton to this country from the lowest levels touched in1956-57, it is significant that Egypt does not let go any opportunity to foster the Indian market. Thus, when Mr. Loutfy Mansour, a member of the Egyptian Parliament, came to attend the Inter-Parliamentary Conference in Tokyo, the Egyptian Government prevailed upon him (as he also happens to be a prominent cotton shipper) to visit India and meet as many of those as are interested in Egytian cotton and try to understand their complaints, if any, about Egyptian cotton, as also to give to them his ideas of cotton in general

The Egyptian Government could not have thought of a better cotton Ambassador than Mr. Mansour. Extremely well-informed and fully equipped with both Government and business experience, he has managed to make, or rather widen, his large circle of friends among cotton men. I do not know whether he heard any complaints about the Egyptian cotton from Indian importers—he himself mentioned, in fact, that there were very few or no complaints!—Mr. Mansour did a good deal of shop talk. He stressed the fact that India has been Egypt's very good market besides being a friendly country with which relations have been most cordial, especially since the Suez Episode. This is one of the main considerations, he said, for Egypt trying to increase the volume of trade between the two countries. Of course, he added, in view of the acute foreign exchange shortage, Egypt realised that India could purchase more from Egypt only if Egypt also purchased more from India. This the Egyptians very much appreciated, he said, and were doing their best to take or to import more from India.

While on this point, Mr. Mansour drew attention to the fact that the current season's import figures had been lagging behind, as they were late in selling, but he hoped this would be made up in the coming months. There is one other reason which Mr. Mansour gave why the UAR wants so much to increase the trade with India, namely the desire to increase trade with uncommitted countries.

TRADE WITH COMMUNIST COUNTRIES

This disclosure followed a question whether the Communist countries were not taking more Egyptian cotton today and whether some of such cotton was not being re-exported to Egypt's own traditional markets at a lower price than Egypts. There was no straight reply to this, but the special efforts that are being made by the Egyptian Government, to which Mr. Mansour alluded, namely, the insistence on certificate of marks by Egyptian consulates in the importing country, etc. are undoubtedly designed to counter this trend. Evidently, Egypt has learned from experience that trading with Communist countries is not altogether an unmixed blessing. Also the vehemence with which Mr. Mansour declared that they wanted to do away with official accounts, export accounts or special accounts and to stick to a uniform discount policy indicates the growing concern of Egypt over her cotton exports. Egypt seems to have found that the system of differential discounts has, instead of boosting Egyptian cotton exports, created complications in its wake. Hence it is that Mr. Mansour said the Egyptian Government was determined to do away with its discount policy by gradually reducing it. Already it has been reduced from 30 per cent to 6 per cent. Explaining the reasons for employing the discount system, Mr. Mansour said that the object was to bring the level of Egyptian prices to the international level, wherefore it is that the incidence of the discount goes to the importer's account; in other words, the importers get Egyptian cotton also at the same rates as comparable varieties of other growths in the world markets.

When asked about why India could not get Syrian cotton, although she would have taken it, Mr. Mansour's reply was that India came very late and the Syrian crop, being very small and also relatively cheaper had, in the meantime, already been absorbed by France, West Europe, and Spain, among others. France, incidently, always takes a lion's share of Syrian cotton.

Egypt's vigorous cotton export drive thus is understandable, because, even after allowing for all her own growing internal requirements—she has an up-to-date textile industry—Egypt would still be in a position to export a large quantity of her cotton. When the Aswan Dam is completed, it is said, Egypt hopes to raise 15 million 'Kantars' of cotton and an outlet for the bulk of this quantity must be by way of exports. The farsighted approach of Egypt to her cotton exports requires to be emulated, especially by the export interests and the authorities here who seem to take it for granted that nothing is needed to be done in respect of our traditional or established export items, a complacency which has already cost us some of these markets as, for instance, in tea.

New Issue

PREMIER FERTILIZERS

WITH THE new awakening which has made the farmers more productivity conscious, the demand for fertilizers has increased significantly. While this demand is bound to increase further, the present supply of fertilisers is not sufficient to meet the present demand. The project of the Premier Fertilizers Ltd. to establish a plant with an annual manufacturing capacity of 40,000 tons of superphosphates and 16,500 tons of sulphuric acid, is therefore, bound to be a successful proposition. The locale of the plant at Cuddalore in South Arcot District is quite appropriate because the adjoining areas are specially suited for the cultivation of paddy, sugarcane and groundnut, and the demand for fertilizers would be continuous. With this background, the new issue of Premier Fertilizers Ltd. is bound to receive a good response in the market.

Out of the total authorised capital of Rs. 1 crores, equity shares worth Rs. 50 lakhs are proposed to be issued now. Equity shares worth Rs. 12 lakhs have already been subscribed by the promotors, their friends and relatives. The ICICI too have agreed to subscribe to equity shares worth Rs. 3 lakhs. The balance of Rs. 35 lakhs (3.5 lakh equity shares of Rs. 10 each) have been proposed to be gathered from public subscription at par. The subscription list will open on Monday, November 7, 1960, and will close on November 14, 1960, or earlier at the discretion of the Directors but not earlier than 2-30 p.m. on Friday, November 11, 1960.

Agriculture

ERRONEOUS APPROACH

ALTHOUGH GOVERNMENTAL expenditures play an important role in stimulating economic growth, the Government of India must not overlook the greater importance of the decisions of private individuals to spend, save and invest. These individual or corporate decisions would be either encouraged or discouraged by a given Government policy. The Government's experimentation in re-distribution of land, for instance, has the psychological effect of discouraging the private sector from spending the sums earmarked for them of Rs. 800 crores in the Third Plan, according to Mr. M. H. Hasham Premji, President of the All-India Foodgrains Dealers' Association. It was not only land distribution that he was worried about but also distribution of foodgrains, especially distribution through the STC. In Mr. Premji's opinion, State Trading in foodgrains has resulted in gross mismanagement and colossal wastage and so, he warned, this could not be allowed to go on, particularly when the country was having meagre resources for its developmental plans. Instead, he suggested, that Government should bestow its attention on increasing agricultural production in the country by means of greater attention to animal husbandry and afforestation schemes.

Mr. Premji also pleaded for more attention to agricultural produce like cotton, jute and oilseeds, which are the main foreign exchange earners of our country. Agriculture should be given high priority in the Third Plan, he said, to prevent any lopsided economic development in the country.

FROM THE CAPITAL'S CORRIDORS

ON AGRICULTURAL DEVELOPMENT

PROBLEMS of agricultural development in the Third Five-Year Plan period have been engaging the attention of the Planning Commission and the Government of India during the past fortnight. The Planning Commission's Panel on Agriculture met here for two days last week under the chairmanship of Mr. Shriman Narayan and called for increased allocation of funds under the Third Plan for this primary industry. This, it felt, was necessary to achieve the ambitious targets of farm output envisaged under the Plan.

The Panel underlined the importance of ensuring adequate price incentives for agriculturists and keeping of the prices of consumer goods wanted by the farmers within bounds. It opined that provision of timely and adequate supply of credit to cultivators and making available to them improved seeds, fertilizers and farm implements should go a long way in stepping up output. The Panel also recommended the setting up of an expert committee to study the magnitude of the problem of soil erosion and to suggest ways and means of dealing with the problem.

About minor irrigation projects, the Panel suggested that the maximum possible allocation should be made for these in view of the urgency of increasing food production in the shortest possible time. It observed that tube-wells should not be put up by the States in areas where rainfall was heavy or where the sub-soil water level was high; in such areas, it said, open percolation wells fitted with Persian wheels or pumping sets would meet the needs of irrigation.

The Panel also called for special attention to be paid to measures for increasing the yield per acre of coarse grains. It was pointed out at the Panel's meeting that while the average yield had gone up in the past few years in the case of rice and maize, there had been no marked improvement in the yield per acre of other foodgrains.

TONING UP ADMINISTRATION

The concern expressed by Mr. Shriman Narayan in his presidential address on lack of enthusiasm on the part of the State Governments to implement the recommendations of the Nalagarh Committee to streamline their administrative set-up dealing with agriculture has had its echo in the Union Food and Agriculture Ministry. Mr. S. K. Patil, Food and Agriculture Minister, has addressed a circular to the States Chief Ministers appealing to them to personally intervene in the matter and ensure that the Committee's recommendations are implemented without delay.

How development of agriculture forms the pivot of all developmental activities in India is apparent from a pertinent observation made by Mr. Harris M. Benedict, Manager for Agricultural Research, Stanford Research Institute (U.S.A.), in an article he has written in a special number of the Institute on India in "Tomorrow's World" series. Mr. Benedict says, "Although India's ultimate agricultural potential is about two or two and one-half times its present production, achievement of this potential will require a more intensive education programme, development of much larger associated facilities and businesses, and an economic programme which can assure fair prices to the farmers. If these are not done, the present Indian food crisis will become steadily more acute, with ever-widening distress and the ultimate failure of India's entire development effort. This would inevitably lead to the displacement of the present system of Government by one which would attempt to solve the problem by totalitarian methods. India deserves better than that."

Mr. Benedict observes: "Despite an increase in total cultivated acreage, production of major food crops in India remained practically constant during the first half of this century. Cultivated land per capita decreased from 1.1 acres in 1920 to 0.84 acres in 1951, and daily consumption of food per capita declined from 18.9 ounces in 1901 to 14.7 ounces in 1945. By 1965-66, the end of the Third Five-Year Plan, at least 110 million tons of foodgrains will be required for a population of some 480 million people. If foodgrains production continues to increase at its present rate, only 80 million tons will be harvested, compared with about 70 million tons in 1958-59. Thus, instead of the needed 50 per cent increase in food supply, only a 15 per cent increase seems likely."

MR. BENEDICT'S SUGGESTIONS

What suggestions has Mr. Benedict to make about increasing agricultural output in this country? The following extracts from his article would be read with interest in this regard.

"The agricultural potential of any country is determined by the arable and grazing land and the use of that land to produce maximum yields under existing climatic conditions. Of the 806 million acres in India, almost half (372 million acres) are cultivable. Although another 150 million acres may be useful for grazing and 133 million acres are forested, the agricultural potential is primarily related to production from 372 million acres of arable land.....From 1950 to 1959, between five and six million acres of land were reclaimed for agricultural purposes—less than two per cent of the total cultivable land. Large tracts still may be reclaimed through development of irrigation systems and drainage, but the increase attainable is limited. The Government has to look to better yields from land already under cultivation to meet its food requirements."

"It is possible, in certain areas, to increase the amount of land actually producing crops in the acreage under cultivation. Land in India is generally split into small individually-owned plots, often smaller than an acre, separated by low dykes. While these dykes perhaps serve as irrigation aids, their elimination might increase the actual land for producing crops by 0.5 to 1 per cent if adjacent owners agree to grow the same crops or if the system of land tenure could be changed to provide more economically-sized units."

"Crops should be grown that allow the land to be idle for the shortest possible time. At present, more than one crop per year is grown on only about 12 per cent of the acreage, despite a climate generally favourable for year-round production. Not all of the acreage could produce two or more crops each year, but the amount could be doubled or tripled."

"Until many more Indian farm labourers have migrated to industrial centres, mechanization will be of little importance in increasing agricultural output. The availability of better hand and animal-drawn tools —namely, substitution of advanced design steel ploughs and harrows for traditional wooden ones—would, of course, be most beneficial."

"Production could be increased significantly by growing a particular crop in the part of the country to which it is best adapted. In areas best adapted to rice, rice should be grown exclusively; and in areas best adapted to potatoes, potatoes should be grown exclusively. While such practices would certainly increase the overall yield, adequate transportation facilities would have to be provided to ship crops to areas where they

are needed for diversification of diet. Custom and farmer preferences would also have to be overcome—a difficult task in India."

ANIMAL HUSBANDRY

"In India today, there are far too many animals. ....Some authorities estimate that at least one half of the cattle in India are surplus. If they could be eliminated, milk production per animal would be increased, the productivity of animal agriculture would be enhanced, and much valuable grain and forage now consumed by animals would be available for human food. While the total agricultural potential can be increased by carefully controlling the number of animals in relation to their productivity and food availability, more research is needed before quantitative estimates of the effect on agricultural production can be given."

"Adequate crop protection, including the control of plant diseases, insect pests, nematodes, predatory animals and various pests of cattle and sheep would result in considerable increases in overall yields. The extent to which pest control develops will depend on the availability of resistant strains of crops, and on the availability and cost of control chemicals. As the agricultural economy expands, the ability of the grower to purchase chemicals will also increase, but it is difficult to estimate its ultimate effect on Indian agricultural production."

"All these raw materials of agriculture must, of course, be used in conjunction with each other."

"Finally, no matter how much knowledge and facilities producers have, there must be an incentive to use these tools to capacity. Growers must have some assurance that they can dispose of crops at prices commensurate with production costs. Otherwise, there is a strong tendency to produce only enough for immediate needs."

Speculating on India's ultimate agricultural potential if all the available land were brought under cultivation, all that could be were irrigated, and the most suitable crops were grown under the best cultural practices, Mr Benedict observes: "A 25 per cent increase has been estimated from use of improved varieties, a 50 per cent increase from additional irrigation, and another 50 per cent increase from use of adequate fertilizers. While these are the major sources of improvement, we may add 10 per cent for other factors. If they are all compounded, each one acting on the other, an increase of over 200 per cent is obtained. This is probably an optimistic figure because all of the effects are not compounded, and many growers already use some of the suggested improvements. If individual increases are simply considered as additive, a more realistic increase of 135 per cent is indicated. At any rate, agricultural production of India can at least be doubled."

"Available data show that other countries in South-East and East Asia obtain double and more yields than are obtained in India. Some of this difference is caused by climate, and some by other factors that cannot be controlled, but at least double the present yield seems like a conservative estimate of India's agricultural potential."

"New varieties, new techniques, and new cultural practices are always being developed to increase yield or reduce unit production costs. Research could also increase India's potential above estimates based on presently known varieties and cultural practices. The amount is hard to estimate, because the problems become greater as agriculture is intensified. And a great deal of research is needed to maintain production at even present levels. If future knowledge can increase production by another 25 per cent, India's future potential agricultural production may well be 2.5 times its present production, or roughly 175 million tons."

THE HUMAN FACTOR AND TRANSPORT

"The real question," Mr. Benedict writes, "is: Will this potential ever be achieved? This, of course, depends on the individuals involved in agricultural production, processing, transportation, storage, and distribution. The most difficult problem is to educate the farmers to use the best varieties and cultural practices for their particular climate and soil. The tendency of Indian farmers to follow traditional practices is the greatest obstacle to the relatively rapid achievement of both the immediate goals and the actual full potential. Indian farmers, like those in other countries, are slow to adopt new methods and crops. Lack of adequate roads and transport, particularly during the rainy season, has built up an isolation that makes the work of extension agents doubly difficult. In fact, many agricultural economists believe that the first essential is not to provide more fertilizers and irrigation water, but to improve roads in order to make communication among groups easier, and markets more readily accessible."

"Along with production in excess of the immediate local needs, side businesses must develop. These involve processing plants, such as rice hulling, oil extraction, meat packing, and canning, preserving, and freezing of perishable crops. Then, tronsportation and storage facilities must be built to handle the increased supply."

INCOME-TAX PROCEDURE SIMPLIFIED

A simplified procedure has been drawn up by the Income-tax Department for dealing with the assessments of persons who derive small incomes from business sources. The procedure is intended to apply to persons who derived the whole or part of their income from business, other than speculation, in the past three years and were assessed thereon on amounts not exceeding Rs. 7,500.

The essence of the simplified procedure consists in doing away in the case of small assessees with the examination of accounts at the income-tax office. The Income-tax Officers will address letters to such assessees explaining the simplified procedure and inviting them to file balance-sheets, profit and loss accounts and trading accounts along with the returns of income. If the income shown by the assessee is found acceptable after a broad check of the statements enclosed and the details of the past assessments, the return will be accepted and a demand notice issued straightaway on the basis of the income declared. Even if the income declared is not found to be acceptable without modification, the assessee will not be called upon to attend the income-tax office with his books of accounts. A fair estimate will then be made of the income having in view all the relevant circumstances including the results of past assessments. This estimate will be communicated to the assessee and if it is accepted by him, a demand notice will be issued on the basis of the estimated income.

If the income and the tax proposed to be levied thereon as communicated by the Income-tax Officer are not acceptable to the assessee, it will, of course, be open to him to prove the income shown by him in the return with the aid of his books of accounts etc.

The idea underlying the simplified scheme is thus to cut short the time spent in the assessment of cases involving small incomes which produce very little revenue. The scheme will not apply to cases where losses are declared or where the income includes profits from speculation. The scheme is proposed to be given effect

to in November and assessees with small incomes, who have already filed their returns before November and whose assessments are still pending, will also be covered by it.

INDO - SOVIET TRADE

India's trade with Russia, it is expected, will increase by 100 per cent in the next three years. The Union Minister for Commerce and Industry, Mr. Lal Bahadur Shastri, exchanged on Monday letters with the Soviet Minister for Foreign Trade, Mr. N. S. Patolichev, covering trade plans for the remaining three years of the present Indo-Soviet Trade Agreement, signed in Moscow in November 1958.

Exports from India to the USSR during the next three years will cover both fabricated materials and agricultural products. Among the manufactures that can be exported are rolled steel products, metal manufactures for household purposes, handicrafts, leather footwear, coir goods and jute and woollen fabrics. Agricultural commodities that will be exported include tea, coffee, spices and tobacco. The USSR is also expected to purchase increasingly larger quantities of vegetable and essential oils, shellac, mica, and hides and skins (both tanned and semi-tanned varieties).

The Soviet Union will export to India non-ferrous metals, newsprint, tinplate, steel materials, oil products and machinery and equipment for the various metallurgical, power and construction projects.

India exported Rs. 30.4 crores worth of goods to the USSR last year. Imports from there amounted to Rs. 16.7 crores. During the first half of the current year India's exports to the Soviet Union were around Rs. 15 crores, against Rs. 5.4 crores worth of imports.

FOREIGN AID

The Union Ministry of Finance, it is learnt, has been holding a series of meetings to determine the projects to be financed with foreign aid. Almost all the aid-providing countries have asked the Government of India to indicate the project or projects which would be financed with their aid.

Indications are not wanting that the United Kingdom's contribution in the form of credit to be made available during the Third Plan period will be of the order of £125 million. Of this, a credit of £50 million has already been announced. This includes a credit of £20 million for the Durgapur project.

A three-man team of Swedish engineers is coming out to India shortly to study the possibilities of rendering technical assistance to this country. The team is from the well-known firm of Swedish consulting experts, S.G.O. The consulting services of this firm which should interest India include planning, supervision and inspection of industries like mining and metallurgy, pulp and paper, mechanical and chemical industries, etc. The firm also gives technical advice on matters like town planning, water supply, irrigation and sewage, construction of highways, railways, bridges, airports and harbours and setting up of power plants. Other activities of this firm cover provision of consultancy service in regard to architectural and structural designing of public buildings, schools and hospitals.

ITALIAN COLLABORATION WITH INDIAN FIRM

The well-known Italian firm Montecatini has offered its financial collaboration to a South Indian firm R. Venkataswamy Naidu to set up an aluminium factory near Mettur Dam. The factory will manufacture 7,000 tons of aluminium and 3,000 tons of aluminium alloy. Arrangements for this collaboration are nearing completion.

The foreign exchange element of the project is placed at Rs. 6 crores, including Rs. 3.5 crores for plant and equipment. Montecatinis, it is expected, will contribute Rs. one crore. The project is expected to go into production by 1962.

Montecatinis are no strangers to India. In 1957, they were entrusted with the task of setting up the Sindri fertilizers factory. In 1959, they were given another contract for putting up the Neyveli fertilizers plant. They are also collaborating with two Bombay firms engaged in the manufacture of dyestuffs.

SMALL CAR

The Government of India, in pursuance of its last month's Resolution on the Report of the Ad hoc Committee on the Automobiles Industry, has announced the personnel of the Committee constituted for advising it on the manufacture of a low-cost car in the public sector. Mr. G. Pande, former Chairman of the Railway Board and till recently Chairman of Hindustan Steel Ltd., will head this Committee. The other members of the Committee are: Mr. K. B. Lall, Additional Secretary, Ministry of Commerce and Industry; Mr. V. K. R. Menon, Director, International Labour Bureau; Mr. K. L. Ghei, Joint-Secretary, Ministry of Finance; Rear Admiral D. Shankar, Controller-General, Defence Production Organisation, Ministry of Defence, and Dr. B. D. Kalelkar, Senior Industrial Adviser, Ministry of Commerce and Industry. A full-time secretary will be appointed shortly.

The Committee will examine such models of small cars as it may consider prima facie feasible for production in India in the public sector and recommend to the Government such model or models which, in its opinion, could be manufactured within an ex-factory price around Rs. 5,000 on an annual production of 50,000 cars. The Committee will also give an estimate of the ex-factory price of such cars on an annual output of 20,000. The car so produced should, even at the beginning, have a sufficiently high indigenous content and should be made more or less wholly indigenous within a period not exceeding three years from the start of production.

The Committee's task also includes examination in detail of various other factors concerning the project such as quantum of investment involved, both in rupees and foreign exchange, and production costs. It will be free to explore, by discussion with relevant parties, the best possible terms and conditions that may be forthcoming for collaboration, foreign exchange credit and other technical, financial and organisational aspects of the project. The Committee has been asked to as well indicate the most suitable site or sites for the project.

The Committee is required to submit its report within four months.

BRIEFS

The Railway Board has sanctioned the reconnaissance engineering and traffic surveys for a broad gauge railway link from Kathua to Jammu, covering a distance of about 100 miles. The surveys will be carried out by the Northern Railway Administration. The new railway line would facilitate expeditious movement of goods between the Jammu and Kashmir State and the rest of the country.

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The Pearl Cycle Industries Ltd., New Delhi, will be exporting 11,000 bicycles, valued at nearly Rs. 10 lakhs, to Egypt by the end of the current year.

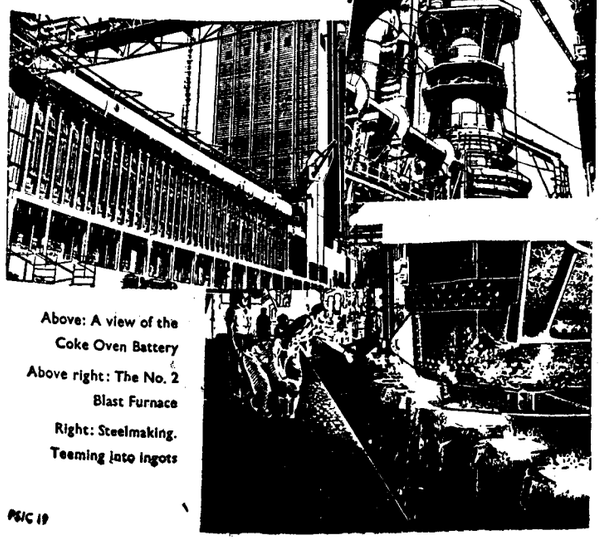
* *

A simple and economic method of manufacturing diaminophenol sulphate, an important chemical used in photography and for dyeing hair and fur, has been developed at the Central Electro-Chemical Research Institute, Karaikudi.

COMBINED OPERATION

The know-how and equipment of British technicians and British Industry have combined with India's skill and labour to build an integrated Steelworks at Durgapur for the people of India.





Above: A view of the Coke Oven Battery
Above right: The No. 2 Blast Furnace
Right: Steelmaking. Teeming into ingots

PS/C 19

ISCON

INDIAN STEELWORKS CONSTRUCTION CO. LTD.

Davy and United Engineering Company Limited.
Head Wrightson & Company Ltd. Simon-Carves Ltd.
The Wellman Smith Owen Eng. Corp. Ltd.
The Cementation Company Ltd.
British Thomson-Houston Co. Ltd. The English Electric Co. Ltd. The General Electric Co. Limited.
Metropolitan-Vickers Electrical Export Co. Ltd.
Sir William Arrol & Company Ltd.
Cleveland Bridge & Engineering Co, Ltd.
Dorman Long (Bridge & Engineering) Ltd.
Joseph Parks & Son Ltd. Iscon Cable Group
(Siemens Edison Swan Ltd.
and Pirelli General Cable Works Ltd.)

BRITISH COMPANIES WORKING FOR INDIA

THE INDIAN BANK LTD.

H. O: NORTH BEACH ROAD, MADRAS-1

CAPITAL

Authorised Capital	Rs. 1,00,00,000
Subscribed Capital	Rs. 88,60,000
Paid-up Capital	Rs. 82,99,435
Reserve & other Funds	Rs. 85,01,884
Deposits(as on 30-6-1960)	Rs. 45,18,48,512

DEPOSITS

CURRENT ACCOUNT — SAVINGS BANK — FIXED, SHORT TERM DEPOSITS—3 YEAR CASH CERTIFICATES YIELDING 4·06% COMPOUND INTEREST

FOREIGN EXCHANGE

FOREIGN EXCHANGE OF EVERY DESCRIPTION :

London Agents : WESTMINSTER BANK LIMITED

New York Agents: FIRST NATIONAL CITY BANK OF NEW YORK

G. S. SUNDARAM, Secretary

ESTD-1907

Industrial Instruments for

INDICATING CONTROLLING & TESTING

For Process Control Equipment in all Industries and for efficiency in Fuel consumption

GAS ANALYSER

H&B

M/s Hartmann & Braun, Germany

Electric and Electronic indicating, recording and controlling instruments for temperature, pressure, level, flow, pH etc. and gas analysers

DIAL THERMOMETERS

M/s Dreyer Rosenkranz & Droop, Germany

Pneumatic controllers, indicating recording and controlling gauges, and thermometers and special temperature control equipment for dairies.

TEMPERATURE CONTROL PANEL FOR DAIRIES

SAUTER

M/s Fr. Sauter, Switzerland

Refrigeration & air conditioning controls, pneumatic and electric controllers, time switches, timers, solenoid and motorised valves etc.

REFRIGERATION VALVE

COLORIMETER

M/s Apparatebau Josef Henri Reineke Germany

Automatic hydraulic controllers for Calorie value of fuels and for flow and pressure of liquids, steam and gases. Automatic Calorimeters: Remote control safety valves etc.

For Material Testing of Metals, Textiles, Paper, Plastics & Rubber.

HAND TACHOMETER

SMITHS

M/s Smiths Industrial Instruments, London

Mechanical Indicators and counters, Hand Tachometers, Speed Indicators, Pick counters, Loom Revolution counters etc.

TENSILE TESTER

FRANK

M/s Karl Frank G.m.b.H., Germany

Material testing instruments for METALS, TEXTILE, PAPER, PLASTIC and RUBBER industries including Universal Testing Machines, Hardness Testers, Bursting strength Testers, Stiffness Testers, Crush testers, Abrasion testers etc.

ECHOSKOP

Dr. Lehfeldt & Co G.m.b.H. Germany

For Non-destructive testing of metals, ultrasonic Echoskops etc.

For Quality Test in Chemical & Pharmaceutical Industries.

pH METER

BECKMAN

Beckman

M/s Beckman Instruments Inc. U.S.A.

pH meters, Spectrophotometers for ultraviolet visible and infra-red regions of spectrum. Oxygen analysis, Gas Chromatographs etc

Industrial Control Equipments as pH controllers & recorders etc.

For Chemical & Spectro-chemical Analysis in Ferrous, nonferrous, Cement & Chemical Industries.

QUANTOVAC

M/s Applied Research Laboratories, U.S.A.

'Quantovac' direct reading spectrographs for complete analysis of steel, iron etc. including C.S.P Contents, X-Ray, Industrial Polychromators for analysis of copper & copper base, alloys etc; 1·5 meter and dual grating spectrographs for general spectro-chemical analysis.

SOLE AGENTS:

TOSHNIWAL BROTHERS PRIVATE LTD.

198, JAMSHEDJI TATA ROAD, BOMBAY-1

Branches:

AJMER • CALCUTTA

NEW DELHI • MADRAS

COMPANY AFFAIRS

TATA IRON: A YEAR OF EXPANSION

Mr. J. R. D. Tata, Chairman Tata Iron and Steel Company Ltd. pointed out at the annual general meeting that the year to March 31, 1960 was of special significance to the company because it saw the completion of the biggest expansion programme ever undertaken in its long history and the introduction of an entirely new wage structure following three years of intensive studies and negotiations. About half of the company's plant is now wholly modern and the additional million tons capacity has been put up both in a reasonably short time and at relatively low cost. The Company has spent on it approximately Rs. 106 crores, and the total cost comes to Rs. 110 crores, including the cost of the modifications and additions. It is true, he added, that in 1955 when the project was first mooted and no detailed plans and specifications had been prepared or quotations obtained from manufacturers, the programme was estimated to cost roughly Rs. 80 crores. Later on, when the specifications were worked out and were approved by the World Bank, the cost was estimated around Rs. 95 crores. The actual excess comes to Rs. 15 crores of which about Rs. 6 crores represent increases in import duties on plant and equipment, manufaturers' escalations and increases in the initial provisioning of spare parts.

He was of the opinion that in spite of the difficulties which still exist, particularly in regard to the quality and regularity of supplies of raw materials, the company has already stabilised its production at a rate equivalent to about 80 per cent of full capacity.

In respect of the deterioration in the quality of coal and iron ore, which heavily strained the working of the company, he pointed out that to counteract the increase in the ash content of coke, which severely affects operation at the Blast Furnaces, the maximum use of washed coal is necessary. In the case of iron ore, the problem is the two-fold one of improving the quality of the ore despatched from the mines and of ensuring regular supplies of properly blended and sized ores to the plant. In order to achieve a complete and permanent solution of this problem, the company has taken in hand a programme aimed in short term at improving the performance of the ore crushing and screening plant.

During the year under review the capital of the company was increased by Rs. 8.39 crores from Rs. 30.86 crores to Rs. 39.25 crores by new capital issues. The balance of Rs. 3.69 crores in the second World Bank loan account was fully drawn during the year.

The company is awaiting Government's decision in respect of her claims for increases in retention prices. Unfortunately, Government's decision has still not been announced. There was an improvement in the working of the company mostly on account of an increased production and a consequent reduction in costs which, however, was largely absorbed by the higher charges of depreciation and interest and by the higher provision for plant rehabilitation and development rebate reserve. The dividend recommended by the Directors on Ordinory shares fulfils the assurance given to the shareholders last year that the dividends in respect of 1959-60 would be tax-free—the 30 per cent tax on dividends under the new scheme of taxation being borne by the Company. The dividend also carries out in full the assurance given to the shareholders in 1956 of maintaining a return of Rs. 10.50 on the old Ordinary shares while providing a fair return on the new Ordinary shares.

TATA CHEMICALS

The Directors have regretted that the operating profits of the Tata Chemicals Limited for the year to June 30, 1960 are lower than that of the previous year by about Rs. 15 lakhs (excluding from consideration the profit of Rs. 4.77 lakhs made in the previous year on the sale of assets), although revenue from sales was maintained at about last year's figure. The year's profits were affected by (i) the inevitable interference with the production of existing units by plants under construction, reduced operations and lower efficiencies arising from the trials and commissioning of new units under the expansion programme. (ii) the reduction of Rs. 10 per ton in the price of soda ash for the full year as against four months in the previous year and a reduction of Rs. 30 per ton in the price of caustic soda from October 1959 following the recommendations of the Tariff Commission, (iii) the higher cost of salt due to lower production, (iv) higher interest charges and (v) the increased dearness allowances to workers and staff from December last.

The Directors have decided to pay a dividend of 60 nP per ordinary share subject to deduction of tax. On preference shares the directors have decided to pay 5 per cent tax-free dividends after making an addition of 25 per cent to the stipulated dividend of 5 per cent and a deduction of tax at the rate of 30 per cent which will be paid over to the tax authorities. The net amount paid to the preference share holders will be Rs. 4.375 per share against Rs. 5 per share last year.

FORWARD MARKETS BULLETIN

(Monthly)

Published by

Forward Markets Commission

Government of India

Bombay.

Regular features

* A 'General Review' presenting an assessment of trading conditions in the futures markets during the month
* Special articles on technical aspects of forward trading
* Extensive information relating to developments in futures markets
* Detailed commodity market reviews
* Comprehensive and up to date statistical supplement, relating to crop estimates, production and consumption trends, price movements, trading against futures contracts etc.
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Annual subscription		Single copy	
In India	: Rs. 24.00	In India	: Rs. 2.50
Abroad	: Rs. 40.00	Abroad	: Rs. 4.00

For Further particulars Please apply to:

The Secretary

Forward Markets Commission

"Everest" 100, Marine Drive

BOMBAY-2

COMMODITY NEWS AND NOTES

IMPORT OF COTTON UNDER P.L.480.

The Textile Commissioner to the Government of India had allocated 2,75,000 bales of P.L.480 cotton stapling 1" and below but not less than 13/16" as announced in the Trade Notice issued on September 5, 1960. The allottee mills were requested to import this cotton within the time limit specified. As evidence of their agreement to import, they were requested to send to the Textile Commissioner's Office copies of the letters of guarantee sent by them to the Joint Chief Controller of Imports and Exports, Bombay. Many mills have not sent the guarantees although the time limit for the guarantee expired on the ninth of this month.

ALLOTMENT OF IRON AND STEEL

In view of the anticipated increases in indigenous production of steel in the coming months, Government have decided that the existing procedure for acquisition and distribution of steel should be further liberalised. It has accordingly been decided that the issue of quota certificates for the purpose of placing indents on Iron and Steel Controller will be dispensed with for actual users, registered stockists and controlled stockists, for the following categories with effect from October 1, 1960:

i) Blooms and billets (other than re-rollable billets).
ii) Tested and untested bars.
iii) Rods.
iv) Heavy structurals.
v) Light structurals.
vi) Heavy rails.
vii) Light rails.
viii) Second class rails.
ix) Plates.
x) Black sheets and hot rolled strips of 14 gauge and thicker.
xi) Spring steel.
xii) Hoops and strips.
xiii) Sleepers.
xiv) Fishplates.

For the above items, indents can be placed by all concerned on the Iron and Steel Controller to the full extent of their requirements for six months. Care should be taken to see that only actual requirements for the half year period are indented for. It would be the endeavour of the Iron and Steel Controller to plan the indents on the producers to the full extent possible

However, to enable the Iron and Steel Controller to exercise scrutiny on the reasonableness of the quantities indented for, it has been decided that actual users should, in their indents, furnish the following particulars:

i) The quantity and categories of steel outstanding on 1-10-1960;
ii) The categories and quantities, for which quota certificates had been issued to the indentor in the previous two half years; and
iii) The purpose for which the steel, in question, is required for October, 1960 — March 1961 period.

EXPORT OF GROUNDNUT OIL AND SALAD OIL

The Union Ministry of Commerce and Industry recently announced a scheme for facilitating larger exports of groundnut oil and salad oil. Under the scheme, for every ton of groundnut oil exported, 3½ tons of groundnut expeller cake would also be allowed to be exported. For every ton of salad oil exported, 4 tons of groundnut expeller cake would be permitted to be exported. Import of copra and palm oil would be allowed against the exports. A Trade Notice issued recently says that tenders for exporting groundnut oil and salad oil should be forwarded to Mr. M. P. Mathur, Director of Export Promotion, Ministry of Commerce and Industry, New Delhi by name before the end of this month. Tenders should indicate the quantity of groundnut oil or salad oil which the party would undertake to export on firm basis during the period ending January 31, 1961, the minimum quantity of copra and and palm oil sought to be imported against these exports, the countries to which exports would be made and the ports from which shipments would be effected. Export permits in respect of groundnut oil and salad oil would be granted immediately to those whose tenders are accepted. The export quota of groundnut expeller cake and the import quota for copra and palm oil would be granted on the production of documents proving the export of groundnut oil or salad oil.

INTENSIFYING SEARCH FOR BASE METALS

Detailed geological mapping and investigations by drilling has been taken up by the Geological Survey of India in important copper, lead and zinc districts of the country including Khetri, Daribo, Partapgarh and Zawar in Rajasthan and Singhbhum in Bihar. A Base Metal Unit has also been formed in the Geological Survey of India in early 1959 for intensifying the efforts. The exploratory work for proving copper deposits in Daribo and Khetri was started by the Indian Bureau of Mines in March and April 1957, respectively, and the exploratory work was still continuing. The Bureau has proved 28.4 million metric tons of copper ore with an average of 0.8 per cent metal content. Another area for copper ore has been taken up at Gani in Andhra Pradesh this year where the work is continuing.

The Bureau of Mines has further proved nearly 6 lakh metric tons of copper, lead and zinc ores in Bhotang mines, Sikkim, having an average of 6.9 per cent of total metal content. The Sikkim Mining Corporation has already been set up to exploit and smelt the ores of Bhotang mines. Detailed prospecting work in Pachekhani and Dikchu mines for copper, lead and zinc ores has also been taken up by the Bureau.

For Service & Security

PANDYAN BANK LTD.

Central Office: MADURAI.

Bombay Office : "Pandyan House," Frere Road, Opp: Fort Market.

Bangalore Office· 127, Sultanpet.

Paid-up Capital .. .. .. Rs. 15,00,000
Reserve Fund .. .. .. Rs. 12,00,000
Working Funds as on 30-6-1960 .. Rs. 7,47,95,066

We transact all kinds of Banking Business

83 *Offices serve the Public*

S. N. K. SUNDARAM, Managing Director.

This is only an announcement and not a prospectus and applications are invited on the basis of the prospectus, copies of which are available from the Company's Registered Office, the bankers, the underwriters and the brokers mentioned hereunder.

A copy of the Prospectus having attached thereto the documents referred to hereafter has been duly delivered for registration to the Registrar of Companies, Madras, as required under Section 60 of the Companies Act, 1956.

Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in giving this consent the Central Government do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

A licence has been obtained from the Central Government for the establishment of this industrial undertaking of which a copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in granting this licence, the Government of India do not take any responsibility for the correctness of any of the statements made or opinions expressed in regard to it.

The Madras Stock Exchange has agreed to grant an official quotation for the shares of the company, and permission to deal in them on the company complying with the necessary formalities after closure of the subscription list.

The subscription list will open at 10 a.m. on Monday, November 7, 1960 and will close at 2-30 p.m. on Monday, November 14, 1960 or earlier at the discretion of the Directors but not earlier than 2-30 p.m. on Friday, November 11, 1960.

PREMIER FERTILISERS LIMITED

(Incorporated under the Companies Act 1956)

SHARE CAPITAL

AUTHORISED CAPITAL:	**Rs.**
2,50,000 — 9% Taxable Cumulative Preference shares of Rs. 10 each	25,00,000
7,50,000 — Equity shares of Rs. 10 each ..	75,00,000
	1,00,00,000

ISSUED CAPITAL:

Present Issue:

5,00,000 — Equity shares of Rs. 10 each .. 50,00,000

Out of the present issue, the signatories to the Memorandum have already subscribed among themselves for 31,200 Equity shares of Rs. 10 each to aggregate value of Rs. 3,12,000. The promoters and their friends have further subscribed for 88,800 Equity shares of Rs. 10 each to the aggregate value of Rs. 8,88,000. The Industrial Credit and Investment Corporation of India Limited, Bombay, have agreed to subscribe for 30,900 Equity shares of Rs. 10 each to the aggregate value of Rs. 3,00,000. The balance of the issued capital, namely, Rs. 35,00,000 consisting of 3,50,000 Equity shares of Rs. 10 each is offered for public subscription at par for cash in terms of this Prospectus and is payable as follows:

On application .. Rs. 5 per share.
On allotment .. „ 5 „

Failure to pay allotment money when called for within the time mentioned shall render the share liable to forfeiture.

The entire balance of issue namely Rs. 35,00,000 now offered to the public has been underwritten.

No shares are issued for consideration other than cash.

The Company has agreed to give preferential allotment to the extent of 50 per cent of the shares underwritten by each of the brokers in respect of specific applications submitted by them and marked firm allotment.

BOARD OF DIRECTORS

1. Sri M. Ct. MUTHIAH (Industrialist), Chairman.
"Bedford House", Vepery, Madras-7.
Chairman of:—
1. The Indian Overseas Bank Limited, Madras.
2. The United India Fire & General Insurance Co., Limited, Madras.

Director of:—
3. The Industrial Finance Corporation of India, New Delhi.
4. Kerala Financial Corporation, Trivandrum.
5. Andhra Pradesh State Financial Corporation, Hyderabad.
6. The Madras Industrial and Investment Corporation Ltd., Madras.
7. The Reliance Motor Company Private Ltd., Madras.
8. The Mysore Paper Mills Ltd., Bangalore.
9. The Travancore Rayons Ltd., Rayonpuram, Kerala, etc.

2. Sri M. Ct. PETHACHI (Industrialist),
"Bedford House," Vepery, Madras-7.
Director of:—
1. The Indian Overseas Bank Limited, Madras.
2. The Travancore Rayons Limited, Rayonpuram, Kerala.
3. The Reliance Motor Co. Pvt. Ltd., Madras.
4. The Reliable Hire-Purchase Co. Pvt. Ltd., Madras.
5. Emcete & Sons Pvt. Ltd., Madras, etc.

3. Sri S. P. VIRMANI (Industrialist),
No. 33, Najafgarh, Industrial Area, New Delhi-15.
Director of:—
1. Industrial Finance Corporation of India, New Delhi.
2. State Bank of India (Central Board), Bombay.
3. Jammu & Kashmir State Financial Corporation, Srinagar.
4. Uttar Pradesh Financial Corporation, Kanpur.
5. Seshasayee Paper & Boards Ltd., Tiruchirapalli.
6. Punjab Financial Corporation, Chandigarh, etc.

4. Sri D. P. GOENKA (Industrialist),
9, Brabourne Road, Calcutta-1.
Director of:—
1. Industrial Credit & Investment Corporation of India Ltd., Bombay.
2. Calcutta Steel Co. Ltd., Calcutta.
3. Caledonian Jute Mills Co. Ltd., Calcutta.
4. Hindustan Aluminium Corp. Ltd., Bombay.
5. Naihati Jute Mills Co. Ltd., Calcutta.
6. State Bank of India (Local & Central Board).
7. Hastings Mill Ltd., Calcutta, etc.

5. Sri AR. RAMANATHAN (Industrialist),
"Sunny Side", No. 1, Dr. Alagappa Chettiar Road, Vepery, Madras-7.

Chairman of:—

1. The Travancore Rayons Ltd., Rayonpuram, Kerala.

Director of:—

2. The Indian Overseas Bank Ltd., Madras.
3. United India Fire & General Insurance Co. Ltd., Madras.
4. Emcete & Sons Private Ltd., Madras.
5. Emcete & Sons (Travancore) Private Ltd., Rayonpuram, Kerala.
6. M. Ct. M. Corporation Private Ltd., Pudukotai, etc.

PROPOSED MANAGING AGENTS

MESSRS. EMCETE & SONS PRIVATE LIMITED.
30, Coral Merchant Street, Madras-1.

BANKERS

THE INDIAN OVERSEAS BANK LIMITED,
Esplanade, Madras-1.
THE BANK OF BARODA LIMITED,
3, Errabalu Chetty St., Madras-1.

UNDERWRITERS

THE INDIAN OVERSEAS BANK LIMITED,
151, Mount Road, Madras-2.
THE BANK OF BARODA LIMITED,
Apollo Street, Fort, Bombay-1.
MESSRS. SOMAYAJULU & COMPANY,
337, Thambu Chetty Street, Madras-1.
MESSRS. R. R. NABAR & COMPANY,
31, Dalal Street, Fort, Bombay-1.
MESSRS. P. R. SUBRAMANYAM,
70-A, Stock Exchange Building, Apollo Street, Fort, Bombay-1.) Jointly.
MESSRS. MACONOCHIE & CO.,
Mercantile Bank Buildings, Firstline Beach, Madras-1.) Jointly.
MESSRS. G. M. PYNE,
Allahabad Bank Buildings,
14, India Exchange Place, Calcutta-1.

BROKERS

MESSRS. SOMAYAJULU & COMPANY,
337, Thambu Chetty Street, Madras-1.
MESSRS. R. R. NABAR & COMPANY,
31, Dalal Street, Fort, Bombay-1.
MESSRS. P. R. SUBRAMANYAM,
70-A, Stock Exchange Building, Apollo Street, Fort, Bombay-1.
MESSRS. MACONOCHIE & COMPANY,
Mercantile Bank Buildings, 1st Line Beach, Madras-1.
MESSRS. G. M. PYNE,
Allahabad Bank Buildings.,
14, India Exchange Place, Calcutta-1.

LEGAL ADVISER

SHRI M. RANGANATHA SASTRI,
Advocate, Supreme Court,
No. 1, Dr. Rangachari Road, Madras-4.

AUDITORS

MESSRS. SURI & COMPANY,
1/29, Mount Road, Madras-2.

REGISTERED OFFICE

150-A, Mount Road, Madras-2.

CONSENTS

The consents in writing of the bankers, brokers, legal adviser and auditors of the Company to act in their respective capacities have been obtained and have been filed with the Registrar of Companies, Madras, and have not been withdrawn.

OBJECTS

The Company was incorporated on 31-3-1960 with the objects mentioned in the Memorandum of Association. The main object is to manufacture superphosphate and other chemical fertilisers.

PROSPECTS

The supply of superphosphate is very much below our country's demand being only about 10 per cent. Before the end of the Third Plan period, our requirements will be approximately 10 lakh tons. According to certain statistics, for Madras State alone, the requirement is 5 lakh tons. With the new awakening amongst farmers, the demand for superphosphate will be in excess of supply and the prospects for the Company are, therefore, bright. As the factory is being located at Cuddalore in South Arcot District, where paddy, sugarcane and groundnut are grown, the demand for superphosphate fertiliser will be continuous. Further, the demand from Tanjore district which is very near from the factory site is also very high. Therefore, the manufactured goods will easily find a sale.

PROJECT

The Company has been granted a licence by the Government of India under the Industries (Development and Regulation) Act, 1951, for the establishment of a fertiliser plant in the State of Madras, with a manufacturing capacity of 40,000 tons of superphosphate per annum and 16,500 tons of sulphuric acid per annum.

LOCATION OF THE FACTORY

A site in the vicinity of Cuddalore O.T. Railway station in the State of Madras has been purchased for the factory, and the price for the same has been advanced by the promoters who are entitled to be reimbursed.

RAW MATERIALS

Raw materials like sulphur and rock phosphate, etc., have to be imported from abroad and hence location of the factory near a port will be advantageous. In the Third Five-Year Plan, greater emphasis has been laid on the increase of foodgrains and consequently systematic use of chemical fertilisers is advocated. There will therefore be no difficulty in getting the requisite raw materials from abroad under the actual users' import licences.

SITE

A plot of approximately 20 acres of land near the Cuddalore port has been purchased from Mr. Mohammad Ismail Maracair, Sonegar Street, Cuddalore Old Town, Cuddalore Taluk, South Arcot District, for a total cash price of Rs. 38,479 including stamp duty, registration charges etc. It is an absolute sale of free hold property in favour of the Company.

WATER SUPPLY

Water for the factory will be taken from the bore wells that have been sunk in the factory site. The site being on the coast and in an area where the water table is high, the factory will get sufficient water for its purposes.

ELECTRICITY

We do not anticipate any difficulty in getting the requisite electric power for the factory inasmuch as the power requirement itself is not very high and the Government of Madras have also given the necessary assurance for providing the required power, subject to prevailing grid conditions.

TRANSPORT FACILITIES

Cuddalore being a sea port, it is an additional advantage for the transportation of raw materials, etc., by sea route. The site being in close proximity to Cuddalore O.T. Railway junction on the Southern Railway, suitable rail transport facilities are available. In addition, suitable road transport facilities also are available, giving easy connection with other important commercial towns. The manufactured goods can, therefore, be moved easily by road or by rail to any place.

PLANT AND MACHINERY

Messrs. Chemiebau Dr. A. Zieren G.M.B.H., Koln Am Rhein, West Germany, have offered to supply all the necessary plants for sulphuric acid and superphosphate and they will be responsible for the erection and bringing into operation of the factory and the training of Company's personnel. They are well known in India and have supplied acid plants to various concerns in India which have been found very satisfactory in working. The items of machinery and equipment of indigenous origin are reserved to be procured in India.

IMPORT LICENCE

The Company has obtained an Import Licence No. CCP. 998245/60HQ/CG. dated September 23, 1960, from the Chief Controller of Imports & Exports, Government of India, New Delhi, for the import of the above plant and machinery.

FOREIGN EXCHANGE

The Industrial Credit and Investment Corporation of India Limited, Bombay, have agreed in principle to lend to the Company an amount in foreign currencies equivalent to U.S. $235,600 (approximately Rs. 11 lakhs) to pay for the cost of the imported machinery and capital equipment for the proposed factory, subject to the approval of the International Bank for Reconstruction and Development. The loan will be repayable in half-yearly instalments extending over a period of 7 years. The interest payable on this loan will be 7¾% per annum, with a commitment charge of 1% per annum on the amount of the loan undrawn from time to time. In addition, an amount equal to a quarter of one per cent of the total amount of the loan sanctioned shall be payable as an examination fee.

The loan will be secured by a first mortgage of all the existing and future moveable and immoveable properties of the company and a floating charge on other assets subject to the hypothecation to secure bank borrowings for working capital.

CAPITAL OUTLAY AND MINIMUM SUBSCRIPTION

In respect of the public issue under this Prospectus, the minimum subscription on which the Directors will proceed to allotment is Rs. 20 lakhs being 2 lakhs of Equity shares of Rs. 10 each.

The capital required to reach the stage of production is estimated as follows:

	Rs. (in lakhs)
Land and Buildings ..	9.50
Machinery and equipment including freight, insurance and erection charges	26.50
Preliminary expenses including underwriting commission and brokerage ..	2.50
Working capital	25.00
	63.50

This amount is proposed to be met as follows:

Equity share capital from the promoters and their friends, and I.C.I.C.I.	15.00
Equity share capital to be raised by this issue	35.00
Foreign exchange loan from I.C.I.C.I.	11.00
To be raised from bankers and other sources as and when required ..	2.50
	63.50

ESTIMATE OF PROFITS

The fertiliser industry in India has shown a reasonably high potentiality for profit earning. The proposed super-phosphate factory will be equipped with up-to-date plant and machinery incorporating the latest methods of fertiliser production which also effects substantial savings in cost of production. The Company, therefore, has reasonable scope for earning profits, and the Directors feel that the operation of the factory will yield a satisfactory return on the capital invested.

COMMENCEMENT OF BUSINESS

The Company has obtained a Certificate of Commencement of Business, dated 7-9-1960, from the Registrar of Companies, Madras, after filing the Statement in lieu of prospectus. The report of the auditors under Section 56 of the Companies Act and Schedule 11 is set out below and they have given their consent to the issue of the Prospectus with the Statement included in the form and context in which it is included. They have not withdrawn such consent before delivery of the copy of the Prospectus for registration.

DIRECTORS

The Articles of the Company provide that the number of Directors shall be not less than three, and until otherwise determined by a General Meeting, not more than nine excluding any director nominated by Government or financing institutions.

The qualification of a Director other than ex-officio Director and the Directors nominated by Government or any financing institutions, shall be his holding of shares in the capital of the Company of the face value of Rs. 5,000.

The Articles provide that the remuneration of each of the Directors including the ex-officio Directors and the Directors nominated by Government or any financing institutions shall be such sum not exceeding Rs. 100 as may be decided upon by the Board of Directors from time to time for every meeting of the Board or Committee attended by him.

The Articles also provide that the Company allow or pay to any director, such sum as the Directors may consider fair compensation for his expenses in connection with his attending the meeting, in addition to his remuneration.

APPOINTMENT OF DIRECTOR BY THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED, BOMBAY

The Industrial Credit and Investment Corporation of India Limited, Bombay, have, as one of the terms of their giving a loan of requisite foreign exchange for the Company, the right to appoint, if they so desire and deem it necessary, an ex-officio Director to the Board, who shall not be liable to retirement and shall not be required to hold qualification shares.

MANAGEMENT AND CONTROL

It is proposed to appoint Messrs. Emcete & Sons Private Limited, 30, Coral Merchant Street, Madras-1, as Managing Agents for 15 years and an application for the approval of the said appointment and the terms of the Managing Agency, has been made to the Government of India. According to the said draft terms, the Managing Agents will be paid by way of remuneration a commission on the net profits of the Company at the following rates:

10% on the first Rs. 10 lakhs or fraction thereof
9% „ next „ 10 „ „
8% „ „ „ 10 „ „
7% „ „ „ 10 „ „
6% „ „ „ 10 „ „
5½% „ „ „ 25 „ „
5% „ „ „ 25 „ „
4% on any sum over one crore of rupees.

In the event of inadequacy or absence of profits, the Managing Agents will be paid a minimum remuneration of Rs. 50,000 per annum. The expression "net profits" shall have the same meaning as defined under Sections 349 and 350 of the Companies Act, 1956.

The Subscribed Capital of Messrs. Emcote & Sons Private Limited is Rs. 5,00,000.

The Managing Agents shall be entitled to appoint to the Board two directors or one director as the case may be according as the total number of directors is more than five or less than five, and such nominated directors shall not be liable to retire in rotation.

Subject to the Government's approval of the said appointment, the control and management of the business of the Company shall vest in the Managing Agents who will exercise all such powers of the Company required to be exercised by them as per the provisions of the Companies Act.

OPTION OR PREFERENTIAL RIGHTS TO SUBSCRIBE

No contract or arrangement has been entered into or is proposed to be entered into by the Company whereby any option or preferential right of any kind has been given or is proposed to be given to any person to subscribe for any shares, except the firm allotment to the extent of 50% of the underwriting of each of the brokers the allotment to the promoters and their friends and to the Industrial Credit and Investment Corporation of India Ltd., Bombay, for the amount subscribed by them mentioned supra.

UNDERWRITING AGREEMENTS

The Company has entered into agreements with the following bankers and brokers according to which they have agreed to underwrite Equity shares of the face value set respectively against their names:

Name	Amount Rs. (in lakhs)
The Indian Overseas Bank Ltd., Madras	10
The Bank of Baroda Ltd., Bombay	10
Messrs. Somayajulu & Company, Madras	5
„ R. R. Nabar & Company, Bombay	5
„ P. R. Subramanyam, Bombay)	
„ Maconochie & Co., Madras and)	Jointly 5
„ G. M. Pyne, Calcutta)	
Total ..	35

In the opinion of the Directors, the resources of the said Underwriters are sufficient to discharge their respective underwriting obligations.

The Underwriters are entitled to an underwriting commission of 2½% of the face value of the shares respectively underwritten by them exclusive of brokerage hereinafter mentioned.

Subject to clause 10 of the Articles of Association of the Company, brokerage at the rate of 1% will be paid on all allotments made in respect of applications bearing the stamp of a Bank or a recognised broker. Brokerage on the same basis is payable to underwriters in addition to the underwriting commission, on allotments in respect of applications made or procured by them and bearing their respective rubber stamps.

STATUTORY AND GENERAL INFORMATION

PRELIMINARY EXPENSES:

The total preliminary expenses are estimated to be Rs. 2,50,000 which is inclusive of all the expenses of this issue, brokerage and the underwriters' commission. The amount will be advanced by the promoters in the first instance and they are entitled to be reimbursed by the Company.

Save as provided above no amount or benefit has been paid or given or is intended to be paid or given to any promoter or officer of the Company.

APPLICATION FOR SHARES AND ALLOTMENT

Application for Equity shares must be for a minimum of 50 shares. All applications should be made on the form attached to the Prospectus copies of which can be had from the Registered Office of the Company, the Company's Underwriters, Bankers and Brokers.

The application forms duly completed together with cheques or drafts for the full amount of Rs. 5 per share payable on application must be delivered before the closing of the subscription list to the Company at their Registered Office or to any of the Company's bankers, underwriters, or brokers.

Remittances should be made by cheques or drafts drawn on any Bank situated in Madras, Bombay, or Calcutta. Cheques or drafts on other stations must include bank charges at 25 nP. per cent subject to a minimum of 62 nP. per cheque or draft; otherwise, the application is liable to be rejected.

Cheques and drafts should be made payable to PREMIER FERTILISERS LIMITED or to one of the Company's bankers—marked "Account PREMIER FERTILISERS LIMITED" and should be crossed. A separate cheque or draft must accompany each application form.

Allotment will be notified by the despatch of Allotment Letter but the Directors resere the full uncontrolled right of accepting or rejecting any application in whole or in part in either case without assigning any reason. Where an application is rejected or not accepted in full, the whole or any balance of the application money received will be refunded to the applicant by cheque on the Company's bankers at Madras within two months of the date of opening of the list. No interest will be paid by the Company. No allotment will be made in the names of Partnership firms, minors, non-residents or their nominees or Trusts. The shares when issued will be subject to the Memorandum and Articles of Association of the Company.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months / Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	[illegible]9	99.5	116.5	123.7	113.8	111.3	111.6	117.1
July 1959 ..	[illegible]	98.0	115.6	120.2	108.5	109.3	109.2	116.8
August „	[illegible]	98.3	115.5	119.4	109.2	109.5	109.5	117.1
September „	125.	99.7	116.3	122.6	111.3	109.8	110.0	117.2
July 1960 ..	[illegible]24.0	109.6	119.5	137.2	130.4	119.4	121.0	124.7
August „ ..	123.9	106.7	119.5	137.0	130.1	121.0	122 3	125.0
September „ ..	123.9	104.5	119.6	138.8	129.7	121.5	122.7	125.3
17-9-1960 ..	123.6	104.5	119.6	139.1	129 5	121.4	122.6	125.2
24-9-1960 ..	123.9	105.5	119.5	141.1	130.0	121.5	122.7	125.7
1-10-1960 ..	122.9	105 5	119.5	142.2	129.7	121.6	122.7	125.4
8-10-1960 ..	122.1	105.5	119.6	145.7	129.2	122.5	123.4	125.7

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshed Pur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104		106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	—	154	399	460	510	165*	462	167	164*	171
July	404	423	—	160	406	483*	515	165*	467	169	164*	174*
August	402	421	—	160	410	483*	515	—	470	—	—	—
September	—	—	—	161	—	—	—	—	472	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 14-10-1960			7-10-1960			30-9-1960			23-9-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams) ..	114.95	113.20	114.23	115.45	112.40	113.87	116.80	114.71	115.51	116.90	115.67	116 34
Silver (per kilogram) ..	192.00	190.10	191.34	193.15	190.15	191.65	194.14	192.21	192.87	194.68	193.18	193.95

SCHEDULED BANKS

(Rs. in Lakhs

Period	LIABILITIES			Cash (Notes + Coins	Balances with Reserve Bank	5+6 as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	6	7	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855 00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	559,62	351,86	911,55	32 66	53,91	9.50	468,39	84,66	60 68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	35,94	50,23	7 96	626,08	155.56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77 58	8 72	723,79	167,32†	66.77	385,54
1958-59 ..	735,93	860,33	1,596 26	40,30	80,99	7 24	766,56	133 97†	56.37	565,14
1959-60 ..	745,84	1086,79	1,832,62	44,84	75 81	6.68	842,75	144.49†	53.87	725,20
Average of Fridays										
April 1960	800,17	1162,83	1 963 01	51,40	89,55	7.18	950,14	177,77†	57.46	729 23
May ,, ..	785,2	1193,7	1,978,98	48,84	90,72	7 05	964 21	167,88†	57.21	744 91
June ,, ..	790 17	1202 95	1,993,12	48 19	102,55	7.52	975,63	155,82†	56.77	743 94
July ,, ..	792,12	1215,71	2 008,13	48 19	112,01	7.98	979 13	147,95†	56.12	735 74
August ,, ..	792,95	1212 04	2,004,98	46 35	110 46	7 82	966 68	149,15†	55 65	739,09
September ,, ..	779 24	1188 44	1,967,68	46,46	102,53	7.57	980,18	146,48	57.26	734,02
Week Ending										
9-9-1960 ..	774,91	1193,65	1,968,56	46,86	111,79	8.06	979,44	146.81†	57.21	736,05
16-9-1960	777,33	1184,68	1,962,01	46,12	93 91	7,14	981.74	145.89†	57 47	729,36
23-9-1960 ..	772,07	1186,51	1,958 58	45 50	103,14	7.59	977,31	145,27†	57.31	729 97
30-9-1960 ..	775,00	1183,62	1,958,62	45,77	96,20	7.25	980,83	146,75†	57.57	726,21
7-10 1960 ..	790,42	1166,29	1,956 71	48,48	101,67	7.67	970,74	151,27†	57.34	719,93

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29.26
1954-55 ..	1,920,63	1,311,77	608,86	599.16	9,71	+126.65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1 556,50	756,39	744,74	11,65	+128.57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75 94
1958-59 ..	2,498,75	1 724,53	774,23	754,98	19,25	+109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+203,44*
March 1960 ..	2,703.13	1,862 72	840,41	818,62	21,79	+82,77
April ,, ..	2 746 29	1,912.93	833 36	812 78	20 58	+43,16
May ,, ..	2 724 97	1,895,79	829 19	810,08	19 11	—21.32
June ,, ..	2,702,31	1,869 02	833 28	810,37	22 92	—22 66
July ,, ..	2,670 14*	1 826 91*	843 23*	813 05*	30 18	—32 17*
August ,, ..	2,658,79*	1,806,60*	852,19*	819,55*	32,63	—11,35*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Groundnut Oil	Mustard Oil	Sugar	Gur	Tea
1953-54 ..	100	93	100	103	89	120	137	99	141	174
1954-55 ..	82	75	77	78	54	77	127	104	122	255
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 ..	105	88	114	126	68	105	164	110	107	164
1958-59 ..	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
August 1959 ..	113	96	120	130	72	113	146	121	164	185
September ,, ..	111	98	120	117	70	116	147	121	164	188
October ,, ..	112	100	128	125	75	117	147	121	181	192
November ,, ..	108	98	121	126	73	112	148	127	190	194
December ,, ..	101	96	120	121	70	113	149	127	164	210
January 1960 ..	102	97	119	125	72	118	150	127	154	207
February ,, ..	105	98	121	128	80	125	158	127	156	196
March ,, ..	106	94	117	123	74	126	156	127	149	180
April ,, ..	108	91	121	122	76	130	155	127	147	184
May ,, ..	113	87	123	126	78	127	155	127	145	194
June ,, ..	114	87	127	128	80	129	157	127	144	187
July ,, ..	115	92	130	132	89	137	162	127	148	207
August ,, ..	115	90	127	129	86	135	163	127	148	212
September ,, ..	114	91	129	132	90	138	163	127	146	215
3-9-1960 ..	115	90	129	133	87	135	162	127	149	210
10-9-1960 ..	114	90	128	129	91	136	162	127	149	212
17-9-1960 ..	114	91	129	131	91	139	164	127	143	219
24-9-1960 ..	113	91	131	135	90	142	164	127	142	217
1-10-1960 ..	113	90	125	135	90	143	163	127	142	N.A.

Average of months/ Average of weeks	Spices & Condiments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Groundnut	Cotton Manufactures	Jute Manufactures	Silk & Rayon Manufactures	Machinery
1953-54 ..	118	100	100	104	98	127	104	91	92	99
1954-55 ..	114	90	100	102	112	82	107	102	92	99
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
August 1959 ..	150	97	134	102	118	129	113	90	92	111
September ,, ..	153	99	136	102	119	135	114	89	92	111
October ,, ..	161	101	136	100*	119*	130	115	90	92	111
November ,, ..	167	105	136	102	123	120	116	90	93	111*
December ,, ..	172	104	136	111	140	122	118	94	98	111
January 1960 ..	168	100	135	115	144	131	123	96	105	111
February ,, ..	140	94	135	114	134	139	125	96	103	111
March ,, ..	132	94	135	113	141	141	125	98	103	112
April ,, ..	130	102	140	113	154	144	125	103	103	112
May ,, ..	129	108	140	113	198	139	125	117	104	115
June ,, ..	128	111	140	112	187	146	126	113	103	116
July ,, ..	130	111	140	112	155	150	129	107	103	116
August ,, ..	130	107	140	112	166	140	131	115	102	116
September ,, ..	130	104	141	112	181	141	132	116	101	116
3-9-1960 ..	129	104	141	111	172	139	132	119	101	116
10-9-1960 ..	130	103	141	111	179	140	132	114	101	116
17-9-1960 ..	130	104	141	112	183	140	131	116	101	116
24-9-1960 ..	130	105	141	113	188	143	131	117	101	116
1-10-1960 ..	129	105	141	112	N.A.	144	131	N.A.	101	116

GROSS PROFITS† AS PERCENTAGE OF TOTAL CAPITAL EMPLOYED**

Industry	750 Companies: No. of Companies	750 Companies: 1951-55 Average	1001 Companies: No. of Companies	1001 Companies: 1955	1956	1957	1958	1001 Companies: 1955-58 Average
1. Cotton textiles	145	8.2	204	11.6	9.7	3.4	4.5	7.3
2. Jute textiles	44	9.1	44	3.7§§	— 0.3	4.6	8.0	4.0
3. Other textiles	14	5.1	11	8.0	8.1	6.7	9.9	8.2
4. Iron and steel	2	15.1	2	16.2	11.7	6.8	6.0	10.2
5. Engineering*	57	7.3	85	9.8	9.7	9.1	9.7	9.6
6. Mineral Oil	—	—	2	13.9	20.9	16.3	13.8	16.2
7. Cement	7	13.8	11	13.8	10.2	8.0	7.6	9.9
8. Sugar	52	9.8	73	8.5	10.1	9.9	9.3	9.5
9. Paper	12	12.2	13	12.0	10.4	9.4	12.2	11.0
10. Vegetable oil	16	2.5	15	7.5	4.7	2.5	7.0	5.4
11. Chemicals§	37	4.8	43	7.0	7.1	7.7	7.4	7.3
12. Matches	4	14.1	4	11.9	12.6	10.5	13.7	12.2
13. Coal	38	8.3	47	8.9	6.2	8.5	9.3	8.2
14. Electricity generation and supply‡	20	7.9	21	7.4	6.3	6.9	7.3	7.0
15. Shipping	10	5.1	10	5.3	9.0	8.7	4.4	6.9
16. Tea plantations	113	16.9	167	9.2	14.6	7.3	9.4	10.1
17. Other plantations	26	15.9	43	16.4	18.3	13.3	13.6	15.4
18. Trading	23	4.9	39	6.2	6.4	6.3	7.7	6.7
19. TOTAL including others	750	9.2	1001	10.2	9.6	7.5	8.0	8.8

† Including managing agents' remuneration, interest charges and tax provision but excluding depreciation.
** Total net assets.

* (1) Non-ferrous metals, (2) Transport equipment, (3) Electrical machinery and (4) Machinery (other than transport and electrical).

§ (1) Basic Industrial Chemicals, (2) Medicines and Pharmaceuticals and (3) other Chemicals.

‡ Depreciation deducted as per conditions stipulated in Electricity (supply) Amendment Act, 1948.

§§ For 23 companies, accounts relating to twelve months ended March 1956 are used instead of those for twelve months ended September 1955, used earlier.

Source: Reserve Bank of India Bulletin.



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The Eastern Economist

NOVEMBER 4, 1960

The Great Dilemma

THE disturbing decline over the last fortnight in the prices of Government securities is a symbol of a deep-seated disorder the significance of which has made bankers at least furiously to think. It is widely stated at Calcutta, Bombay and Madras that the fall in prices of about 3 per cent for most scrips in a fortnight is not by any means a full measure of the real disorder. If the greater portion of the selling orders were executed, there would be a far deeper inroad into prices. The Reserve Bank of India is not entering the market on any scale and the Life Insurance Corporation and some banks have studiously avoided selling. If, however, it should happen that the banks desired to put themselves in a more liquid position by sale of securities, a pretty crisis will be initiated. Feverish questions are being asked as to how securities, which have been over-subscribed as recently as in August, should now have suddenly lost their hold on both institutional and private holders.

Two explanations are being given. The first explanation is that with a rise of interest rates in the banks, the attractions of holding Government securities have become very small. There is, indeed, no dearth of money as applications for new issues reveal, but the rate of interest on Government scrip of 4 per cent subject to tax does not, at the present time, measure against other possibilities, particularly of capital gains in equity or in the average dividend on primary shares. But this has always been so; why had it to wait till October 1960 to exhibit itself. The second argument is that there has been a basic change in investors' view of the future. Institutional investors have been held down by Reserve Bank pressure and the Life Insurance Corporation to hold the securities, but with a 4 per cent taxable return they are now being deemed increasingly onerous as elements in the investment. For many years pressures of these kinds have been successfully made so that intrinsic confidence in gilt-edgeds could be maintained. If it cannot be maintained now, is this because institutional, as well as ordinary, investors are fearful of the ravages of inflation? If so, again how has this decline of confidence suddenly arrived?

The banks, it is rumoured, have already taken counsel and are presenting memoranda both to the Ministry of Finance and the Reserve Bank of India on the withdrawal of the rules of deposits initiated in March as an anti-inflationary measure. There is some justification for the banks to complain against the impounding of resources in this manner at a low rate of interest when they can earn on advances between 2 and 3 per cent more. The great majority of these advances are consistent with the Reserve Bank's directions and may, indeed, assist disinflation such, for example, as the utilisation of existing capacity in a manner which might produce more consumer goods. To the extent — and this is a very large extent — that production is the main answer to an inflationary situation, the banks can argue that when monetary resources are impounded, the loss of production more than offsets the reduction in money supply and, therefore, net result might be inflationary. Assuming that the banks' advances are directed into productive channels, there is much force to be attached to the view that at the outset of the busy season, the Reserve Bank of India should relax its orders on the impounding of deposits. Deposits themselves have shown an unfortunate tendency to level off in the last two months. But whether they do or whether they do not, advances cannot be held back in a developing economy. Disinflation and development are difficult to ride in double harness.

It would be foolish, however, to suppose that the mere withdrawal of the order of impounding of deposits will solve the major problem in regard to the unattractiveness of Government securities. And why have, if impounding is the cause, the evil effects come only now? Again, what about the Government resources? The mere release of bank money is no answer to the public sector's ways and means problem at the beginning of the Third Plan. Those who suggest, therefore, that all that the Government has to do is to establish the *status-quo ante* — ignoring the heart of the problem which is that the confidence in the securities market has somehow been shaken — do not solve the problem. They want fewer monetary controls, but no price rises. Almost everyone, at the present time, wishes to have it both ways. The bankers wish to have a larger Plan, but do not desire that the securities market should be an obligation on their funds for which they can find more profitable employment elsewhere. Surely, this argument applies even more to private persons or to smaller corporations which have need for both liquidity and caution in husbanding much smaller resources. If the banks are not to hold a substantial volume of Government securities, how is the capital target of the Plan to be fulfilled? If the demand for money is greater than its supply, is not the classic remedy of a rise of interest rates inevitable? Is there a rate of interest short of 5 per cent at which confidence in long-term accounting can be revived? If the rate is to be at 5 per cent, what will happen to the capital values of the current scrips? If cheap money is to be the order of the day, it can only feed the price

level, on which experience in this year has been none-too-happy. A major remedy is increased foreign aid if it is available. But if it is not available, how can we escape the dilemma of a development programme based on cheap money and the dilemma of avoiding inflation with the cheap money thus created?

The Eastern Economist has supported a disinflationary policy on the part of the Reserve Bank of India and it cannot maintain the view that this policy should be summarily reversed. Obviously, something must be done. While the Reserve Bank is making up its mind on the volume of money which can properly be injected into the system with a constant price level, Government's non-development expenditure must be cut to the bone. It is perfectly clear that the source of inflation is excessive expenditure, and, if it cannot be financed without a further rise in prices, as is becoming increasingly evident, it may even be the Plan which needs to be pruned. At the present time, the Reserve Bank of India must lend its support to the capital market in moderation to see if its intervention can stave off the immediate loss of confidence in Government paper. Thereafter, if it should fail, both the Plan and interest rates will need revision.

People's Participation in State-Owned Corporations

PEOPLE'S participation in the share capital of government-owned industries is the real subject-matter of the report recently prepared by a Study Group appointed by the Planning Commission in this behalf. The Study Group leaves no doubt that it is the *general public*, in contradiction to the *investing public*, which it has in mind as the permissible candidate for participation in the capital of State enterprises. This is not because there are any prejudices against the investing public as such, but because the Study Group is anxious to see that traditional investment is attracted to augment the total investment pool of the economy.

The Study Group, presided over by Mr. D. L. Mazumdar, Secretary, Department of Company Law Administration, and manned by three other high-ranking officials, has produced a valuable document. The type of investment policy which should be followed in permitting people's participation is in fact the hard core of its recommendations. It has approached this core in an objective manner. It has started with the premise that public participation would be meaningless and defeat the very purpose of the contemplated change, if it amounts to diversion of the present investment capital to State enterprises. Such diversion will dislocate the existing pattern of investment capital and create unwarranted problems for the public as well as private sectors. Private issues of shares or debentures and Government securities will be the victims of diversion.

The report mentions the fact that dormant sources of surplus funds exist in the organised as well as unorganised sectors of the economy and their investment potential cannot be ignored now that there will be an increasing pressure on rupee resources in our successive five-year plans. The Study Group maintains that a new, though relatively small, class of operators is springing up in the capital market and it is primarily this class whose services should be requisitioned for tapping the dormant resources of funds rather than the services of the established share-brokers or underwriters. So far the argument of the Study Group can be readily appreciated. But precisely what these dormant sources of investment capital are and what is the class of emergent operators has not been elaborated. In the result, the force of the argument is considerably weakened. Legal safeguards are proposed to ensure that holders of shares are not merely ostensible but beneficial and ownership vests in them in their own right. Small denominations of shares are suggested to place subscription within their reach. But Rs. 100 per share is by no test a small denomination and it could well be scaled down to Rs. 25. Post-allotment transfers raise the issue how far it would be feasible to restrict ownership to the new class.

Easy marketability is of the very essence of equity capital. But the restrictions proposed are likely to impede it. A divergent view expressed in the report urges that such limitations would be harmful to the very purpose of the scheme and there should be no rigid regulation of post-allotment transfers. This crucial issue has been left undecided by the Study Group. But it is clear where the balance of advantage lies. It should be enough that initial investment comes from an additional source.

The Study Group is fully aware of the fact that once State enterprises enter the capital market, they will need to face other claimants there. It has, therefore, emphasized that the pattern of the yield on investment in State undertakings should be sufficiently appealing. This raises two questions. In the first place, the profit-earning capacity of State undertakings must be raised to a sufficiently high level. Second, the policy of distribution of profits will have to take care of adequate return to the investor. These factors will require a proper readjustment of the policy of public sector enterprises on retention of profits for plough-back where they are earned. The average profits of public enterprises before tax according to a recent official estimate are 2.77 per cent only. Not many public enterprises can qualify for people's participation on the score of profitability and hence it is that three undertakings with a demonstrably good profit-earning capacity have been named for the experiment—Sindri Fertilizers, Hindustan Machine Tools and State Road Transport Services.

Altogether, the recommendations of the Study Group aim at injecting a new element of dynamism in the public sector and indirectly in the capital market. Part of the capital of the existing State enterprises will be released for employment in other public ventures. One purpose at least has been served by the report, although the necessity of further threadbare examination of the subject is indicated. It is that the role of profits and the need for following an attractive policy on dividend distribution have been put in their correct perspective. The expanding public sector of industry will have to justify its position by its profit-earning capacity and lean on partial participation of the public in its capital structure. On this one can well pardon an investor accustomed to 7 per cent tax-free if he entertains the greatest scepticism.

Guest Editorial

Imperatives of Co-operative Form

By **PUPUL JAYAKAR**

WITH the greatly widened scope of the co-operative sector and the increasing demands being made on co-operative organisations for the implementation of development schemes within the agricultural small scale and cottage industries sector, it is of importance to re-examine the nature and functions of a co-operative unit and to free it from the cloud of generalisations which today unfortunately obscure its structure and so render its functions and operations ineffectual.

One of the greatest difficulties of implementation of programmes within the cottage sector has been lack of precision in presenting the problem which, in turn, has inevitably led to lack of precision both in structure and application. A study of the manner in which schemes are conceived, formulated, budgeted, functions determined, staff appointed, and actual production processes set into operation within any development programme of the cottage small sector will bring to light the discrepancies between the scheme as conceived and the problems of the unit for which it is intended to operate. This leads to some schemes never coming into operation and others operating with a minimum of efficiency, with an inevitable wastage of resources.

The approach, therefore, needs to be from the root upwards, from problem and need to function towards ideology. Ideology, if it has to emerge, has to be a projection of need and the necessary solutions of that need.

In India co-operative ideology has been invariably applied to economic situations where there is no involvement of the persons interested in co-operative principles but rather the application of co-operative principles to individuals and groups involved in occupations that are marginal in character and who need joint or co-operative organisation to improve earning capacities. The involvement of the member of the co-operative society is not therefore in co-operative principles but in an added efficiency which will bring about higher earnings. A clear comprehension of this is necessary in order to determine the functions necessary to make a co-operative unit succeed. It is of importance to remember that it is not co-operation that succeeds or fails but a small industrial unit that either succeeds or fails.

Seen in perspective, a co-operative structure appears essential in a democratic de-centralised economy where the rural worker, industrial or agricultural, with his meagre resources and marginal living is unable to sustain a crisis in the production pattern. It also appears the only structure through which added efficiency can be introduced into the operational field of rural industry. But co-operative structure is only the framework, the corporate legal entity to house certain essential functions.

An undue emphasis, however, on co-operative ideology and the vagueness of approach as to what is meant by co-operative principles, have divorced it in India from the reality of the situation, which is that the co-operative unit as it is developing in India, is essentially a business unit with the main objective of production, making profit and marketing. In that sense the unit demands the same detailed scrutiny and planning as is given to a unit of large-scale industry.

The problem is, therefore, one of credit, raw material, planning of production processes, technical 'know-how', and efficient marketing. It is essentially a problem of business management, the gearing together of essential functions, in a sense the oiling of the rural industrial machine. The urgent problem of credit and the vital necessity of gearing credit to rural production has been widely understood and is receiving careful and detailed consideration. But in the other equally important aspects of the problem, the situation is more confused and little attention has been paid to vital elements of production and operation.

One of the weakest cells in the existing pattern of co-operative functioning has been the absence of the business or the managerial element. Co-operative structure has eliminated a key function in the pattern of rural production, that of the entrepreneur who supplied the initiative and managerial talent. No substitute has been found for this function, and this has inevitably led to a sapping of vitality and initiative in the industrial co-operative sector.

A change in the pattern of producer-consumer relationships and an increasingly complex pattern of rural distribution has only made the problem of finding initiative and business 'know-how' more acute.

It is of utmost importance, therefore, that fresh initiative be introduced into the co-operative structure, either by re-absorbing in a controlled manner the small local middle-man who has the managerial talent and by giving him limited profit incentives to utilise his knowledge and experience or by creating and training a fresh cadre of managerial talent familiar with the problems of rural production and distribution.

The second element vital to increased productivity within the rural sector of industry, is technical personnel. At present one of the weakest elements within the co-operative production sector, the undertaking of any extensive programme of co-operative organisation whether agricultural or artisan without training people to fill certain essential technical functions, will inevitably lead to diminishing of efficiency even from the present level.

A great deal of enthusiasm has been evoked recently on the necessity of training workers for the co-operative sector. But the programmes suggested and in operation in co-operative colleges have been mainly concerned with the training of secretaries and organisers familiar with co-operative law but most inadequate in terms of actual undertaking of business activities, without any knowledge of the actual techniques of production.

Another factor that has been responsible for the failure of implementation of production programmes at root level has been the weakness of the intermediary links between the programmes for research, production and marketing. By this is meant that the extension service facilities, the channels that carry the results of research to the producing unit and consumer or market reactions to the industry are of the very weakest.

What is needed, therefore, is not only microscopic examination of the structure and the functioning of a co-operative producer unit but also the drawing in and gearing together of the channels of communication of research and marketing that enable the industrial cell to function with vitality and precision.

A DELHI DIARY

RAIPUR AND AFTER

THE A.-I.C.C. session at Raipur, although it dutifully occupied the front pages of newspapers everywhere, must have been a terrible disappointment to many people who were eagerly scanning the horizon for signs of new thinking. The Prime Minister's speech on the Plan and much of the debate itself was so vague and repetitive that one might say truly that it made confusion worse confounded. Slogans can get us a portion of the way when public participation is generated by slogans. But they are wearing increasingly thin even when they come from the Prime Minister. Again, it is not now public participation that is required; there are firm managerial steps to be taken on foreign exchange, on what happens if we do not succeed in holding the price line — an ancient promise now coming home to roost — and, finally, the problem of rupee resources which in the last fortnight has become more serious by instability in India's gilt-edged market. If the Congress Party had the answer, why did they not give it at Raipur? Is it a fair conclusion that they did not have a clear mind as to whether, now that a compromise on the size of the Plan is required, it is to be effected? It was not a little suggestive that when the great debate on the Plan was going on, everyone's mind was working on the elections. And now that the elections are over, the Ginger Group, still somewhat nondescript — except that people in some mischievous manner describe it as "progressive" — says the elections were irregular. Apparently, the point at stake is whether when you are due to elect five people, you can get away with the election of four, leaving the all-important fifth member for some future occasion. A nice technical point can be made, but one wonders the way the Congress Party at this stage should engage on these technicalities instead of on the realities of the Plan. I shall not choose to comment on the priorities chosen.

DR. THEODOR HEUSS

A most welcome visitor to Delhi this week has been Dr. Theodor Heuss, former President of West Germany. Those who have met Dr. Heuss before are particularly glad that he comes in a non-official capacity, when we can separate the honour we wish to do him as a man from the honour we wish to do to his country. He was one of those great scholars, who, in 1946 and after, emerged into the political scene of Germany transforming it from an area of embattled thought to one of fine academic, yet constructive, quality. As a great writer and one who can enter controversy vigorously and yet be unscathed by it, Dr. Heuss is probably without his equal in Germany. No political party has chosen to reject his choice and anyone who has met him will see the reason at once. In his great learning and sauve manner there is a wonderful sense of humility and humour. He is capable of putting everyone at ease and hiding from all the many-sided power of his powerful philosophical mind. Everyone who has seen him in official action will now express the hope that for many years Germany and India — and he is deeply interested in this country — will find a bond of admiration in this philosophic mind.

LADY CHATTERLEY'S LOVER

To pass from high philosophy to obscene literature is always a bold and daring thing. But I must refer to Lady Chatterley's Lover since I see that all the front pages of the daily newspapers have chosen to talk about the manner in which "Lady C wins her case". I am not quite clear who has won what. The case was brought by Penguin Books, but it was really a battle between the Twentieth Century and the Nineteenth Century in England. It is not surprising that the Twentieth Century has won — though I wonder whether or not it has won rightly. Lady Chatterley's Lover is in a sense literature and although I have not read it, — is this not a complete admission of unprogressiveness? — I am told that it is not necessarily good reading for everyone. But when are cases of abnormal persons ever good readers? I would be inclined to take away the ban on the book, but arrange that, like our most interesting pictures, it is reserved for adults only. Unfortunately, this is not possible because there are no doors to home libraries which can be closed to those under twenty-one. However, if the battle has been won in Britain, need we win (or lose it) in India?

CHINESE RICE CULTIVATION

I have just time in concluding to refer to a curious phenomenon which also appears on the front pages of certain newspapers today. It is the fact that the soil of India, condemned in 32 different places to try Chinese paddy cultivation, has recoiled at the thought and found it "unsuited" to India. It seems, unlike the Japanese method of cultivation, which caught on a big way some years ago, — I am not quite sure what has happened to it since then — the Chinese method is really a matter of deep ploughing and little else. They say it is digging three feet down against the Indian practice of digging less than a foot. It is said that only a few of the 32 centres recorded a slightly higher yield, while the increase in labour and expenditure was tremendous and disproportionate. May not this be a suitable comment on the whole of the Chinese Revolution? The results obtained are not proportionate to the magnitude of the new effort and, what is worse, the loss of spiritual value in general in the process. Now that Chinese rice cultivation is found unsuited to India, will we lose some of the great enthusiasm which, amongst the 'progressive' people of this country, unnecessarily attaches to all things Communist? Slowly, and perhaps not too surely, we are beginning to find that all the wisdom of the world was not rediscovered by the U.S.S.R. and the People's Republic of China and that many of their three steps forward are in fact deceptive or at least contain within themselves Lenin's famous two steps back. On this zig-zag course let China proceed if she likes. Is it not better to be satisfied with a straight 4 per cent increase in real output per year and no periodic crises for the human soul? Do not all reply all at once!

And on Mao Tse-tung, may I publish without comment again a naughty picture by a very naughty cartoonist?



Big leap backward?

Courtesy: 'The Hindustan Times'

ARGUS

THE WEEK'S NOTES

U.S. Presidency

ELECTION EVE

WITH THE date of the Presidential elections (November 8) drawing near, the election fever is moving to a rising crescendo in the United States. Both Senator Kennedy and Vice-President Nixon are surrounded by loyal crowds wherever they go and each seems to be confident that success will be his. The electoral campaign, so much enlivened by the T.V., further gained in momentum when President Eisenhower joined the battle last week in favour of Mr. Nixon and ex-President Truman on behalf of Mr. Kennedy. The greatest assets of President Eisenhower are his personal charm and magnetism with the result 'I like Ike' was the slogan which won the elections for the Republicans in the last two campaigns. It is, however, doubtful whether these assets can be passed on to Mr. Nixon though he is the chosen heir of President Eisenhower. On the other hand, according to some observers, Mr. Kennedy by concentrating on the crucial issue of America's proper role and place in the world seems to have made a great impression as a popular campaigner. But despite indications that things are favourable for Mr. Kennedy (and here the support of the "New York Times" is not the least important), experts are still hesitant to make any prediction and this is understandable enough.

For one thing, President Eisenhower has raised the issue of the gold price and has charged the Democratic candidate of causing international speculation in gold prices. Though Mr. Kennedy has affirmed that he is not going to devalue the dollar if he were elected, his alleged private talks have been used to create the impression that he is responsible for creating fears abroad about the future of the dollar. Again, over the question of Quemoy and Matsu, though Mr. Kennedy has been right in arguing that these islands are of no military value in themselves and should, therefore, be vacated, Mr. Nixon has not been slow to exploit it as a concession to "appeasement". How far this will cost him in the matter of votes remains to be seen, but this so-called soft-on-communism attitude can become an element of potential mischief at the hands of Republicans. Thirdly, there is the issue of religion. Now, every forecast, contains the reservation that no one can foretell what effect the issue of Mr. Kennedy's Roman Catholic religion will have in widely scattered sections of the country. This public reticence about religion is held to be one of the main reasons for the abnormally large number of "undecided" votes which still dominate pre-election opinion surveys. Lastly, there is the question of the Negro votes. The monopoly of Negro support which the Republican party had enjoyed since Abraham Lincoln signed the Emancipation Proclamation in 1862 was broken by Franklin Roosevelt and ever since the majority of Negroes have voted for the Democratic candidates. However, though it is commonly assumed that the majority of Negro voters will once again side the Democrats, it is difficult to determine the size of the majority. Mr. Cabot Lodge, who is Mr. Nixon's running mate for the Vice-Presidency, created some difficulty for Mr. Nixon by his tactless promise that if the Republicans won, Mr. Nixon would have a Negro in his Cabinet. Mr. Nixon, however, had to deny this to avoid alienating his white supporters. In the result, he might have conceivably alienated many Negro voters. With so many issues thrown, it will be a baffling problem for any to predict with certainty the outcome.

The Press

THE TRAGEDY OF THE "NEWS CHRONICLE"

THE DETAILED accounts that appear in the British Press consequent on the closure of the "News Chronicle" are indeed heart-rending. Apart from the fact that a great liberal organ has died, what adds to the poignancy is the manner of its closing. It would appear that the paper to the end commanded a core of actively loyal readers and, what is more important, a devoted core of loyal staff who did all they could to the end. It is, therefore, painful to learn that at no stage and even when the final decision was made did the management meet the staff as a whole to explain matters and express regret. It also transpires that neither the Editor called the staff together as a whole not did any one even have the courtesy to send them personal notices of dismissal. All that they received were copies of a duplicated circular from the Secretary of the company treating it as if it were a routine affair. As a matter of fact, the drama critic of the paper learnt that there was no longer the "New Chronicle" for him to serve when the "Daily Mail" came through his letter box the next day in place of his own paper. More distressing are the details of woe that read like fiction. For instance, it would seem that a young man was appointed by the editor of the paper only very recently to occupy a prominent post with promises of golden prospects and he resigned from a well-established paper and went on leave to make himself fit for the job—a big chance he apparently thought. But even before he could complete the holiday came the news that he was unemployed, and the "Daily Mail", with which the "News Chronicle" has been merged, told him that they could not possibly employ him in the position he was offered.

It is not hard to understand the feelings of disgust and bitterness that this tragedy has caused in Fleet Street and in British public life as a whole. Journalists in this country, whose lot in spite of persistent propaganda, is still far from the paradise it is painted, will certainly take this as a matter of personal sorrow. The other day, speaking at the Delhi Union of Journalists, Dr. Keskar told the working journalists that they should secure their rights by their own united strength and effort. This, no doubt, may be sane advice, but the fact is, in the ultimate analysis, it is neither legal sanction nor the weapons of trade unionism that will be of avail. Even in respect of the theoretical right of mobility, the hazards of the journalist, who wants to change, are as great as ever and it is not many who will consider the game worth the candle. It is not, therefore, law but an ethical behaviour flowing from a generosity of spirit of those that count, which alone will prove of any avail in upholding the dignity and self-respect of the Fourth Estate which is held to be one of the pillars of democracy.

U.K.'s Scheme

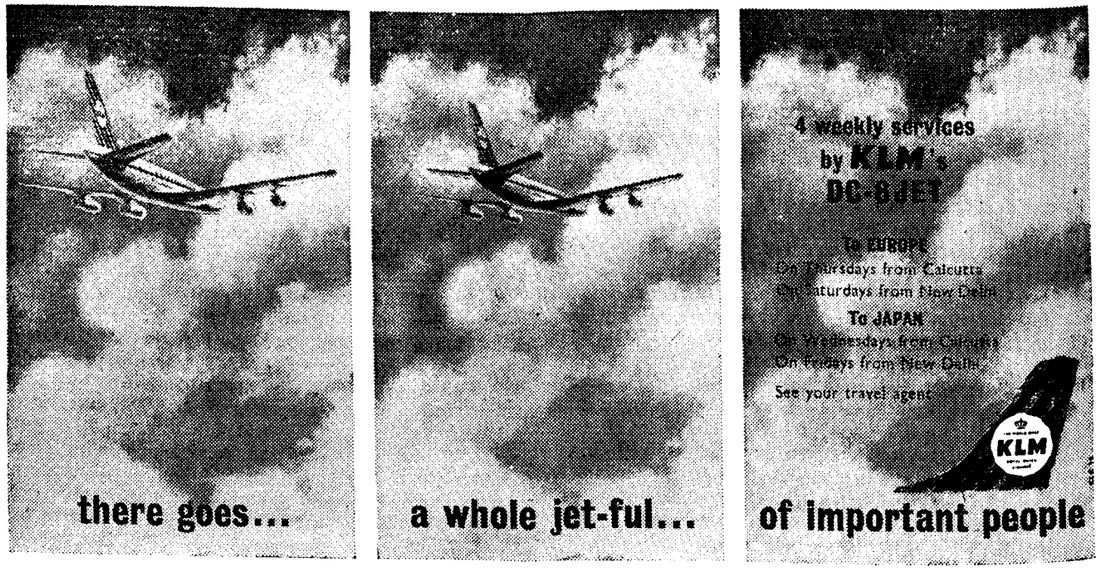
HELPING COLONIES TO RETAIN EXPERTS

THE NEW arrangements planned by the U.K. Government to enable its colonial and dependent countries which are on the threshold of achieving independence

or which have attained independence recently, to retain, after independence, the services of the experienced staff — administrative, technical and professional — recruited in Britain or elsewhere overseas, will undoubtedly be widely welcomed not only by these countries, but by the officers concerned as well. Under the scheme, outlined in a White Paper published last week, and envisaged to be put into effect on April 1 next year, the British Government will financially assist certain countries — they include all the existing British colonies and dependencies, Nigeria, Sierra Leone, Singapore, Northern Rhodesia and Nyasaland, but exclude Bahamas, Bermuda, Brunai and Hong Kong — for an initial period of ten years by contributing between £12,000,000 and £16,000,000 annually to meet the cost of keeping these officers at their present jobs till the time experienced local staff replaces them. This should enable these countries to consolidate their independence with the help of these foreign experts whose services might not be available otherwise for lack of funds. These foreign experts would also not have to worry about their future.

The British Government will re-imburse the Territorial Governments, which on acceptance of the scheme will have to sign a formal agreement with the United Kingdom, the full cost of the inducement allowance designed to attract and keep expatriate officers in service overseas, the full cost of education and allowances of the children of these officers and of additional pension or contract gratuity which an officer would earn from his inducement allowance, half the cost of passage to and from his home country for the officer and his family and half the cost of compensation awarded to an officer for loss of career on premature retirement connected with the progress to independence of the territory in which he serves. To make the scheme attractive for the officers, provision is made for revision of their emoluments at the time of a colony or dependency becoming independent and for an annual visit to them by their children receiving education abroad. To ensure full loyalty of the foreign staff to the Governments employing it, the British Government will not make any payments directly to this staff.

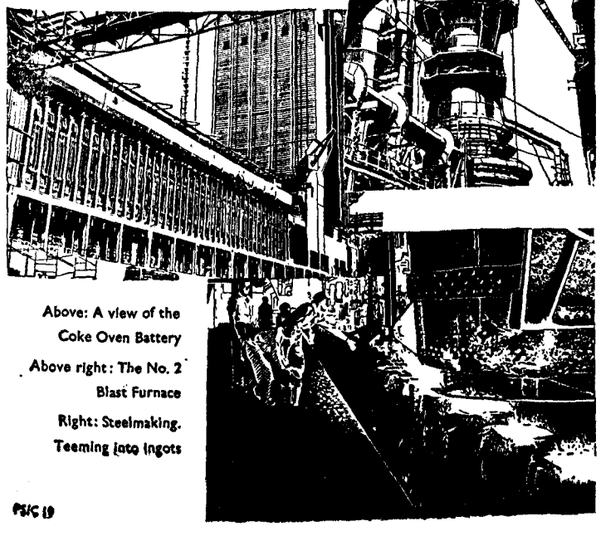
The scheme is a good example of enlightened self-interest also as it involves nearly 21,000 pensionable and contract officers serving in the countries contemplated to be covered by it; it would not be an easy job for the British Government to offer alternative employment to these officers in the home services. Other colonial powers faced with a similar dilemma would do well to devise such schemes. The Congo crisis has highlighted the fact that it is no easy task to keep a country attaining independent status united in the absence of an effective administrative set-up manned by local talent. The gap has to be filled up by retaining the services of foreign experts till the time local staff is fully trained. The great battle against poverty which such countries have to wage will also require assistance from foreign experts. If the services of these experts can be made available by the Colonial powers to their former colonies and dependencies on the lines of the British scheme, it will benefit both the parties and the experts too.



COMBINED OPERATION

The know-how and equipment of British technicians and British Industry have combined with India's skill and labour to build an integrated Steelworks at Durgapur for the people of India.





Above: A view of the Coke Oven Battery
Above right: The No. 2 Blast Furnace
Right: Steelmaking. Teeming into ingots

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The World Abroad

MOBILISING DEVELOPMENT AID

By

ODYSSEUS

MOST OF A COLUMNIST'S TIME is spent in battling for causes that he thinks important but that public opinion rejects, or to which it is apathetic. This is obvious, because there is no point in battling for victorious causes. At the same time, one cannot help feeling occasionally discouraged when the blasts of one's weekly trumpet seem to leave the walls of Jericho standing as before. However, my morale has received a tremendous lift by the appearance of a new and powerful trumpeter who ought to be able to create breaches in one particular rampart against which I have been trumpeting for years. I refer to William Clark, wellknown as a former special correspondent in India of the London "Observer," who has just been appointed Director of the newly instituted Overseas Development Institute (160 Piccadilly, London. C.W.1.), which, it is no secret, is the child of his brain.

It has been a constant theme of this column that the developed free countries of the West and the developing free countries of Asia have a common stake in the survival of democracy—a system of government intended to ensure that the state unholds the rights, and respects the personality, of the individual citizen, and rejects the Communist doctrine that the good of all is attained by subordinating the individual to the will of the party or the State. Few dispute this. The lip service is, however, far ahead of action.

I have, for example, repeatedly urged that it is useless for the West to build industries in Asia unless it is willing to buy the products of those industries. Too much is still heard about unfair competition from cheap labour. It is true that voices, like that of the "Economist" and the "Observer" of London, have been urging that as secondary manufactures increase in Asia, the UK must switch its production more and more into heavy goods, electronics, and other capital-intensive fields, in which the West will continue to have an advantage for many years. But this implies a revolution in the structure of the economies of the West, and this, in turn, means a considerable effort to educate public opinion to accept it.

The Overseas Development Institute has received a grant of $200,000 for five years from the Ford Foundation and is appealing for further funds in the UK. Offers of financial aid have already been received from Imperial Chemical Industries, Unilever, Shell Vickers, British Petroleum, Anglo-American Corporation of S. Africa, Roan Antelope Copper Mines, Mufulira Copper Mines, and others. The chairman of the Institute's council is Sir Leslie Rowan, K.C.B., a director of Virkers, and former Private Secretary to the Prime Minister.

THE INSTITUTE'S AIMS

The Institute is not just another fund raising agency. Its basic purpose is to be a centre to co-ordinate activities intended to help developing countries, and to focus public opinion throughout the free world on their problems.

Outlining his plans to me, William Clark said:

"My interest in the relations between the developed and developing (I don't like the term 'under developed'—it sounds too damned patronising) countries was, as a matter of fact, first kindled during my year as 'Observer' correspondent in India, so that I am particularly happy to have an opportunity of explaining our objectives to Indian public opinion through the "Eastern Economist."

"Up to now, the developing countries have been drawing up their plans individually, in isolation from each other, and there has been no single world centre of information where you could get a consolidated picture, or a digested assemblage of the facts.

"At present, there is no Plan for Aid in any developed country. No one knows what is wanted, where, and by whom. Without the collected information, and without an Over-all Plan, aid has hitherto been doled out in response to a series of crises—of fire alarms. This, incidentally, encourages a developing country to set its house on fire, and discourages cool, hard-headed, realistic planning.

"As you have often pointed out in your column, to invest capital in the developing countries is not enough: the West must be ready to buy the products of new industries. We need to be Partners not just Patrons. But I'm not sure that anyone has really appreciated the magnitude of the long-term revolution that this implies in the structures of the economies of the developed countries. British industry has long been accustomed to the idea of competition from German or American industry and the economies of these, and other, highly industrialized countries are adjusted, or rather are in constant process of re-adjustment, to each other. Incidentally, this process is being tremendously speeded up by the creation of the new markets of the European Economic Community and the European Free Trade Association. But highly industrialized countries tend to have one attitude towards each other's markets and quite another towards those of the developing countries, which are apt to be regarded almost as belonging to a different planet.

"Another widely prevailing misconception (due to lack of thought) is that the job of the West is to turn every Asian Banaras into a new Birmingham. I suggest, however, that we should not be thinking in terms of helping them to become us, but helping them to become themselves—to become what they want, and we know far too little of their views and aims.

"We hope," William Clark continued, "to make the Overseas Development Institute a centre of two-way traffic in ideas between developed and developing. We want it to be a forum where those directly concerned with development can meet others, and discuss their problems. We want it also to be a forum which will keep the great urgency of the problem of the developing countries before the public and responsible autho-

rities. We want to inform the public of the need of national action in each developed country, and to make sure that they know the results achieved by any action taken.

WORLD CLEARING HOUSE

"We want to spread the information collected as widely as possible among all those working on development problems in innumerable countries. If we succeed, the Institute will become the natural centre to which scattered workers in developing countries—whether civil servants, educators, engineers, or businessmen—will turn and to which they will contribute information. This will help to prevent the repetition of mistakes and speed the adoption of successful methods.

"Our first job is to try and build up a reputation for objectivity. There is a good deal of suspicion in developing countries that the prime object of Western aid is to buy friendship. Paul Hoffman, probably the world's greatest expert on aid—he administered the Marshall Plan in Europe and now administers the UN Special Fund for Developing Countries—says that experience has taught him that there is no relation between aid and friendship.

"That is one reason why he believes that we should be well advised to make our aid as international as possible. I think I agree that we should devote far more of our expenditure to UN projects. To a large extent this would only be a book-keeping change. It would mean that the projects came under the aegis of the UN and that a certain number of UN rather than British, or other, personnel were employed. This should help to bring out that the money was not being given simply as a gambit in the cold war. But I don't want to be dogmatic because I am ignorant and so are most people. My first job is to learn, before we try to teach anyone anything.

"For this reason let me emphasise that I don't envisage this as an office job, sitting at a desk in London. Our work will involve visits to, and discussions with, people and institutions active in this field all over the world. Sooner or later, perhaps the Institute will have to set up branches overseas."

I have been fortunate in counting William Clark among my friends since I first ran across him in Chicago in 1942 and spent purple hours far into the night with him, putting the world right. Since then he has been variously Press Attache at the British Embassy in Washington, D.C.; special correspondent of the "Observer" in India, South-East Asia, and at UNO headquarters; radio and television commentator; press secretary to the Prime Minister (1955-56); and editor of "The Week" feature of the "Observer", a job that he dreamed up for himself. If I assert that he is a man of outstanding intellect and an idealist, you'll envisage some humourless, intellectual prig. Whatever he is, William Clark is not that. With him cheerfulness is always breaking in. The many addresses which he has given in the past few years to bodies such as the Royal Institute of International Affairs and the Royal United Services Institution, hammering in the need to aid the developing countries, have been the most powerful single factor leading to the inauguration of the Overseas Development Institute. Its existence is the direct outcome of his head, his heart, his vision, and his drive.

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The European Scene

DE GAULLE, COLONELS AND INTELLECTUALS

From Our Special West European Correspondent

PARIS, October 31.

TO assess the political situation in a country at any one moment, one naturally needs to know something of the normal tone and tenor of political life there. Newspaper reports of isolated events mean next to nothing unless one has an idea, however vague, of the way political activity has historically been carried on in that place. A bomb in Calcutta means something different to a bomb in Copenhagen, and a pronouncement from a group of British generals would have a different significance to a pronunciamento from a junta of Venezuelan colonels. So it is with current reports of political troubles in this city. Rather than attempt to sketch the backdrop myself, I shall borrow it ready-painted from France's neighbours of 1,000 years, the Germans. Next month, November, for the fourth time in a century the German Army will cross the Rhine, but this time it comes with an invitation card, to take over training bases and supply depots granted by the French Government when other allies objected to West Germany establishing bases in Franco's Spain. Invitation card or no, the situation is delicate. The Germans are tactfully putting on khaki rather than sinister field-grey, but their generals wisely decided that they needed a brief course of instruction in the French character and political customs before venturing into a bistro. I have the text of these lectures and from it I take this passage.

"The Frenchman is an individualist. He is much more attached than we Germans to political discussion. For him, Culture always has first place. Frenchmen are fervent patriots; they are easily prone to enthusiams. They tend to be carried away by ideas of "grandeur", such as their notion of "glory" or of "the great nation", and yet, much more than we Germans, the Frenchman ultimately lets himself be guided by reason and not by sentiments. He is more adaptable than we are; he has both the love of tradition and the taste for progress. He is less likely than a German to join a movement or association". After the usual advice about strong French liquor, dangerous German driving and the proper attitude to take with women and Communists, our military psychologist warns against discussing warfare "because it is ten to one that any Frenchman you talk to has been in Algeria and therefore knows a sight more about war than you do".

To this, I would add the opinion of another German, Frederic Engels, in his preface to that masterpiece of political journalism, Marx's '18th Brumaire of Louis Bonaparte': "France is the land where, more than anywhere else, historical struggles are always fought out to a decision, and where, consequently, their changing political forms and their results are stamped in the clearest outlines". He gives the examples of the "classic purity" of French feudalism, the French monarchy, the Revolution and the French class struggle, and concludes, "This was the reason why Marx studied the history of France with particular predilection".

Events in Paris this autumn seem to have been arranged to substantiate these German diagnoses. Political controversy has seldom been more energetic (while, characteristically, everyone complains of the decay of democratic freedoms!) and each conflicting view is pressed to its extremest conclusion. Political parties, movements and associations have shown their traditional incapacity to canalise these passions, which find expression in dozens of 'ad hoc' groups, committees, manifestoes and demonstrations, in which a leading role is allotted to the representatives of Culture, the intellectuals. The old passion for glory and grandeur takes the shape of de Gaulle's project for an independent nuclear striking force (and next month a bill concerning artificial satellites), that has to be pushed through a skeptical and divided parliament. The battle between tradition and progress is at its sharpest in every field, from colonial policy to military planning, from economic organisation to education. The confrontation of ideals could not be starker; the intellectuals seem nowhere nobler or less realistic, the colonialists and colonels nowhere more ruthless and determined. We have been promised every week for two years the collapse of the regime into Spanish anarchy or German dictatorship, but at every dangerous turn the ballast of common sense and skepticism rights the vessel—leaving the usual minority of individualists to shoot off into terrorism and counter-terrorism.

If our Germans are correct, French politics are at present in their normal state, i.e. near crisis. The situation is nonetheless confusing.On the one hand, the country is correctly reputed to have the strongest government since Clemenceau, and on the other hand the air is thick with rumours of impending conspiracies, coups d'etat and military putsches. (Nine tenths of these can be disregarded because threats of imminent revolution are a normal weapon in French politics, e.g. they help get bills through parliament. But that still leaves another tenth.) On the one hand de Gaulle plausibly poses as the stable leader of a renascent nation that is equipping itself with super-power weapons, claiming leadership in West Europe and successfully achieving its economic independence; on the other hand, every embassy in Paris sends weekly reports home about the cracks in the regime's foundation and the small span of time left to de Gaulle to pull off a miracle. They probably did the same throughout the 72-year reign of Louis XIV.

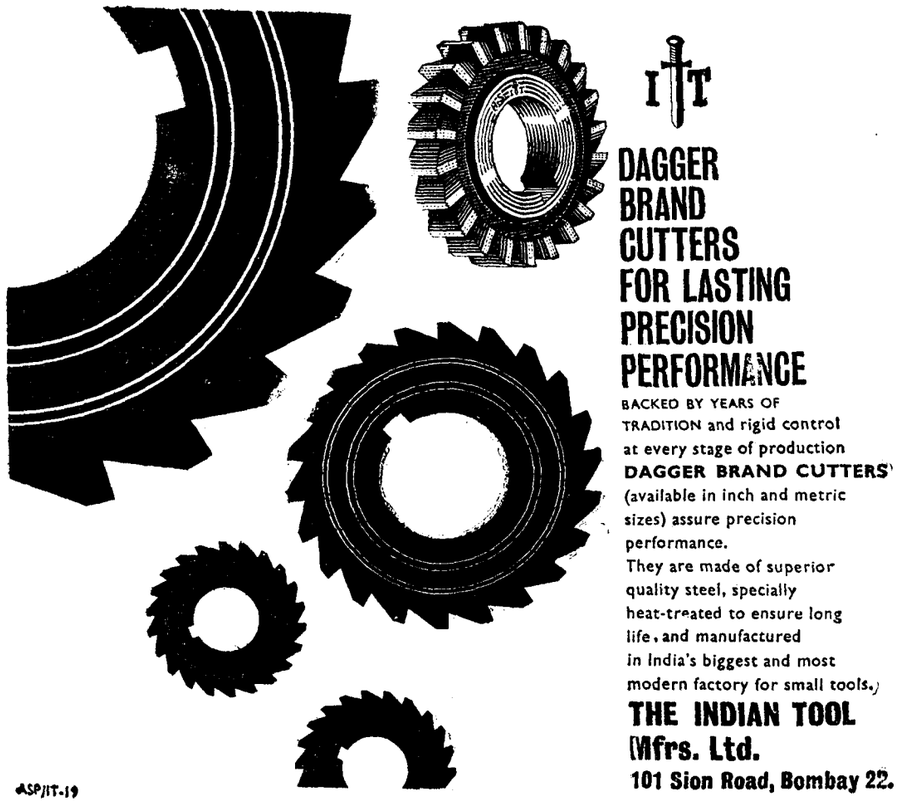
One element in the Parisian turmoil, however, is not normal, and that is the conflict about the Algerian war. It is, of course, very much in the French tradition as our German observers have described it that the 20th century's major problem, the end of colonialism, should take its starkest and acutest form in France, from Indo-China via Suez to North Africa. It is also a familiar example of French contrariness that the same people—indeed the same government—that this year sets 14 African nations free without bloodshed or recrimination should seek to preserve by oppression and torture privileges in a 15th country that are relics of conolialism. What is less normal, what the French people have little experience of, is that a great statesman should try to solve this problem by means of a long-range policy, by means of a policy that entails stating a principle and sticking to it. For France has little acquaintance with long-sighted statesmanship, with steadfastness through adversity; her normal political style is Micawberism, drifting from stopgap to makeshift.

De Gaulle's Algerian policy is of another kind altogether. It consists in offering the Algerians independence as soon as they, or the small leadership that claims by right of arms to represent them, have given the necessary guarantees about the future of a very large minority which is of different race but also of

Algerian nationality. The symbol of those guarantees will be a referendum. The referendum would be a make-believe, in that it will not decide anything: all the important issues will have to be settled before and the referendum will ratify the settlement. So all the cavilling about who controls and guarantees the honesty of the referendum is irrelevant; once the parties involved have agreed to let it be held, the result will be a foregone conclusion. The political problem concerns the prior terms of settlement and that is what divides the FLN from the French Government today. One way of ending the war will signify that the guarantees France claims have been secured; another way would signify that the FLN had laid the basis for its totalitarian rule in independent Algeria. Having made his offer, de Gaulle's obvious course is to wait till it is accepted, since a settlement can only pass via Paris. Confident that the offer of independence is just and that the conditions attached are reasonable, a strong nation could afford to wait a considerable time, meanwhile ignoring the tolerable cost of the war and the criticism of UN "democrats" most of whom have never faced an election.

The implementation of this policy, in which patience and steadfastness are the main elements once the courage has been found to state the basic principle, would be simple if France were populated by 40 million de Gaulle's. As it is, it is imposing on the nation, or on a very vocal part of it, a strain it cannot bear. Soldiers cannot understand why one must go on making war when it is already agreed that one will "lose" it, how one can succeed in minor operations against rebellious nationalism if one announces that in the end nationalism will get most of what it wants. Intellectuals, whose political stupidity throughout history has been at least as remarkable as that of soldiers and whose nerves are weaker to boot, cannot see why, once the main concession has been made, the nation needs to fight for anything else; having said that the Algerians can have their own state, France should stop the war—and if it continues, it can only be because a clan of fascist colonels are preventing the outbreak of peace.

Although deriving from impatience and political incompetence, both dilemmas are real and painful. The Army and the liberal forces both find the long-term policy de Gaulle has chosen exasperating, and would prefer, respectively, a regime that made outright war or one that simply surrendered right away. The practice of planning ahead a complex solution to a complex problem and waiting till it prevails has never been in French customs, whereas it has always been the style of Russian diplomacy both Czarist and Communist. If President de Gaulle manages to carry through this policy to its fruition, it will be in a sense against the grain of French character. The current unrest, nervousness, conspiracy, heroics and declamation in Paris do not prove that he will not be able to do so, for these are the normal conditions in which any French politics go forward, and do not constitute a particular reaction to Gaullism.



Australian Economy

LINKING RESOURCES WITH DEVELOPMENT

By ROSS SMITH

CANBERRA, Oct. 31.

AUSTRALIA'S new explorers, less than 200 years since the beginning of modern civilisation in that country, are scientists constantly engaged in discovering new possibilities of development. This involves problems of great complexity, for although Australia is a large land mass, most of it receives little rain and is infertile. The country is still thought of as a source of primary products, and it is still true that many of Australia's exports are of this kind. Australia's income has depended primarily on wool, some agricultural products, and the more accessible of extensive mineral resources.

The first world war initiated the establishment of secondary industries which now surpass the basic primary industries both in value and labour requirements. The second world war, and rapid growth of Australia's population in post-war years, showed that development of the more obvious resources was not enough. A full and detailed knowledge of resources was essential; and so the Australian continent is now being fully and accurately explored.

Up to now, maps of large areas of Australia have been few and often inaccurate, having been based on surveys made by explorers more than 100 years ago. This is now being corrected by hundreds of scientists, cartographers and others; men of great skill and stamina, whose job takes them into some of the remotest and loneliest areas in the world, uninhabited and seemingly of no attraction or use. These men are producing new, accurate maps of the whole continent, and surveys of its resources.

Mapping and surveying in Australia is primarily a government activity, although a great deal of the search for oil and minerals is done by private enterprise. Various government departments, both State and Commonwealth, are co-operating in the production of geodetic and topographic surveys, resources surveys, economic surveys and surveys for specific projects, such as the opening up of a new mineral field or the preliminary work for a hydro-electric scheme. It is the resources surveys that are of importance here, and the most important types are land research and regional, soil potential, and geological and geophysical.

Intensive settlement in Australia has occurred where land and climate are favourable and marketing facilities are available. This has meant a concentration in areas along the east coast, and pockets on the south and west coasts. There still remain large areas where more intensive settlement will be possible when there is more knowledge about how to utilise them. Since 1946 the Commonwealth Scientific and Industrial Research Organisation's Division of Land Research and Regional Survey has carried out surveys over more than 500,000 square miles of northern and central Australia. The surveys describe and make an inventory of the resources of a region and are carried out by specialists in geology, geomorphology, soils, vegetation and climate. They have been supplemented by surveys carried out by the Bureau of Mineral Resources, the Bureau of Meteorology, the Bureau of Agricultural Economics, and the CSIRO Division of Animal Health and Production.

The surveys have established the possibilities and methods of growing rice, peanuts, grain sorghum, vegetable fodder crops and cattle in undeveloped or underdeveloped areas. Projects such as growing rice at Humpty Doo, near Darwin, have gone into operation. Thus, the surveys have shown that there are additional resources to be exploited; successful exploitation could lead to a new important economic area based on northern ports, with possible marketing outlets in the expanding countries of Asia.

The need has been greatest in the relatively undeveloped and unproductive areas with sparse population, but the techniques are now being used in a survey of a highly-developed area on the east coast of the continent. Other countries and UNESCO have also shown interest in these techniques. Research workers from the CSIRO have visited India and Pakistan, and these countries have sent their own scientists to Australia before undertaking similar surveys.

The aim of an assessment of soils is the better use of land and in a country of Australia's size, the task is enormous. The two basic considerations are the large proportion of inferior quality soils, some of very low fertility, and the availability of water. In recent years surveyors have given more attention to the patterns in which soils lie in the landscape, and their relationships to each other based on their origins and mode of development. In these surveys the physical properties are assuming an importance equal to or greater than the chemical properties. Water shortage has forced the development of poor soils in good rainfall areas, rather than better soils in bad rainfall areas. Water is the real key to how far soils can be developed; other problems such as infertility, and management and stocking, can be solved by scientific research. The CSIRO Division of Soils is responsible for most of the soil surveys in Australia. Detailed surveys over 185,000 square miles of widely separated areas in the south and south-east have so far been carried out. Soil mapping is a slow process; it has been found that only 15,000 acres of land for intensive development can be surveyed by one field party each year; for land to be used at moderate intensity the figure is 50,000 to 75,000 acres a year; and for a broad general assessment of soil groups, it is 20,000 to 50,000 square miles.

The mineral industry is one of the most important sectors of the Australian economy. It is sustained by exploration, development and research both by private enterprise and government agencies whose main role lies in providing much of the basic information for exploration programmes. The Bureau of Mineral Resources, a Federal Government body, is concerned with the mineral resources of Australia as a whole. In the States, the Departments of Mines are in charge of operations.

The tempo of mineral survey activities is increasing, not only in the search for oil. The earlier mineral discoveries in Australia, such as gold in Western Australia and silver-lead-zinc at Broken Hill, were mainly chance findings of surface outcrops. The latest upsurge of exploration and development is based more on preliminary surveys. Some of the results include the discovery of extensive bauxite deposits in northern Australia, uranium at Rum Jungle and Mary Kathleen, and the development of Mount Isa as the major producer of copper in Australia.

Economic Report from the U.S.

THE VALUE OF DOLLAR

By

GUY SIMS FITCH

WASHINGTON, Oct. 26.

RESPONSIBLE officials of the U.S. Government led by Treasury Secretary Robert Anderson, have made it repeatedly and emphatically clear—once more within the past week—that the United States has no intention of reducing the value of its dollar by raising the price it pays for gold. The unequivocal stand has been supported by virtually every important financial expert here and abroad. This includes Per Jacobsson, Managing Director of the International Monetary Fund, who has been quoted by the New York newspaper 'Journal of Commerce' as saying that he "absolutely believes in the correctness" of Mr. Anderson's position with regard to the U.S. dollar, which plays such an integral and basic role in the world's financial and trade structure. Yet, the price of gold has been fluctuating rather sharply on world markets, with some of the quoted prices in recent days well above the $35 per troy ounce which has been the fixed U.S. price ever since 1934. The question naturally arises why this happened, and what it signifies. Definitive answers are difficult to ascertain, but several reasons have widely been mentioned. The United States has been running a heavy balance of payments deficit in its transactions with other countries. Large amount of gold and dollars have been flowing out. There are some uncertainties about the course of U.S. economic activity, which admittedly has slowed down in recent months. And partly because of this slowdown, partly because of the economic expansion in Western Europe, and partly because of historical practice, interest rates are lower in the United States than in some Western European countries. This has contributed to a flow of speculative money from the U.S. to other financial centres, where it may be able to earn more. This is sometimes called "hot" money, since it never seems to stay in one place very long. The deficit in the U.S. balance of payments is not due to any deterioration of the U.S. trading position which might reflect on the U.S. ability to compete on world markets and hence on the status of the U.S. currency. On the contrary, the United States this year is running a near-record trade surplus—an excess of exports over imports—of some $ 5,000 million.

As a result, the abnormally high balance-of-payment deficits of the past two years, which aggregated more than $7,000 million, are expected to decline substantially this year to less than $3,000 million. And this deficit, as indicated, is due not to any basic trading weakness, but rather to the outpouring of U.S. government military and economic assistance funds, plus such private outflows as tourist expenditures, capital investment abroad and other remittances. The U.S. economy is essentially sound, and despite the recent slowdown is still operating at record or near-record rates. Even the more pessimistic among economic experts do not anticipate anything more than a brief and moderate slow down before a strong upturn resumes by the middle of next year.

Some of the experts, among them Treasury Secretary Anderson, hold that the current slow down is largely the result of an essentially healthy adjustment to a non-inflationary situation, featuring a massive turn around in business inventory policies from accumulation to liquidation. According to this view, these adjustments have all but been completed, and a sustained economic upturn should be visible before very long. Even should a continuance of the slow down into next year lead to further reductions of U.S. interest rates, it would not affect the U.S. position to any important degree. After all, the price of gold has risen in some prior years to levels well above the fixed U.S. price without causing any serious consequences and without putting any irresistible pressures on the flexible U.S. monetary policies. It would be noted, too, that the U.S. fiscal structure is basically sound, with a budget surplus recorded in the last fiscal year that ended June 30, and another surplus in prospect for the current fiscal year. Neither of the Presidential candidates has given the slightest indication that if elected he would alter the present gold-price policy of the U.S. Government. With all this said, there is this further point to be made. According to all reliable reports, the recent gold market fluctuations have rested on a rather narrow base—a fact that underscores their speculative nature and may account for the sharpness of the price changes. Current developments have not affected the convertibility of the U.S. dollar in the slightest, nor has it represented any flight from the U.S. dollar, which at last reports was still selling at a premium in many world markets—indications enough that there has been no loss of confidence in the U.S. currency. It should be borne in mind, in this connection, that despite the loss of some $900 million in gold this year, the United States still has reserves of more than $18,500 million. This is about one-half the entire gold stock of the free world, and certainly more than enough to ride out any short-term speculative cycle.

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WORLDGRAM

India

NPC on Marketing and Distribution: The National Productivity Council has sent abroad several teams to study the working of specific industries but the team which left India the other day will be first to make a scientific study of marketing and distribution practice in industrially advanced countries. The team is proceeding with the aid of the Technical Co-operation Mission of the U.S. Government and will visit U.K., U.S.A., and West Germany. It is not expected that marketing practice in advanced countries will find immediate application in India. But the chief benefit from the NPC Team's study may well be the pin-pointing of certain aspects of marketing in India where improvements can be readily made. Market research, to which the team will give particular attention can, for instance, be undertaken by many medium scale manufacturers in India to know more clearly the tastes and habits of their consumers and thus improve their product and package designs and the system of distribution. Similarly, the business of selling to industrial firms in India, which presents completely different problems, has never been properly studied, and little is yet known about the various degrees of influence exercised on a buying decision by different levels of technical management. Improved methods of marketing and distribution in India are part of the drive to reduce final cost to the consumer and raise living standards. The NPC Team's efforts will be complemented by the visit to India, in the near future, of a foreign specialist on the subject of marketing and distribution.

*

Cellulose Film Plant: The Travancore Rayons Ltd. has started its third cellulose film plant. The present capacity of cellulose film is 10 tons per day. Production of cellulose film was first started in 1950 and the Travancore Rayons Ltd. is the pioneer manufacturer of this product in this country. The initial capacity was brought up to two tons. In 1955, a second plant with a capacity of two tons per day was installed. The third plant, which has now been started, is a high speed machine with a capacity of five tons per day.

*

Employees State Insurance Scheme: The benefit provisions of the Employees State Insurance Act, 1948 were extended to Cannanore, Tellicherry and Balipatam in the State of Kerala from the mid-night of October 29, 1960. The scheme is already in force in 9 centres in the State and with its introduction in the above three areas, about 6,500 more factory workers will be benefitted. The employers of factories covered under the scheme will now be required to pay the employers' special contribution of 1¼ per cent of the total wage bill vide Central Government Notification No. SS. 131 (9), dated February 1, 1952 instead of ¾ per cent which they were paying so far.

*

Small Savings Collections: Small Savings Collections, which have been steadily increasing during the current financial year reached a new height in September 1960. The net collections, excluding sales of prize bonds amounted to Rs. 10.16 crores. Between April and September 1960, the net collections were Rs. 37.72 crores showing an increase of Rs. 10.10 crores over the corresponding period in 1959. At this rate, the net collections for the year are likely to show a substantial improvement over the net collections of Rs. 85.01 crores last year. The major increases have been in the post office savings bank deposits and the treasury savings deposit certificates which have risen by Rs. 6.44 crores and Rs. 3.07 crores respectively. In addition to the net collections through small savings securities, a sum of Rs. 10.30 crores was realized by the sale of prize bonds during the six months of the current financial year.

United States

U.S. Credit to Help Build Paper and Board Mill in India: The United States Government has announced a credit of 20 million rupees in favour of Seshasayee Paper and Board Company Ltd. of Madras State. The loan will be channelled through the Export-Import Bank of America and will be used to help finance the construction of a paper mill at Erode, Madras State. The mill will use both bamboo and bagasee in its processes, and its location at Erode is near sources of those raw materials. Plant equipment includes two paper making machines with bleaching and other facilities. Annual output is calculated at 20,000 tons of printing, writing and wrapping paper.

U.S.S.R.

Agriculture in U.S.S.R.: Soviet agriculture will surpass the United States levels sooner than Soviet industry, Alexander Tulupnikov, Director of the Agricultural Economy Research Institute, said recently in his report to the conference on problems of the economic competition between the two world systems. He said that over the past five-six years the production of grain in the Soviet Union has been increasing twice as fast, meat 3.5 times, and milk 10 to 12 times as fast as in the United States. The process of concentration of production continues in Soviet Agriculture. At present, each State farm averages 24,000 hectares of land and 92 tractors and each collective farm averages 5,000 hectares and 22 tractors (only the biggest farms—3 per cent of all farms in the United States—have about 4,000 hectares of land each). A scientific system of agriculture in conformity with 39 climatic and soil zones of the country is now being introduced in all state farms and collective farms of the Soviet Union. Over 4,000 scientists and specialists helped in drafting the principal recommendations for scientific farms.

*

Trade With the Republic of Guinea: Leading officials of the Centrosoyuz (the Union of Consumers Co-operatives of the U.S.S.R.) and of the Guinean Co-operatives reached an understanding to start mutually advantageous barter operations before long. The delegation of the co-operators from the Republic of Guinea headed by the Director of the Co-operative Society, visited the US.S.R. at the invitation of the Centrosoyuz Board. The delegation studied the activity of the Soviet Consumers' Co-operatives and inspected co-operative enterprises in Moscow Region and Georgia.

United Kingdom

Oversea Trade: United Kingdom exports in September were valued at £259,900,000, imports at £360,300,000 and re-exports at £12,800,000, according to the U.K. Trade and Navigation Accounts for September published by the Board of Trade recently. Exports in the third quarter, seasonally adjusted, were 2½ per cent less in the second quarter and 5½ per cent less than in the first quarter. Most of the fall in exports was to North America. For the first nine months of this year, the average of exports was 6½ per cent above the average for 1959. The value

of imports was 2 per cent more in the third quarter than in the second quarter. In first nine months of this year, imports were, on an average, 13 per cent more than the average for 1959.

*

An Electric Fire-Lighter: An electric fire-lighter, produced by the General Electric Company Ltd., of London, gets a coal fire blazing in two or three minutes — without the use of paper, wood chips or matches. It incorporates a number of safety features. The barrel is surrounded by an outer case which is cooled by an independent air stream and never gets hot. The heater can only be switched on by a special key, and the key cannot be removed until the heat is switched-off again. If the fan stops working, the current is automatically switched off.

Austria

L.D. Steel Works for Brazil: Voest has received a Brazillian order to build, in co-operation with two French firms — Delattre and Frouard Steel and Machine Manufacturers, and the Cetig Engineering Office of Paris — an L.D. plant with two 75-ton L.D. crucibles and an annual output of 500,000 metric tons of raw steel, which will in the long run be extended to 7,50,000 tons a year. The L.D. plant is to be part of new metallurgical works built by the Brazillian siderurgical firm "Compania Siderurgica Paulista (Cosipa) of Sao Paulo, in the vicinity of Santos, which will comprise a coking plant, two blast furnaces, a steel mill and a number of rolling mills for the production of steel plate and sheets. Under the agreement with their French partner Voest will be responsible for the overall planning for the L.D. plant as well as for delivery of the two crucible units with all auxiliary equipment.

Bulgaria

A New Lead-Zinc Plant: A new lead-zinc plant, second of its kind in Bulgaria, is now under construction near the town of Plovdion. According to plan the zinc section of the plant would go into production by 1961, with an annual output of 30,000 tons. Besides, the present lead-zinc plant at the town of Kurdjali is being expanded with a view to raise its production to 22,000 tons of lead and 14,000 tons of zinc.

Germany

Hanover Fair: The 15th Industries Fair will be held in Hanover between April 30 and May 9, 1961. Since the Fair was first held in 1947, its importance for international trade has constantly increased. To accommodate the growing number of German and foreign exhibitors, it has been necessary to extend the exhibition area every year, but it has not yet been possible to satisfy everyone. From 30,000 sq. miles in 1947, the covered area available grew to 2,85,000 sq. miles in 1960, with 314,000 sq. miles being provided for 1961. The open air section has increased from 8,000 sq. miles in 1947 to 162,000 sq. miles in 1960 with 192,000 sq. miles being provided for next year. The 5,000 exhibitors expected for 1961 will thus have a total area of 506,000 sq. miles at their disposal. The exhibitors are solely producer firms, and play an important part in foreign trade. They are represented by top level executives which enable vital and decisive negotiations to be held.

Japan

Making of Concrete Pipes: The Mitsubishi Cement Company of Japan plans large scale manufacture of prestressed reinforced concrete pipes for water supply and other purposes, and will use Australian processes developed and perfrected by Rocla Pipes. Rocla Pipes Ltd. of Melbourne will supply the Japanese company's requirements of equipment, technical data and service under a licensing agreement recently concluded. The agreement also provides for an inter-change of developmental information for a period of 10 years. Japan is the 9th overseas country to adopt the Australian Rocla process of manufacturing prestressed concrete pipes. Other countries in which major concrete pipes manufacturers already use Rocla processes under licence arrangements include the U.S.A., France, Switzerland, West Germany, Spain, India, Pakistan and South Africa.

Switzerland

New Plastics Design Laboratory: A new plastics design laboratory to assist European industry will be built in Geneva by Du Pont de Nemours International, S.A. Purpose of the laboratory is to help European manufacturers develop new applications primarily for Derlin acctal resin and Teflon TEF and EFE Fluorocarbon resins. It will also provide new ideas on the use of Du Pont plastics, and will handle specific requests from customers. The new facility, which is expected to be ready by April 1961, will consist of an application design section, a model or machine shop and a chemical and physical testing area. The function of the application design, for example, will be to provide cost estimates, advice on product design, fastening techniques, mould lay out and dimensional control of moulded parts.

Netherlands

KLM Traffic on the North Atlantic Air Route: In the first half of 1960 KLM (Royal Dutch Airlines) carried 59,000 passengers on the North Atlantic Air Route, i.e. 8.3 per cent of total passenger air traffic on this route. KLM carried 47,000 passenger in the same period of 1959, so that there was a 24 per cent increase in the first half of 1960. The increase in freight transport on the same route was 46.7 per cent.

S.A.S.

Agreement on International Fares and Rates: Agreements on International fares and rates over most world routes for an unprecedented period of two years have been reached by the traffic conference of the International Air Transport Association, Scandavian Airlines system announced recently. In the past, international fares and rates agreements have been valid for 12 months, but if governments agree the Cannes resolutions are for the most part scheduled to become effective from December 1, 1960, or April 1, 1961, until March 31, 1963. Carriers will be able to request consideration of specific changes at the end of 12 months if there is a material change in circumstances.

United Nations

Funds for T.A. and Special Fund Programmes: An amount of $86 million was pledged by 77 governments recently to finance in 1961 the operations of the United Nations Expanded Technical Assistance Programme and of the United Nations Special Fund. This is about $10 million more than the amount made available at a similar pledging conference last year, but still $14 million below $100 million target figure set by an Assembly resolution in 1957. A recent proposal by the Netherlands Foreign Minister for a $125 million target for both programmes was endorsed by Secretary-General in a message to this year's pledging conference. The United States contribution of $40 million for both programmes is subject to a matching principle which stipulates that the U.S. share should not exceed 40 per cent of the total contributed by other Governments. The Soviet Union contributes 8 million roubles. The Federal Republic of Germany announced at the pledging a 56 per cent increase of its contribution to $5.3 million for both programmes.

NEWS IN BRIEF

INDIAN

The special rebate of thirty one naye paise per rupee on the purchase of khadi, which was available up to October 31, 1960, has been extended up to November 14, 1960.

*

The Union Government is reported to have sounded the diplomatic and consular represenatives of the UK, West Germany, East Germany, the USSR and Poland whether it will be possible for their countries to undertake the execution of ropeway projects in Jharia and Raniganj on a 'turn-key' basis on suitable credit terms.

*

Exports of Indian black pepper during the first-half of the year increased by 7,675 tons compared to the figures of exports for the corresponding half year in 1959, according to official estimates released recently.

*

The Tungabhadra Steel Products Board, a joint venture of Andhra and Mysore Governments, has decided to collaborate with a foreign firm for the manufacture of pen-stock pipes.

*

The Cotton Textile mills production in September, 1960 is provisionally estimated at 145 million lbs. of cotton yarn and 426 million yards of cotton cloth.

*

The Joint Chief Controller of Exports has announced that the export of industrial diamonds, cinematograph equipments and gogan bark and its extracts have been decontrolled. The export of bamboo used as paper making material has been decontrolled with effect from October 15, 1960, the announcement adds.

*

All States and Union Territories, excepting Andhra Pradesh, Madras and Uttar Pradesh, have agreed to the continuation, during the Third Plan, of the present arrangements for the working of the Welfare Extension Projects sponsored by the Central Social Welfare Board.

*

The rail and structural mill of the Steel Works at Bhilai went into production recently. It is the third of the four rolling mills and one of the largest and heaviest units of the Bhilai works.

*

The Government of India have sanctioned a grant of 1,00,000 dollars to the endowment fund of the International Institute for labour studies. The institute will be set up at Geneva under the auspices of the International Labour Organisation.

*

During the half-year ending September 30, 1960, the Import Trade Control organisation received a record number of 2,16,073 applications, as compared to 1,78,762 during the corresponding period last year.

*

Measures to step up idigenous production and development of new industries were considered at the eighth meeting of the Central Purchase Advisory Council of the Union Ministry of Works, Housing ond Supply.

*

It is reported the Law Commission is at present engaged in settling the lines on which legislation on hire-purchase should be undertaken.

FOREIGN

It is reported since the inception of the Colombo Plan, the population of the area it covers—South and South-East Asia—has increased by 100 million.

*

Work on the construction of a shipyard in Haifa Bay is to start shortly. An international call for tenders was issued some time ago and the award of the contract is to be announced shortly. Eight British, Belgian, Dutch and French concerns as well as five Israeli concerns, submitted bids.

*

Industrial production in West Germany came close to all-time high in September. The Ministry of Economics has announced that the index of production (1936=100) reached 281 during the month. The existing record, 286, dates back to November of last year.

*

Czechoslovakia will grant Iraq a £12 million credit under a new economic and technical agreement. The loan is repayable in eight yearly installments. The agreement provides for co-operation in various fields, including oil refining and hydro-electric power.

*

Life assurance business in Britain last year set several new records. New individual policies totalled 939,000 compared with previous peak of 853,000 established in 1958.

*

The Cuban Government recently became the nation's only importer and exporter when the Commerce Ministry announced that all imports must be made by the Cuban Bank of Foreign trade.

*

Two important new steps designed to assist British exporters were announced by the British Government recently. The first is the formation of a new Export Council for Europe, which will be organised on the same lines as the highly successful Dollar Exports Council and will be headed by President of the Federation of British Industries.

*

Talks on the purchase of textile machinery opened recently between a Japanese mission and the Pakistan Government. Japan has ageed to finance 355,000 spindles and 3,000 looms worth $20 million for the production of finer quality cloth.

*

A special committee has been set up by the Cocoa Study Group of the United Nations Food and Agriculture Organisation to study the possibility of stabilising Cocoa prices.

*

World production of tin-in-concentrates amounted to 13,500 tons in May and 13,900 tons in June, compared with only 12,700 tons in April, according to the latest number of the International Tin Council's Statistical Bulletin.

Special Article

INDIAN SHIPPING UNDER THE FIVE-YEAR PLANS

By JAYA CHAMARAJA WADIYAR
(Governor of Mysore)

IN 1947 India had hardly about 2 lakh tons of shipping. Further, most of the ships were old and had been overworked during the war period. There was, therefore, urgent need for replacement along with that of initiating new development. The Government of Free India was not slow in recognizing the strategic and the economic importance of adequate shipping and the policy of developing Indian shipping was given high priority.

The first noteworthy record in the field is the Report of Shipping Policy Committee in 1947. Its recommendations included: (1) a national shipping policy; (2) a target of 9 lakh tons by 1950 and 20 lakh tons in about five to seven years; (3) the exclusive use of Indian ships in the coastal trade; (4) 75 per cent share in the trade with Burma and Ceylon and (5) 50 per cent of overseas trade. These targets, however, have not been reached so far and the growth has not been rapid enough.

The following table* shows the increase in the number and tonnage of Indian ships:

GROWTH OF INDIAN SHIPPING
(1951 - 1959)

As on	No of Ships	Gross Registered tons
1-4-1951	95	377,500
1-4-1956	126	479,880
1-4-1957	124	521,440
1-4-1958	132	581,522
1-4-1959	141	646,493
30-11-1959	157	740,673
31-3-1961 (Target)		901,707
31-3-1965 (Target Draft Outline III Plan)		1,100,000

Compared to the long period of stagnation before 1947, a little more than doubling the shipping tonnage in a decade of planning may appear to be impressive. But in view of the need and opportunities for expansion it may be held that the growth has been really slow. It was in the light of the opportunities that existed and of the economic soundness of the required allocation of resources that the Shipping Policy Committee (1947) fixed the targets stated above.

It would be interesting to speculate upon the relative importance of Indian shipping in the world when India's economy is transformed from an 'under-developed' to an 'advanced' economy. Among the several criteria relevant to such an estimate of the future, the basic criteria relate to the natural endowments of the country for developing its maritime strength. Fortunately India, with a long sea-coast of over 2,900 miles, has, in addition to the few already developed ports, a large number of others with potentialities for being made major ports. The experience of our nascent shipbuilding industry has revealed the great potentialities that exist by way of the raw material base for a big industry. Thus the basic requirements for becoming a major maritime country are there. The supply of other complementary factors such as capital, skill, entrepreneurship, etc., depends, in the present context of economic planning, partly upon a deliberate choice as regards the allocations made by the Planning Authority and other policy measures. On the demand side, factors like the huge size and population of the country, the large and growing volume of foreign trade and the rapid expansion of the industrial sector to which transport, including shipping, is a necessary complement, suggest a big role for shipping in India's economy. How big that role is going to be in the future advanced stage of our economy cannot be quantitatively stated at present. However, it may probably be correct, to say that India by her own right promises to occupy a far more important place than she does today among the maritime powers of the world.

The inadequacy of Indian shipping development is also brought out by an analysis of the relative shares of Indian and foreign ships in the carriage of our overseas trade. The following table presents a summary of the shares of ships of different countries in the cargo discharged and loaded—'inclusive of both coastal and overseas trade cargo'—at the five major ports of Bombay, Calcutta, Madras, Cochin and Vishakhapatnam in 1957-58.

RELATIVE SHARES OF INDIAN AND FOREIGN SHIPS IN THE CARRYING TRADE OF INDIA
(1957 - 58)†

Nationality of ships	Imports (In million dw. tons)	Exports	Total	Percentage to total
Indian	3.42	2.60	6.02	20.0
British	4.84	3.13	7.97	26.7
Panamanian ..	1.73	0.90	2.63	8.7
Liberian	0.99	0.28	1.27	4.1
Costa-Rican ..	0.33	0.10	0.43	1.5
Norwegian ..	1.58	0.33	1.91	6.4
American ..	1.73	0.48	2.21	7.3
Japanese ..	0.47	0.75	1.22	4.0
Danish ..	0.31	0.13	0.44	1.5
German ..	0.33	0.18	0.51	1.7
U.S.S.R.	0.14	0.12	0.26	0.8
Others	3.41	1.75	5.16	17.3
TOTAL	19.25	10.75	30.00	100.0

The statistics presented above illustrate the fact that for about four-fifths of the shipping services India depends on foreign ships, the contribution by Indian ships being only 20 per cent. If we take account of only the overseas trade separating the coast-wise trade from the figures given above, it will be seen that India's share in the carriage of overseas trade is less than 10 per cent and that over 90 per cent of overseas trade is carried on in foreign vessels. British ships have the biggest share, being nearly 27 per cent in the total shipping services required by Indian foreign and coastal trade, the American, Norwegian and Japan se following with a considerable share each. It may be noted that about 50 per cent of the overseas trade of a country is generally recognized to be a fair share for any maritime country to achieve and keep in its own hands.

*Indian Shipping Vol. XI. No. 11, Nov. 1959.

†Compiled on the basis of figures given in Indian Shipping.' Vo. XI. No. 11, Nov. 1959. p. 19.

One of the privileges which a free maritime country secures for its national shipping companies is the monopoly of carrying coastal trade. Several attempts by Indian interests in the pre-independent India to have the coastal waters reserved for Indian shipping were unsuccessful. Since our country became independent, though the Government of India has accepted the policy of reserving the coastal trade to Indian ships, its full implementation has still some difficulties so that foreign ships continue to play an important role even in this sphere. The following table* shows the coastal trade of India handled by Indian and foreign ships at the ports of Bombay and Calcutta, the two ports which account for the carriage of about 77 per cent of the total coastal cargo.

COASTAL TRADE OF INDIA : 1957 - 58

(In lakhs of dw. tons)

	Imports	Exports	Total
1. **Indian Ships**			
Bombay	5.30	6.06	11.36
Calcutta	7.55	12.92	20.47
TOTAL ..	12.85	18.98	31.83
2. **Foreign Ships :**			
Bombay	6.63	12.69	19.32
Calcutta	4.54	0.44	4.98
TOTAL ..	11.17	13.13	24.30
3. **Indian & foreign Ships :**			
Bombay	11.93	18.75	30.68
Calcutta	12.08	18.36	25.44
TOTAL ..	24.01	32.11	56.12

It can be noted from the above figures that the share of Indian ships in the total coastal trade of about 5.6 million tons is about 3.2 million tons, i.e., about 57 per cent and foreign ships have a share of 43 per cent still. These indicate the extent of lee-way to be made to accomplish the objective of using Indian ships for the entire coastal trade of the country.

The amount of annual net payments for shipping services is another index of the extent of under-development of India's shipping. During the Second Plan period on an average a sum of about Rs. 130 crores is paid to foreign shipping interests for carrying India's sea-borne trade. A diminution of this drain by a more rapid expansion of Indian shipping would contribute towards easing the difficult foreign exchange position in which the country finds itself today.

The building up of a strong merchant navy requires also adequate arrangements to train the required special personnel and rightly have the Government accepted the responsibility for training such personnel.

In the First Plan period a Marine Engineering College was established. Training was given to 5,500 ratings, 143 marine engineer officers and 248 navigation officers. The notable events of the Second Plan period have been the construction of a new building for the Nautical and Engineering College at Bombay and the constitution of a Merchant Navy Training Board (October 1959). The function of the latter Board is to consider all matters pertaining to the training of navy officers, ratings and other sea-going personnel. The Board has to make recommendations on measures necessary to build up an adequate and efficient merchant navy.

The ship-building industry in India has made a good beginning but it needs to be strengthened greatly. Since 1952 the Hindustan Ship-building Yard has built 20 ships of different types and sizes for the country. Acquisition of ships and servicing are very important aspects of shipping development and for these we still depend largely on foreign countries.

The brief survey presented above shows that in spite of the progress made since the achievement of Independence, the position of Indian shipping is still unsatisfactory in view of both the needs and the potentialities of the country. Under economic planning, the over-all as well as the sectoral rates of growth are mostly the result of deliberate centralized choice in so far as the physical and the financial targets are laid down by the planning authority and efforts are patterned to achieve these targets.

The Second Five-Year Plan lays down three objectives for the development of shipping, namely, (a) to cater fully to the needs of coastal trade with due regard to the possibility of diverting some traffic from the railways to coastal shipping; (b) to secure an increasing share of India's overseas trade for Indian shipping; and (c) to build up the nucleus of a tanker fleet.

The above statement of objectives conveys very little about the intended rate of growth with which we are at present concerned. To estimate this we have to look into the targets set forth and the measure to achieve these targets. The following figures show the rate of growth of shipping tonnage under the Plans:

(In lakhs of G.R.T.)

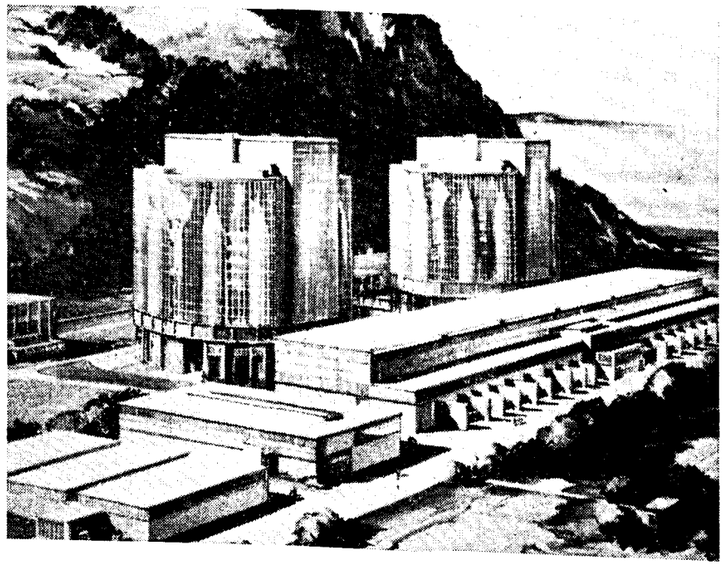
Date	No. of ships	Tonnage
1-4-51	95	3.78
1-4-56	126	4.80
31-3-61	(N.A.)	9.00
31-3-66 (Target) ..	(N.A.)	11.00

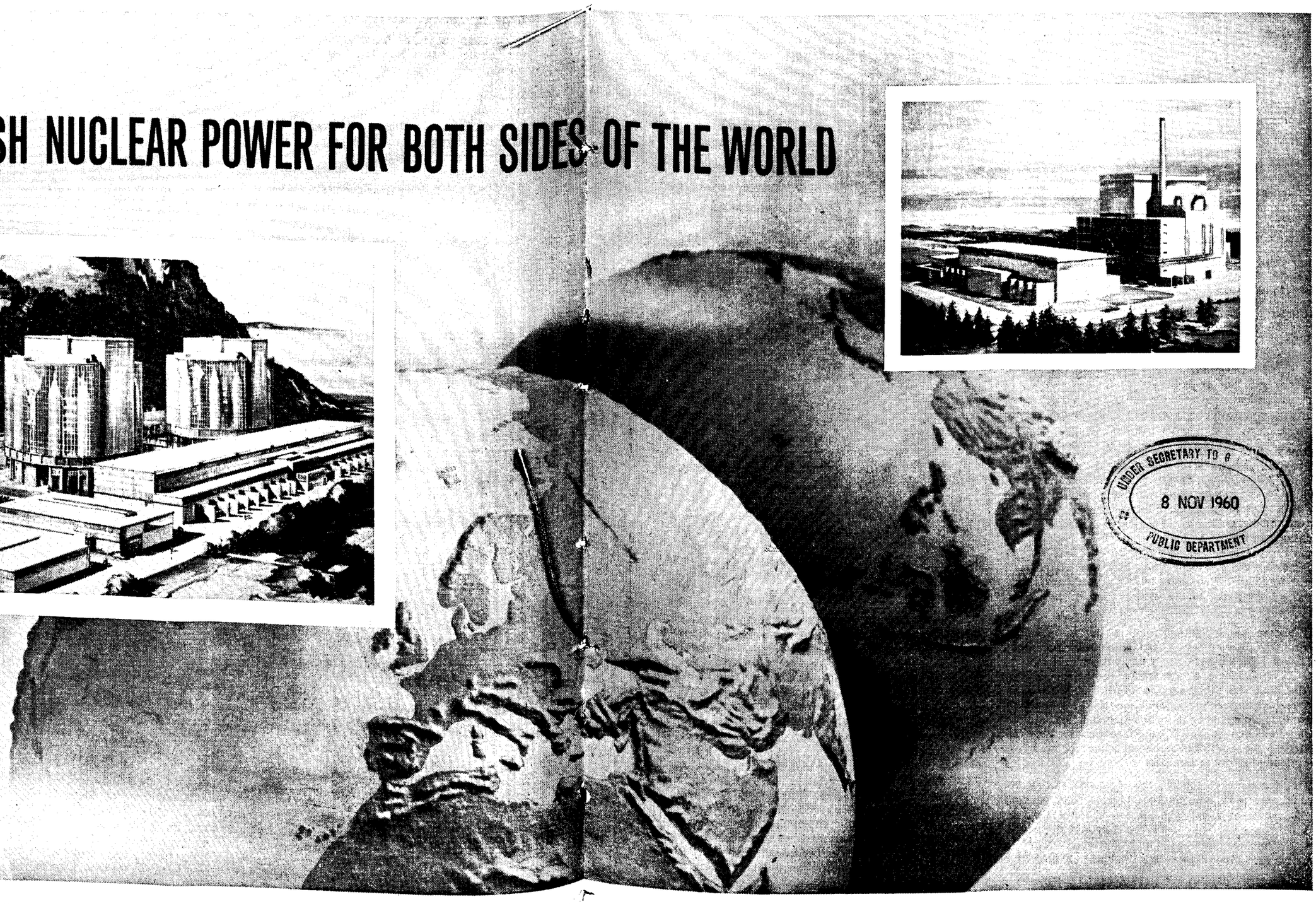
Unfortunately, the present indications show a slowing down of the rate of shipping growth. The draft outline of the Third Plan recently published envisages an increase of only 200,000 GRT, which is just half of what has been achieved during the Second Plan. If this is viewed against the fact that the size of the total outlay for the Third Plan is more than double the size of the Second Plan the relative decline in the rate of growth envisaged for the Third Plan becomes more emphatic. Considering this fact even the target of 1.6 million tons recommended for the Third Plan by the 'ad hoc' committee of the National Shipping Board, of which the Chairman is Sri A. Ramaswamy Mudaliar, appears very modest, indeed.

It is a moot point whether a drastic reduction in the rate of growth is proposed. It is equally helpful to examine the factors which made it possible to add 4 lakh tons during the Second Plan, as against the 2 lakhs proposed for the Third Plan and see if the possible adverse factors cannot be effectively countered. For

Indian Shipping: Vol. XI. No. 11.

BRITISH NUCLEAR POWER FOR BOTH SIDES OF THE WORLD





UNDER SECRETARY TO G
8 NOV 1960
PUBLIC DEPARTMENT

Seventy miles from Tokyo, at Tokai-Mura, The General Electric Company Limited of England and Simon-Carves Limited are building Japan's first full-scale earthquake-proof nuclear power station. When completed in 1965, this will represent a triumph for nuclear engineering. On the opposite side of the world, at Hunterston, G.E.C. and Simon-Carves are building one of the world's largest nuclear power stations to provide electricity for the south of Scotland. Both companies have joined forces to form a Group which, with vast resources, is able to design, build and install nuclear power stations to suit local conditions anywhere in the world. There are many reasons why the Group is in a unique position to do so. The G.E.C. is a world-wide engineering organisation. Founded more than seventy years ago, it now employs 70,000 people and is one of the largest electrical and mechanical engineering companies in the world. It produces a wide variety of equipment ranging from the smallest motor or switch to the complete equipment for power stations and materials handling plants. Simon-Carves Limited are one of the leading British specialists in large steam-raising plant, coal cleaning and carbonising plant, chemical and civil engineering. Both companies have large resident engineering and contracting staffs in India. They are happy to be making major contributions to the building of the new steelworks at Durgapur for the Government of India.

G.E.C. AND SIMON-CARVES LTD

ATOMIC ENERGY GROUP

HEADQUARTERS THE GENERAL ELECTRIC CO. LTD. OF ENGLAND ERITH KENT

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it would be a loss if the momentum that was gathering should be checked by fixing a low target.

Next we shall examine the financial allocation for shipping against the entire pattern of Plan allocations. The following table shows the financial outlay in the public sector for broad economic sectors:

Name of Sector	First Plan 1951-56 Amount (Crores)	%	Second Plan Revised Amount (Crores)	%	Third Plan Draft Amount (Crores)	%
Agriculture and C.D.	299	14.8	510	11.3	1025	14.1
Irrigation and Power	585	29.1	820	18.2	1575	21.8
Village and Small Industries	44	2.2	160	3.6	250	3.4
Industries and Minerals	56	2.8	790	17.5	1500	20.7
Social Services	423	21.0	810	18.0	1250	17.2
Miscellaneous	74	3.7	70	1.6	200	2.8
TOTAL	1481	73.6	3160	70.2	5800	80.0
Transport and Comunications	532	26.4	1340	29.8	1450	20.0
Grand Total	2,013	100.0	4,500	100.0	7,250†	100.0
† Current outlay	1050					
† Investment	6200					

It is unnecessary here to deal with the question whether the overall size of the outlays represents the 'Optimum or Critical minimum effort'* required to secure the highest possible economy, growth and balance. Assuming the size of the outlays as given, it should be considered whether the allocation between the broad categories, and more especially for shipping, can be regarded as satisfying a general sense of 'economic justice.'

One feature of the above allocation that is pertinent to the present analysis relates to the trend of allocation for transport in the three plans. While the Second Plan allotted 2½ times more than the First Plan, the Third Plan proposes an increase of only about 1.7 per cent over the Second Plan outlay. In terms of percentages of the total plan outlay, the allocation for transport represent 26.4, 29.8 and 20 per cent respectively for the three Plans. Thus, in the proposed outlays for the Third Plan there is a drastic cut by about 10 per cent compared to the Second Plan in the outlay under transport. This needs explanation.

It has to be recognised that, in the early stages of economic development, transport deserves great priority as it belongs to the basic category of investment. It is necessary to strengthen the transport base in order that the other sectors of the economy such as agriculture, industry and trade may all be stimulated to develop. There is need to increase the total allocation for transport in the Third Plan because it would benefit also the development of shipping for which a larger planned effort is essential.

The table below shows the financial outlay on shipping and port and harbour development during 1951-66:

(Rupees in crores)

	First Plan (1951-56)		Second Plan (1956-61)		Third Plan (Draft: 1961-66
	Provision	Actual	Provision	Actual (Revised)	Provision Esti-mated)
Shipping	26.30	18.71	56	56	55
Ports and Harbours	36.91	27.59	48.5	48.5	45
Total	63.21	46.28	104.5	104.5	100

* See: Leibenstein: Economic Backwardness and Economic Growth: Chapter 8.

In both the First and the Second Plans the outlay on shipping and ports and harbours together constitute 2.3 per cent of the total outlays of the respective plans. A continuation of the same percentage would secure for this group during the Third Plan an amount of about Rs. 167 crores. But the draft outline as published has provided only Rs. 100 crores. This would be a serious disappointment to the shipping interests in the country. As the final shape of the Third Plan is yet in the making it may be urged that the Government of India should consider the case of Shipping for a larger financial allocation.

Without entering here into an elaborate theoretical discussion of the allocation of resources, a few points may be mentioned in order to emphasis, in a general way, the place of shipping in a developing planned economy like ours which favour big investments on shipping.

First, shipping is one of the most significant sectors of modern economy. It represents one of the 'growing points' in the sense that investments in these focal areas set in motion a chain reaction of developments in the related and complementary sectors leading sharply to a cumulatively high rate of growth.

Second, we must consider investment on shipping in the light of our balance of payments position. A developing economy like ours is bound to experience balance of payments difficulties, especially in the early stages of the process of growth. One of the supreme objectives of investment allocation should rightly be the minimising of these difficulties. This involves adequate investment in lines which promote export capacity and reduce import dependence. National shipping secures the latter directly by substituting national in place of foreign shipping service and helps the former indirectly. As pointed out earlier, our dependence on the import of shipping services is quite considerable involving a payment of about Rs. 130 crores per year. With an increase in the total foreign trade in the future, if there is no corresponding increase in our shipping tonnage, the dependence on foreign shipping services would increase still further. On this ground the import-competing Indian shipping enterprise deserves substantial increase in investment.

Considerations like the above should help us to state in broad terms that the rate of shipping development envisaged and the allocations made in the Third Plan are much smaller than they might be and that a higher outlay would be both desirable and economically feasible.

THE BUSINESS WORLD

Gold, the Dollar and Bank Rate

By
PAUL BAREAU

(The 'Eastern Economist' introduces with this article a new series by distinguished financial correspondents abroad. Mr. Paul Bareau formerly of the 'News Chronicle', Mr. Andrew Boyd of the 'Economist', London, and Mr. Rees-Mogg of the 'Sunday Times' have kindly agreed to contribute regularly to this new series—Ed.)

WHEN we look back on the economic events of 1960, we shall probably award the palm for importance and future significance to the storm which broke over the gold bullion market in the second half of October. There had been some premonitions of trouble. Throughout September, European central banks had been converting into gold an exceptionally large proportion of their earnings of dollars. Instead of doing this through official channels in New York, as they were legally entitled, to, they showed a preference for using the London market, even though it meant paying a somewhat higher price than they would have had to pay if they had done the deal direct with the Federal Reserve Bank of New York. The reason for this choice of London as the market in which these central banks bought gold was no doubt an understandable desire to avoid the critical eye of the U.S. authorities and not to appear to be lending themselves to a wholesale conversion of dollar balances into gold.

As a result of these operations the gold price in London had, by the beginning of October, begun to edge slightly beyond the gold export point from the United States and had touched $35.25. This position could still be regarded as normal and had in no way prepared the market for the break through the parity price which occurred on the 18th October. It was no longer central banks, but private investors and speculators who suddenly rushed into the market as sellers of dollars and buyers of gold. In a matter of hours they had rushed up the price to the equivalent of $41 per ounce. This flurry did not last long and a semblance of quiet was restored to the market within a week. The position, however, remains abnormal in that the free market price of gold is still well outside the range of the official gold points. The episode is being played down by the United States but its importance is not open to question.

The world may no longer be operating an orthodox gold standard but gold still has two primary functions to perform. It is still in terms of gold that currency parities are measured, notified to the International Monetary Fund, and that in consequence exchange rates are determined. Secondly it is still gold which is used the world over, including the Communist bloc, to settle ultimate balances of payment between countries. To these should be added a secondary but nonetheless important function, namely, that it is still to gold that many private investors rush in times of trouble and uncertainty.

When, therefore, the market price of gold broke loose from the official price of $35 an ounce — a price fixed as long ago as 1933 — the whole international structure of monetary values and exchange rates was called into question.

The reasons for this rush into gold were many, but most of them can be found to focus on the dollar and in particular on a loss of confidence in this currency. For three years the United States has had to meet a persistent balance of payments deficit. This deficit, let it be said, is due in the main to the export of capital and continuing economic assistance which the United States give to other countries. But deficit it is, nonetheless, and it has led to substantial losses of gold. The U.S. Treasury's reserves have fallen since the end of 1957 from $22.9 billion to $18.5 billion.

Lack of confidence in the dollar has been accentuated by the uncertainties of the Presidential election campaign and by speculation about the economic policy that is likely to be pursued by the new administration. Above all, however, the main undermining influence has been the undoubted worsening of the economic situation in the United States and the suggestion that industrial production is likely to lag for some time to come. This has caused the U.S. authorities to engage in a really massive effort of pump priming. They have allowed interest rates to fall and they have helped this movement by considerable easing of their commercial banks' reserve requirements.

The immediate result of the fall in interest rates has been to cause a flood of hot money to leave the United States and seek temporary employment in London and other European financial centres. This has been the main pull on U.S. gold reserves and has been largely responsible for the continued reinforcement of the reserves of several European countries, including those of the United Kingdom, where the inflow of hot money has veiled an undoubted deterioration in the true balance of payments.

This explains the requests from Washington and New York to Europe to ease matters for the United States by reducing interest rates. This request has been answered by France, and more recently by the United Kingdom, but so far not by Germany, though by reason of its strong creditor position, that country should have been the first to respond.

Even if all European countries reduce their rates, it will not solve the dollar problem. The question whether the dollar can remain intact and the dollar price of gold held at the level at which it has been fixed since 1933, still has to be answered.

A confident answer can only be given when far more is known about the kind of economic policy that will be followed by the new American administration. It cannot, however, be denied that the recent flurry in the gold market has destroyed the illusion of permanence in the present relation of currencies, whether with gold or to one another. It has also raised many hopes that a concerted international effort may yet be made to remove from the present structure of exchange rates some of its grosser abnormalities, including that of a major under-valuation of the German mark.

The Crisis of the Closure of Chemicals

By CROESUS

THE Gujarat Government is known to be going all out to assist industries in the new State. Both the Ministers and the State officials, it is gratifying to learn, are extremely helpful and co-operative. Occasionally, though, one hears of some complaint or other, the existance of a sympathetic government is highly reassuring, besides being a guarantee that all genuine grievances will be duly and effectively redressed.

Some time ago, there were reports in the daily press alleging that the Government of Gujarat had made a rather fantastic proposal, namely to charge rates for supplies of water proposed to be made to the new rayon companies that are being located in the State by the meter. It is not known what has happened to this proposal, but one hopes the last has been heard of it. Meanwhile, another report in the daily press calls attention to the stoppage of supply of sea water, steam, and power to the Saurashtra Chemicals in Porbandar, thereby rendering the plant suddenly idle. Stoppage being due to **force majeure** thus, it follows that the workers will have to go without work. Incidentally, it may be noted here, that, under the existing agreement, the Government is required to supply to Saurashtra Chemicals not only power from its power house but steam and sea water as well. It is needless to say that, unless all the three complementaries are made available, the Saurashtra Chemicals plant cannot function. Accordingly, power and steam, which are believed to have since been made available to Saurashtra Chemicals have not made any difference to the prevailing stalemate. It is only when sea water also is made available that the plant can be fully commissioned again.

Now, from all available accounts, it would appear that the position regarding supply of sea water has become quite uncertain as a result of the serious damage to impellers of all the pumps installed for the purpose by the Government. No one can say that this trouble was not, or could not have been foreseen. For, four months past, there have been reports about the unsatisfactory working of these pumps, and the need to replace them atleast in part, if not wholly, seems to have been felt by those immediately concerned. But what has been, and continues to be, a mystery is the action or measures taken by those in charge to meet the situation. True, the present Gujarat Government cannot be wholly blamed for this, although, it is unfortunate, this major upset has taken place after the formation of the new State. In other words, this seems to be more a legacy from the erstwhile bilingual State of Bombay. According to informed sources, under bilingual Bombay, Porbandar was verily a neglected region, so neglected, indeed, that the then Chairman of the Electricity Board condescended to visit the power station, a major installation in the public sector there, only once in two years!

Be that as it may, what has happened has happened, and there is no use crying over spilt milk. The State Government should now make this unfortunate closure of the Saurashtra Chemicals plant an occasion to go into the whole matter of supply of power, steam, and sea water to this unit and supply of power to other industries in the region generally, in order to ensure that there is no repetition of such happenings in the future. Otherwise, not only will production of important commodities like caustic soda and soda ash in the country suffer, but unemployment also will increase, leading to industrial unrest. It is troubled waters, which occasions such as the closure of major plants like this provide, that our leftist friends would love to fish in. In fact, it is said, they have already become active in Porbandar. It is time, therefore that the Government of Gujarat work up and became alive to the realities of the situation.

There is another very important aspect to which, I daresay, the attention of the authorities has been drawn ere now. It is the possible expiry of the period of guarantee by the suppliers of the machinery. Normally, whenever a big factory such as the Saurashtra Chemicals is put up, the suppliers of machinery would be required to watch the working of the plant for an agreed period, known as the "Guarantee period", to ensure the promised performance and set right defects, if any, noticed in actual working during this period. This, of course, presupposes uninterrupted production for a reasonably long spell of time. I am not quite sure whether, right from the time the Saurashtra Chemicals started working sometime in December last, it has has been in continuous operation for a sufficiently long stretch of time to enable the suppliers of machinery properly to observe the performance of the plant and set right the teething troubles, but the unfortunate part of it is that the frequent stoppages that have occurred are due not so much to lapses on the part of the management of Saurashtra Chemicals as to the failure of the State Government to supply the three services — sea water, steam, and power — as per undertaking. The intriguing question that arises now is: who should be held responsible if the "guarantee period" draws to a close and the management is not enabled, for no fault on its part, to let the supplier of the machinery observe the working of their plant and hand it in proper and satisfactory working condition, as per specifications, to the management? Although the suppliers, in this case, who have themselves watched the entire working, may not literally stick to the letter of the agreement — they may not do so if only because of their anxiety to build up goodwill for their machinery in this country — the possibility must be faced! To a layman like me, it is obvious that the party to blame in these circumstances is the Government and none else. But, then, the Government, although it may readily accept the blame, may also get away with it by attributing the lapses to reasons beyond its control — **force majeure**, again—but who will foot the bill for rectification of any defects that may be observed after the guarantee period if, perchance, this period is not mutually agreed to be extended? I have no doubt whatsoever in my mind that, morally, at any rate, the responsibility is the State Government's.

Business Notes

I.B.R.D.

$20M FOR ICICI

WITH THE signing of the agreement on October 28, 1960 between the World Bank and the Industrial Credit and Investment Corporation of India Ltd., approving a further loan of $20 million to the I.C.I.C.I., the foreign exchange requirements of the Private sector in this country may be said to be assured for sometime to come. Actually, the I.C.I.C.I. estimates that the proceeds of the loan would help the Corporation meet the foreign exchange requirements of its would-be borrowers for the next two years. The significance of this further loan by the World Bank to the I.C.I.C.I. is all the greater, considering that the request of the Industrial Finance Corporation of India for a foreign exchange loan has reportedly been turned down by the World Bank, let alone the low level to which our foreign exchange reserves have fallen.

Together with the latest instalment of the loan, the I.C.I.C.I. will have received $40 million from the World Bank, the whole of which is used or intended to be used to meet the foreign exchange requirements of the projects financed by the I.C.I.C.I. Out of the first two World Bank loans of $10 million each, the I.C.I.C.I. has allocated foreign exchange requirements to 32 projects, including electrical, chemical, mechanical, shipping, textile, fertiliser and building material industries.

It is estimated that, on an average, each of these projects will generate annual net foreign exchange savings to the tune of at least the amount of the foreign exchange invested in that project.

It is noteworthy that as much as about 60% of the I.C.I.C.I. loans today are in foreign exchange. During the past 18 months the I.C.I.C.I.'s foreign exchange loans have been at the rate of some $10 million a year, which explains that the funds provided by the $10 million World Bank loan of July, 1959 has already been committed. This is at once an indication of the vitality of the private sector of the Indian economy and the present high rate of industrial activity in our country. It also testifies to the I.C.I.C.I's improved facilities in processing the applications, not to mention the continued shortage of foreign exchange. As the proceeds of the first two foreign exchange loans by the World Bank have been virtually exhausted, it is just as well that the World Bank's new loan of $20 million has already been assured. This should enable the Corporation to meet the foreign exchange requirements of its prospective borrowers. If the same tempo as in the past year and a half is maintained—there is, however, some doubt on this point by reason of the stringent credit restrictions that obtain today—the entire proceeds of the latest loan should be absorbed before the end of 1962. Although the latest World Bank loan is for a term of ten years, it may be extended for 14 years by mutual agreement between the World Bank and the I.C.I.C.I., wherever it is felt that a given project requires a longer period. The amortization of the new loan will begin on November 1, 1963. As in the case of the previous loans, the Government of India has guaranteed the latest loan also.

Engineering

ELECTRICAL FACTORY AT BHOPAL

THE PRIME MINISTER will perform the formal opening ceremony of the Heavy Electricals Factory at Bhopal on November 6. The construction of factory has already gone half-way through and out of the five sections, two — the maintenance building and the switchgear shop — have already been commissioned. The transformer shop is expected to be in production before the year is out and the remaining two manufacturing buildings are expected to be completed by the end of 1961. Originally the target of the factory was the annual output of heavy electricals of the value of Rs. 12.5 crores. It has been raised so that by 1966 the output would be worth around Rs. 25 crores and by 1971 worth Rs. 50 crores. Qualitative change too has been kept in mind so that the plant would gradually produce items of large capacity. For instance the maximum size of generators and transformers planned to be produced has been raised from the original 50,000 kw to 150,000 kw in view of the latest assessment of needs.

One significant feature of this plant has been that the training of necessary technical hands has been handled with utmost care. As a first step after the report of the Associated Electrical Industries, the technical consultants commissioned to prepare it, a large training school with workshop was set up. It was, perhaps, the largest and best-equipped in India and could be ranked among the good training centres in the world. At present about 3,000 persons are undergoing short-term training and some experienced engineers have been sent to the U.K. for extended training courses; 97 of them have already returned and about 90 are still there. In view of the fact that many public sector projects suffered for want of necessary technicians, this factory seems to have taken advance action in this respect.

Kerala Economy

HANDICAPS FOR EXPANSION

AT THE 103rd annual general meeting of the Cochin Chamber of Commerce, Mr. T. A. K. Nair, in his presidential address, dwelt at length on some of the economic problems facing the State of Kerala. He pointed out that lack of peaceful industrial climate had been mainly responsible for deterring private enterpreneurs from setting up large-scale industries in Kerala. The low figure of private sector investment corroborates this conclusion. Flow of foreign capital appears to have been impeded by certain disabilities which foreign corporate bodies have to face. For instance, the manner in which the provisions of Section 42 of the Income-Tax Act are being interpreted is proving detrimental to foreign concerns which would otherwise be keen on investing capital. If industrial backwardness in the State is to be removed, Mr. Nair asserted, the State Government must attract private capital and enterpreneurship in which the State Government cannot be said to be sufficiently experienced. Out of the total investment proposed of Rs. 657 crores for the entire country in the Central Industrial Sector under the Second Five-Year Plan, the actual investment made in Kerala was just Rs. 79 lakhs (for the D.D.T. factory at Alwaye) which works out to 0.1 per cent of the total.

The inadequate power supply in the State of Kerala is the worst aspect of the economy. The immediate problem facing the State is the present short-fall of about 30,000 kilowatts, which will be felt most between January 1961 and June 1962. The worst period of these eighteen months is likely to be from October, 1961, when electric energy of about 10,000 kilowatts will have to be diverted for Punja cultivation.

The only way to avert this crisis, Mr. Nair pointed out, is to install diesel sets of suitable capacity (totalling up to say 20,000 kilowatts) before June 1961. This might involve a capital expenditure of Rs. 1½ crores, but it was a must, if industrialization in this State is to make any headway. Referring to the trade aspect, Mr. Nair disclosed that the total import and export trade of the Cochin Port for 1959-60 stood at 20,46,337 tons (imports 15,24,847 tons and exports 5,21,490 tons) as compared with the total of 18,81,603 tons in 1958-59 (13,33,934 tons of import and 5,47,669 tons of exports). This incidentally underlines the importance and the progressive character of this port where the Government of India has decided to locate the second shipbuilding yard.

FROM THE CAPITAL'S CORRIDORS

PUBLIC PARTICIPATION IN STATE ENTERPRISES

THE Study Group, consisting of Mr. D. L. Mazumdar, Secretary, Company Law Department (Chairman), Mr. S. Boothalingam, Secretary, Ministry of Steel, Mr. S. Ranganathan, Secretary, Ministry of Commerce and Industry, and Mr. Tarlok Singh, Additional Secretary, Planning Commission, set up by the Planning Commission to go into the pros and cons of public participation in the share capital of State enterprises and to draw up a scheme for that, has expressed the view that "if public participation in the financing of Government companies could be arranged in a suitable form and on a reasonably wide basis, accompanied by an imaginative programme of constructive public relations work, it may be of advantage to the working of these companies." The Group thinks that any proposal which has the effect of letting in an increasingly larger number of people into the activities of Government will generate better understanding and appreciation of the processes involved in the industrialization of the country, and to that extent may help to promote and speed up industrial development.

DIVERSION OF INVESTIBLE FUNDS?

After examining in detail the issue of whether or not throwing open of the capital of State enterprises for public subscription will result in diversion of funds from the private sector to the public sector or from investment in Government securities, the Group says, "It is possible to formulate a proposal in such a way that instead of merely diverting investments from existing securities, the scheme, in effect, makes some addition to the total investments in the public and private sectors." Recent events, the Group points out, reveal the existence of pools of resources, may be of limited size, which now lie dormant both in the organized and in the so-called unorganized sector of the country's economy. It should be possible through a carefully devised scheme to draw upon these pools of resources, so that they may be utilized for participation in types of investments which provide a high degree of security, combined with reasonable rate of return, although not necessarily at competitive rates. While in the absence of any systematic exploration of this new terrain, still inadequately surveyed from the point of view of its investment potential, it would be unrealistic to expect any large-scale additional investible resources from these scattered pools of savings, the existence of these sources in the context of the present proposal should not be ignored. On the contrary, the new types of investment opportunity offered by the scheme envisaged by the Group may, under suitable conditions, succeed in activising these dormant pools and to that extent act as a catalyst and help in the gradual transformation of the country's traditional capital market. Further, if the recent trends in the investment market portend some long-term changes in its structure and behaviour pattern, the relatively small but new class of operators in this market may also be attracted to the new type of investment made available by the unfreezing of portions of the share capital of selected Government companies. If this expectation materialises, the Group considers that the measure of diversification in the utilization of the sources available to the investment market induced by the contemplated scheme may introduce a desirable element of dynamism into it. In any case, apart from all these considerations, the risk of diversification of resources from one sector to another or from one type of investment to another in the same sector, which is apprehended by some people, need not necessarily be serious, if a proper scheme which takes note of this risk is carefully worked out."

AN EXPERIMENT

The proposal, the Study Group says, will have to be tried out, in the first instance, as an experiment and worked out on a limited basis. This necessarily restricts the number of companies where the experiment could be tried to two or three. The choice of companies is further limited to those which offer the maximum possibility of absorption of private capital. The company with an expansion programme which may prove attractive to prospective investors, will also come within this category. Though, normally, companies which are still in the construction stage and, therefore, unable to offer any return on the equity capital in the immediate future, are not expected to offer sufficient attraction for private investors, the possibility of such companies also inviting the general public to share in the burden and responsibility of promoting new lines of activity in the public sector even at the construction stage should not be ruled out. If the experiment succeeds, the list could be progressively extended at the discretion of the Government. The start, in the opinion of the Study Group, could perhaps be made with (1) Sindri Fertilizers and Chemicals Ltd., (2) Hindustan Machine Tools Ltd., and (3) some selected State undertakings, namely, State Road Transport Corporations.

DEFENCE INDUSTRIES

The Study Group has expressed the view that some Government companies, by reason of the activity which they carry on or for other reasons of administrative policy, may never be suitable for inclusion in this scheme. These companies will generally fall under the categories: (a) companies engaged in the production of goods required for the defence of the country; (b) companies in respect of which security considerations would not permit public participation; and (c) companies engaged in monopolistic and quasi-monoplostic ventures, comparable to the fiscal monopolies in some countries of the world. In respect of these companies, the Group thinks, the Government will desire, as a matter of policy, to retain 100 per cent control in its own hands.

In order to enable persons of relatively modest means, including the employees serving in these undertakings, to subscribe to the shares of Government companies, the Study Group says it would be necessary to issue the shares in small denominations of say Rs. 100 each.

CORNERING OF SHARES

On the question of stipulating a limit on the holding of shares of State enterprises by individuals or corporate bodies, whether in the public or private sector, the Group has not suggested any definite policy to be followed. It, however, says that in case it is decided to exclude corporate bodies from holding the shares of State enterprises, co-operative societies should not be debarred from taking up these shares. To avoid concentration of shares in private hands to an unlimited extent, it may be necessary that Articles of Association of the Government companies, in the share capital of which public participation would be allowed, will have to be suitably amended to prevent the post-allotment acquisition of shares in excess of the prescribed limit.

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Regarding the issue of shares of State enterprises to the public at a premium, the Study Group says, "It would be equitable, that having nursed these companies to their present position, Government should be entitled to ask for a reasonable price for the portion of the equity of these companies which it proposes to transfer to the public. The price at which the shares should be issued would necessarily depend on the financial position of the companies concerned, their profit-earning capacity and their estimated prospects of growth about the time of the proposed issue, and would be determined on the basis of broadly accepted accounting principles relating to the valuation of shares. This will be a matter primarily for accountants and investment analysts, and, necessarily, the price of the shares would vary from company to company." In this connection, the Group mentions the practice followed in West Germany. It recalls that when 'Preussog', the State Coal and Oil Company, was denationalized and 'privatised' there in 1959, its shares were offered to the public at a premium of 40 per cent. Another instance given is that of the shares of the recently 'privatised' Volkswagon Works. These shares were issued at a premium of 100 per cent.

The Study Group thinks it would not be desirable to impose any restrictions on the listing of these shares on the recognized stock exchanges. This would render them more attractive to the public than they would otherwise be. It will, however, be necessary to carefully watch for some time the way they are dealt with in the exchanges after their listing, so that market manipulations do not thwart the basic objects underlying the experiment.

CONSEQUENTIAL CHANGES

As a corollary to its above recommendations, the Study Group has further suggested:

(a) It would be necessary to convert the Government companies part of whose share capital is thrown open for public subscription, into public companies. The restrictive clauses incorporated in their articles, in terms of the requirements of the law relating to private companies, will have to be suitably amended by a special resolution of the companies concerned.

(b) In accordance with the provisions of section 44 of the Companies Act, the selected companies would have to file with the Registrar of Joint Stock Companies either a Prospectus or a statement in lieu of Prospectus, within a period of 14 days from the date of their conversion into public companies. While the requirements of the law would be met by filing a statement in lieu of Prospectus, if the offer to the public is to be made by unloading a portion of the existing holdings of the Government in these companies, it is suggested that, in accordance with good company practice, it would be desirable for these companies to issue a Prospectus on the broad lines of Schedule II to the Companies Act, setting forth the particulars of the offer to the public for their information. In any case, this may be necessary if the provisions of section 64 of the Companies Act are to be attracted to any offer of sale to public proposed to be made out of the present holdings of Government companies.

The conversion of the selected Government companies into public companies, the Study Group points out, will necessitate some consequential formal changes in their articles in order to enable them to fall in line with the provisions of the law relating to public companies. It has drawn attention to the following more important of these changes:

(a) At present, the directors of Government companies are all appointed by the President. Since, in the case of the Government companies selected for the purpose of the present proposal, Government would be holding at least 75 per cent of their equity capital, there should be no difficulty in complying with the requirements of section 255 of the Companies Act which lays down that not less than two-thirds of the total number of directors of a public company should be persons whose period of office is liable to termination by the retirement of directors by rotation, and who should, unless otherwise expressly provided in the Act, be appointed by the company in the general meeting. The voting strength of Government even after a portion of the share capital of the selected companies has been offered to the public, would be sufficient to ensure that suitable directors are elected by the company in the general meeting. If the Government further desires that a representative from the general public or the employees who may have participated in the share capital of these companies should be elected on the Board, it should not be difficult for it to ensure this.

(b) A suitable provision should be made in the articles of the selected Government companies, empowering the Board of Directors of these companies to refuse the transfer of any share, without assigning any reasons for such refusal, subject to the provisions of section 111 of the Companies Act, unless the present articles of the Government companies already contain such a provision.

(c) There should be no objection to the continued retention in the articles of Government companies of the usual provision contained in them, reserving certain powers to the President of India. If Government so desires, further necessary powers can be similarly reserved, provided they do not contravene the provisions of the Companies Act or are otherwise inconsistent with or repugnant to its spirit.

(d) The conversion of selected Government companies from private into public companies would not affect the present provision in their articles for the issue of directions by the President.

DIVIDEND POLICY

The dividend policy at present followed by Government companies, the Study Group observes, will also need some further consideration. If a Government company, a portion of whose equity capital is offered to the public, has been following an ultra-conservative dividend policy in the past, it would be desirable for the Government, after a portion of the capital of this company has been offered to the general public, to review its dividend policy and to consider if this policy should not be brought in line with the best company practice in a comparable field. If, for reasons of wider economic policy, it is not considered desirable to change the dividend policy of such a company, it is suggested that the management should take tne non-official shareholders into confidence and explain to them the full implications of the wider economic policy implicit in the decision of the management relating to the dividend policy of the company.

MANUFACTURE OF WATCHES

The Government of India has laid down a definite policy for the import of raw materials and components required to manufacture watches, clocks and time-pieces in the small-scale sector.

The suitable type of watch recommended for manufacture in this sector is 10½ or 11½ ligne centre second Gents' full-lever jewelled watch; the manufacture of ladies' watch is not recommended at this stage. The c.i.f. value of the watch recommended for manufacture would be Rs. 28 to Rs. 30.

To begin with, production capacity would be 1,000 numbers of watches per month per unit, increasing to 1,500 numbers per month in the third year of manufacture and 2,000 number per month in the fifth year. Each unit intending to take up the manufacture will sub-

mit a phased programme to the Director of Industries of its State for the manufacture of certain parts in its own factory. Import of components would be allowed according to the following phased programme, based on Rs. 28 as the c.i.f. value of a complete watch:

Year of manufacture	Maximum annual capacity of a unit	c.i.f. value of imported parts per watch
First	upto 12,000 nos.	Rs. 14
Second	upto 12,000 nos.	Rs. 12
Third	upto 18,000 nos.	Rs. 8
Fourth	upto 18,000 nos.	Rs. 6
Fifth	upto 24,000 nos.	Rs. 4

After the expiry of the fifth year of manufacture, the import of parts like main springs, hair springs, balance wheels and jewels would be considered, if such parts are not available from indigenous sources, upto a maximum value of Rs. 4 per watch. Import of cases, hands and dials would not be allowed from the very beginning. Licences for various parts would be issued on the basis of an essentiality certificate granted by Directors of Industries in the States.

In addition to the import of compenents that would be allowed according to the above programme, import of raw materials such as brass and stainless steel, and any miscellaneous items would be allowed according to the phased programme for the manufacture of parts upto Rs. 3 per piece.

Small-scale units can also take up the manufacture of some parts required for the assembly of watches as well as for meeting the requirements of replacement market. Some typical examples of parts which would be made by each unit are: (i) watch cases; (ii) dials and hands; (iii) plastic glasses; (iv) screws and winding buttons; (v) wheels and pinions; (vi) bottom plates, top bridges, lever bridges, balance bridges; and (vii) barrels, barrel arbours and winding arbours. All these parts will have to be made from the raw material stage and import of such raw materials would be allowed.

MANUFACTURE OF CLOCKS

Mechanically-wound pendulum clocks (striking and non-striking) and electric clocks can be manufactured in the small-scale sector for a c.i.f. value of Rs. 10 to Rs. 12. The following would be the phased programme for their manufacture and import of components, based on the c.i.f. value of Rs. 10 per clock:

Year of manufacture	Maximum annual capacity of a unit	c.i.f. value of imported parts per clock
First	upto 6,000 nos.	Rs. 2
Second	upto 8,000 nos.	Rs. 2
Third	upto 10,000 nos.	Re. 1

Import of only main springs, gong rods, suspension springs and levers would be allowed within the value mentioned above and that too on the basis of an essentiality certificate to be issued by the Director of Industries of the State in which the manufacturing unit is located. After the third year of manufacture, import of only springs would be considered. In addition to the import of parts as given above, import of raw materials — brass strips and brass rods, brushed aluminium, special steel strips, rods and wires — and any miscellaneous items would be allowed upto Rs. 4 per clock. The essentiality certificate will be required for these imports too.

On the basis of the pack value of imports suggested above and assuming that several parts would be purchased from outside sources, it would be possible for the small-scale units to commence assembly-cum-manufacture of clocks with parts made by each unit, parts procured from other units and parts imported within the pack value, with an investment of Rs. 1,00,000 on machinery and toolings to begin with and increasing the same to Rs. 2,00,000 in the third year of manufacture. A self-contained unit for the manufacture of all parts, except main springs, for 10,000 clocks per annum in the third year would require a total investment of about Rs. 3,50,000 on machinery, toolings and fixures including some tool room equipment.

Ancillary small units could be set up for the manufacture of certain parts of clocks to serve as feeder units to the manufacturers of clocks as well as for meeting the requirements of the replacement market. In such cases, the parts would have to be made right from raw materials and import of raw materials of the desired quality would be allowed. The following are some of items which ancillary units can produce:

(1) Manufacture of dials, hands, pendulum bobs, eyelets. The production of these parts can be taken up by one unit with an investment of about Rs. 30,000.

(2) Manufacture of spindles, brass collars, rivets, screws. One unit can take up the manufacture of these parts with an investment of about Rs. 45,000 on machinery and toolings.

(3) Manufacture of pinions and gears. One unit can take up the manufacture of pinions and gears with an investment of about Rs. 1,50,000 on machinery and toolings, which will give a total output of pinions and gears worth about Rs. 4,00,000.

Raw materials to be imported for the above would be decided by the Directors of Industries in the States on the basis of merits of each manufacturing programme.

Manufacture of electric clocks can also be taken up in the small-scale sector within the capacity proposed for clocks. No parts for electric clocks would, however, be allowed to be imported separately. Synchronous motors (self-starting and non-self-starting) required for electric clocks can be supplied by any Central or State agency or by the National Small Industries Corporation to the small-scale units. The National Small Industries Corporation or any Central or State agencies would either purchase such synchronous motors from indigenous sources or import the same to the extent required to bridge the gap between the requirements and the availability from indigenous sources. Imports of raw materials would be allowed on the same basis as for mechanical clocks.

ONE-DAY ALARM TIME-PIECES

Time-pieces of both lantern and solid pinion types can also be manufactured in the small-scale sector. The time-pieces proposed for manufacture should correspond to the type of the time-pieces that are being imported at present within a c.i.f. value of Rs. 8 to Rs. 10.

The following would be the phased programme of manufacture and import of components for time-pieces, based on Rs. 8 as the c.i.f. value of a complete time-piece:

Year of manufacture	Maximum annual capacity of a unit	c.i.f. value of imported parts per time-piece
First	upto 24,000 nos.	Rs. 3
Second	upto 30,000 nos.	Rs. 2-8
Third	upto 36,000 nos.	Rs. 1-8

Imports of hair springs, balance wheels, balance staffs, balance bearing screws, escape wheels, levers and main and alarm springs would only be allowed within the values mentioned above. After the third year of the manufacture, the import of parts would be considered only if the same are not available from indigenous sources. The list of parts to be imported on the above basis would have to be certified for essentiality by the Directors of Industries in the States.

In addition to the import of components that would be allowed according to the above phased programme, import of raw materials such as brass sheets, brass rods, free cutting steel and special steel, electroplating salts and chemicals and any miscellaneous items would be freely allowed upto Rs. 3 per piece.

Based on the pack value of imports as would be allowed and assuming that a few parts could be ordered from outside sources, it would be possible for small-scale units to begin with the assembly-cum-manufacture of time-pieces with an initial investment of Rs. 2,00,000 on machinery and toolings, increasing to Rs. 4,00,000 in the third year of manufacture.

There is scope for setting up one or two complete plants for the manufacture of main springs for clocks, time-pieces and watches. The raw materials required for this job would be allowed to be imported.

LOCATION OF PUBLIC SECTOR PROJECTS

The Government of India has decided to determine in future the location of public sector projects by reference to a Committee whose recommendations in this regard would ordinarily be accepted. The controversy over the location of the Heavy Machine Tools Project and the Alloy Steel Plant, it is understood, is largely responsible for this decision. Some State Governments, it is learnt, have objected to Ranchi being selected as the site for setting up the Heavy Machine Tools Project. So far as the site for putting up the Alloy Steel Plant is concerned, as already reported in this column, the Consultants' first choice is Durgapur, Rourkela being the second preference. A section in the Planning Commission, however, would like to locate this project at Bhadrawati, in Mysore.

The Committee procedure can solve the problem, provided there is no Ministerial interference with the recommendations. But will Ministerial pulls end in such matters? Doubtful. The controversy over the establishment of oil refineries at Barauni and Gauhati is not too old to be forgotten.

COMPANY LAW CLARIFICATION

The Department of Company Law Administration has clarified that the non-holding of annual general meeting of a company by its officers, as required under the Companies Act, will not be considered a defence against penalty for offences like failure to present accounts of the company before the general meeting or non-filing of the annual list of members and summary of share capital with the Registrar of Companies. A breach of each of these provisions, the Department has pointed out, is an independent offence and is liable to separate penalty, according to the provisions of the Companies Act.

GOVERNMENT DEMANDS AND PURCHASES

The Director-General of Supplies and Disposals, Union Ministry of Works, Housing and Supply, has issued a directory containing a detailed account of Government purchases in 1958-59 and the size and variety of Government demands likely to occur in the future. The purchases listed in the directory include those made by the Director-General of Supplies and Disposals, New Delhi, I.S.D., London, and I.S.M., Washington, on behalf of the Central Government departments, State Governments, and Government and Quasi-Government undertakings. The direct purchases of specialised items by the Railways and other Ministries of the Central Government have also been included in the publication.

Details regarding various types of stores for which orders were placed by different Government departments, have been classified under 17 broad groups such as foodstuffs, tobacco, textiles and footwear, paper, leather, rubber and rubber products, chemicals and chemical products, non-metallic mineral products, basic metal industries, metal products, machinery, electrical and machine appliances and supplies, transport equipment and miscellaneous goods.

The publication is of considerable interest to industrialists and should help them in the planning of their schemes for expansion of production, particularly in those lines where the existing capacity is inadequate, and in exploring the possibility of manufacturing goods at present imported in the country.

EDIBLE PROTEIN FROM LEAVES

The Union Government has planned to set up a plant to produce edible protein from leaves. Dr. N. W. Pirie, Head of the Biochemistry Department of the Rothamsted Experimental Station in the United Kingdom, who has considerable work to his credit in this field and who has developed machinery to produce about 100 lbs. of protein material a day from vegetable matter, has been invited to visit this country under the Colombo Plan for six months to advise on certain aspects of the Third Five-Year Plan programmes concerning subsidiary, supplementary and diversified foods, besides applied nutrition.

For many reasons, it is felt, India would be an excellent location for Dr. Pirie's work. There is a great need in this country for more food, particularly protein. Part of the country has high temperature and rainfall that promote abundant vegetative growth. Biochemistry and the relevant aspects of technology are also well established here.

WEST GERMAN AGRICULTURAL DELEGATION

A delegation of agricultural experts from West Germany is here at present to discuss with the Union Government the details of a project to be financed with German technical aid. This project will be fitted into our "Intensive Agricultural Programme." The delegation is headed by Dr. Koch, a leading official of the Federal Ministry of Agriculture, and includes three other experts, namely, Mr. Hinrichs, a well-known Agricultural Engineer who planned West German agricultural aid schemes for Pakistan, Tunisia, Ethiopia and South America; Mr. A. Messerschmidst, an animal production expert, with experience of this work in all parts of Africa, and a former collaborator of Sir John Hammond of Cambridge; and Dr. J. H. Gwillis, a student of Prof. Otto Schiller, Germany's agricultural expert on East Asia.

SUGAR OUTPUT

Mainly for the purpose of export, the Planning Commission has finally approved the Union Food and Agriculture Ministry's proposal to raise the sugar production target in the Third Plan to 35 lakhs tons a year from the original target of 30 lakhs tons.

The estimated annual demand of sugar by the end of the Third Plan period would be about 30 lakhs tons, raising the per capita consumption to 13.87 lbs. in 1965-66 from 11.70 lbs. at the end of the Second Plan period.

Although the installed capacity of the sugar industry is being increased to reach the target, it is considered that the position in regard to licences of additional capacity in the industry should be re-assessed sometime in 1962-63.

COMMODITY NEWS AND NOTES

FAIR PRICES FOR WOOLLEN YARN AND FABRICS

The Government of India have asked the Tariff Commission to recommend fair ex-mill prices and wholesale and retail prices for all types of woollen, shoddy woollen and worsted yarn, including hosiery yarn, and fabrics, including hosiery goods and manufactures. The Commission has also been asked to recommend fair ex-mill prices and fair prices payable by consumers in various regions. The Government's decision announced recently adds that the Tariff Commission, in conducting its enquiries, would take into account the cost of raw materials, power, wages and other relevant factors. The Government's decision to refer the question of fair prices to the Tariff Commission has been taken in order to ensure that woollen and worsted manufacturers are made available to consumers at reasonable prices vis-a-vis their actual cost of production. During the last few months, the Government have been receiving reports that woollen and worsted manufacturers have been selling at high prices, which could not be justified by the cost of production of these goods. The manufacturers of hosiery goods in particular were experiencing great difficulty in obtaining their requirements of hosiery yarn at reasonable prices. After considering the matter, the Ministry of Commerce and Industry obtained a report from the Chief Cost Accounts Officer of the Finance Ministry on the price structure of worsted hosiery yarn. Maximum buying and selling prices for these were subsequently fixed statutorily on July 2 this year. Firms and persons interested in the matter may address their representations to the Secretary, Tariff Commission, Bombay.

FORWARD TRADING IN BULLION

The Central Government have issued notifications applying Sections 15 and 18(3) of the Forward Contracts (Regulation) Act, 1952, to gold and silver in the area within the limits of Greater Bombay, and simultaneously granting under Section 6 of the Act recognition to the Bombay Bullion Association Ltd., Bombay, to conduct forward trading in gold and silver for a period of three years. Forward trading in transferable as well as non-transferable contracts is permitted in gold and silver in Greater Bombay only through the Bombay Bullion Association Ltd., Bombay, which has been recognised under the Bombay Forward Contracts Control Act, 1947. The notifications now issued maintain this position unchanged except that the Bombay Bullion Association Ltd. will now be recognised under the Central Forward Contracts (Regulation) Act, and would be supervised by the Forward Markets Commission. The position regarding forward trading in bullion in the rest of the country remains unchanged.

REVISION OF EX-WORKS CEMENT PRICES

The Government of India have asked the Tariff Commission to undertake a fresh examination of the cost of cement production in the different manufacturing units for the purpose of determining the fair ex-works prices payable to the producers from July 1, 1961. The three-year period, for which the Government had fixed fair ex-works prices on the basis of the Tariff Commission's recommendations in 1958, will expire on June 30, 1961. The Government have received a number of representations from the cement producers suggesting that production costs have since gone up due to various factors. Moreover, a few new units have commenced production and some expansion schemes have also materialised. The prices in such cases, which have been provisionally fixed by Government, require a fuller examination. The Commission, which will submit its report to Government as early as possible, will conduct a comprehensive review, will examine all aspects of the industry, such as production, prices, distribution, development, etc. All representations by firms and persons interested in the matter may be addressed to the Secretary, Tariff Commission, Bombay.

IRON ORE PRODUCTION IN INDIA

The production of iron ore during August 1960 was 826,000 metric tons, according to the Indian Bureau of Mines. This brings the total output during January-August 1960 to 7,094,000 metric tons which was higher by 40 per cent when compared to the output of 5,073,000 metric tons during the corresponding period of the preceding year. Orissa was the chief producing State with an output of 236,000 metric tons followed by Bihar with 225,000 metric tons. Mysore and Madhya Pradesh recorded an output of 187,000 metric tons and 129,000 metric tons respectively while the output from Maharashtra was 16,000 metric tons. During the month dispatches of iron ore for consumption in the iron and steel plants totalled 545,000 metric tons while the dispatches to the export market were 188,000 metric tons.

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JWT-FT. 1395

DALDA FORUM

Why do we cook our food?

NUTRITIONIST: There are many reasons why we need to cook our food. For one thing, cooking generally helps improve the appearance of food. For another, it develops new flavours in it. Even some animals prefer cooked foods when given a choice.

YOU: Is this why we cook our food?

NUTRITIONIST: More important, of course, is the way cooking helps to stimulate the flow of digestive juices during eating. And it destroys many dangerous germs and parasites. So cooking makes eating safer.

YOU: But doesn't all this destroy the goodness of what we eat?

NUTRITIONIST: On the contrary. Cooking is useful for practically all meats, vegetables and cereals—if only because it makes food more digestible.

YOU: How does it do this?

NUTRITIONIST: Let's start with vegetables. Raw vegetables contain indigestible starch and fibrous substances. Cooking softens the fibres and the starch, and makes them more easily digestible. This is roughly what happens when fruits ripen. Cooking, therefore, follows nature's way in vegetables.

YOU: But surely cooking also destroys some valuable substances in vegetables.

NUTRITIONIST: Yes, unfortunately. In vegetables, cooking can destroy some mineral substances and vitamins. But this can hardly be helped. On the other hand, cooking predigests foods—does not over-burden the digestive system.

YOU: Do we cook meat for the same reasons?

NUTRITIONIST: Generally speaking, yes. Heat softens the protein in meat and so makes it easier for assimilation. And meat has to be cooked to destroy dangerous germs which might lurk in meat that is not fresh or hygienically stored. Cooking also brings out the flavouring ingredients in meat—makes it taste much better.

WE: This is all very well. But sometimes, cooking makes food lose its flavour. . . .

NUTRITIONIST: True. A lot depends on *how* you cook. The way you cook can save or destroy the flavour of food.

YOU: Well, I know that.

WE: But if the food doesn't taste as it should—does not retain its natural flavour, then it is not only because of the way it is cooked, but *what* it is cooked with.

YOU: What do you mean—'what it is cooked with'?

WE: You see, the cooking fat you use is very important. Certain cooking fats and oils impose their own taste on foods. Others, like DALDA Vanaspati, help foods keep their natural flavours.

YOU: How does DALDA Vanaspati do that?

WE: To begin with, DALDA is a bland fat. That is, it is odourless and tasteless. So it adds no flavour of its own to the food.

YOU: Yes?

WE: DALDA is double-refined to a high degree of purity. It brings out all the delicate flavours of food. All it does is add energy and nourishment to your diet.

YOU: How is it nourishing?

WE: Seven hundred International Units of Vitamin A and 56 IU of Vitamin D are added to every ounce. These are the vitamins that protect the skin, bones, eyes and teeth and keep them healthy. And all the goodness in DALDA is retained because it comes to you in hygienically sealed tins . . .

YOU: In that case, we have chosen our cooking fat well. We use DALDA Vanaspati for all our cooking—we've done so for two decades, in fact.

WE: More and more people are taking to DALDA Vanaspati every day. Can you wonder why?

DL 65-X54

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8 NOV 1960
PUBLIC DEPARTMENT

COMPANY AFFAIRS

INDIAN CABLE: FRUITS OF EXPANSION

The year to March 31, 1960, was the first year of full production of paper insulated power cables, which resulted in an increased turnover of the company. The profit after taxation was also significantly higher. The company therefore harvested the first fruits of expansion. The trading results have enabled the Directors to recommend a gross dividend of Rs. 2 25 per share on both Ordinary and Preference shares which, compared with the previous year's distribution of Rs. 1.50 slightly more than compensates shareholders for the amount of tax which has now to be deducted at source in compliance with the provisions of the Finance Act of 1960. In recommending this rate of distribution the Directors have taken into consideration the need for husbanding the Company's resources in order to meet increasing competition, as also the advisability of keeping a dividend level which can fairly be expected to be maintained in subsequent years.

Following the completion of the various expansion projects a certain amount of regrouping has been carried out and the factory now essentially consists of four main production units which have been grouped and approximately balanced in order to provide facilities for the steady and continuous manufacture of the Company's products. The four units are Rod Mill, Wire Mill and Scrap Recovery; Rubber Insulated Cables; Paper Insulated Power Cables; and Winding Wires and Thermoplastic Cables. All these units had a full work load during the year and the Rod Mill handled a record total of over 14,800 tons of metal. The Scrap Recovery Furnaces brought back into use over 350 tons of scrap copper and these Furnaces were utilised for the production of more than 600 tons of cadmium copper alloy which was used for the manufacture of conductors for railway electrification.

The Chairman has pointed out that the Government's import policy continues to be dictated by consideration of the foreign exchange situation but, he adds, the company received sympathetic treatment from the licensing authorities who are to be congratulated on having streamlined their procedures and greatly reduced the delays which previously occurred in the issuing of import licences for raw materials and machinery components.

CHAMPARAN SUGAR RETAINS DIVIDEND

The Champarun Sugar Company Ltd. during the year to June 30, 1960, recorded an increase in the sales and the profits after provision for depreciation, taxation etc., came to Rs. 5.8 lakhs. A sum of Rs. 3 lakhs has been separated towards rehabilitation reserves. The Directors have decided to retain the rate of dividend at Rs. 1.50 nP per share subject to deduction of tax.

Barrah factory commenced crushing on 27th November, 1959 and ended on 8th April, 1960, while at Chanpatia factory crushing started on 9th November, 1959, and continued up to 2nd May, 1960. The quantity of cane crushed at both the factories was the maximum available. At Barrah 26,49,700 mds. of cane was crushed with a recovery of 9.49% as against 9.81% in the previous years; while at Chanpatia the crush reached 32,30,980 mds. with a recovery of 9.28% as against 9.86% last year. The lower recovery is symptomatic of the general decline in the North Bihar cane delta in regard to which the Indian Sugar Mills' Association have already taken up the matter with the State Government for suitable relief.

The Company's estates continued to produce cane both for crushing and seed purposes. The utilisation of Rehabilitation Reserve to the extent of Rs. 1,60,000 is shown in the accounts of the company. Cane plantings for the current season in the areas serving the Company's factories have been on an increased scale as compared to the last year. The cane crop uptill now is considered to be satisfactory and it is expected that cane in larger quantities would be available for crushing in the ensuing season.

HASTINGS AND FORT WILLIAM

It appears from the reports of these two companies that trading conditions during the first half of the year remained difficult but in the second half the demand for jute goods improved considerably; looms were unsealed gradually to some extent. However, the jute crop of 1959|60 which was expected to be sufficient to meet the requirements of the industry proved otherwise and this together with the drought in the jute growing areas in the early period of sowing worsened the position and resulted in absurdly high prices of raw jute during April and May, 1960. As a measure to meet the serious shortage in raw jute supply, the I.J.M.A. decided to allow its member mills to close down with effect from 6th June, 1960, as many looms as mills thought fit and to allow the working hours so lost to be made up at any time after 31st October, 1960. Accordingly, the companies also temporarily sealed 2½% additional looms from 6th June, 1960, and these would be opened as soon as the new season jute starts to arrive in adequate quantities.

Hastings Mill Limited during the year to March 31, 1960, revealed a profit of Rs. 20.89 lakhs. After making provision for depreciation and taxation, etc., the directors decided to pay a dividend at the rate of Rs. 6 per cumulative Preference share subject to deduction of tax. A supplemental dividend on cumulative Preference shares at Rs. 2.57 nP per share is proposed to be paid in the event of the proposed amendment of the Articles of Association for variation in the Dividend Right of the Preference Shareholders being approved. Dividend on Ordinary shares subject to deduction of tax will be at the rate of Rs. 6 each.

In the case of the Fort William Jute Company Ltd., the profit came to Rs. 20.91 lakhs. After making usual provisions for depreciation and taxation the directors decided to pay a dividend on Cumulative Preference share at the rate of Rs. 7 per share and also a supplementary dividend at the rate of Rs. 3 per Cumulative Preference share in the event of the proposed amendment of the Articles of Association for variation in the Dividend Right of the Preference Shareholders being approved. The dividend on Ordinary shares is proposed to be paid at the rate of Rs. 2.25 per share for the year.

(ESTD. 1919)

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months / Average of weeks ended Saturdays			Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54		..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55		..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56			86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57			102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58			106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59			115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60		..	119.0	99.5	116.5	123 7	113.8	111.3	111.6	117.1
July	1959	..	121.3	98.0	115.6	120.2	108.5	109.3	109.2	116.8
August	,,	..	121 7	98.3	115.5	119.4	109.2	109.5	109.5	117.1
September	,,	..	120.5	99.7	116.3	122.6	111.3	109.8	110.0	117.2
July	1960	..	124.0	109.6	119.5	137.2	130.4	119.4	121.0	124.7
August	,,	..	123.9	106.7	119.5	137.0	130.1	121.0	122 3	125.0
September	,,	..	123.9	104.5	119.6	138.8	129.7	121.5	122.7	125.3
24-9-1960		..	123.9	105.5	119.5	141.1	130.0	121.5	122.7	125.7
1-10-1960		..	122.9	105.5	119.5	142.2	129.7	121.6	122.7	125.4
8-10-1960		..	122.1	105.5	119.6	145.3	129.4	122.4	123.4	125.6
15-10-1960		..	121.3	105.5	119.5	150.2	130.1	126.0	126.6	126.9

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104		106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174*
August	402	421	—	160	410	484*	515	—	470	—	—	174*
September	399	418	—	161	—	485	520	—	472	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 28-10-1960			21-10-1960			14-10-1960			7-10-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams) ..	115.95	114.40	115 06	114.20	113.15	113.66	114.95	113.20	114.23	115.45	112.40	113.87
Silver (per kilogram) ..	193.90	192.60	193.14	193.20	191.25	192.03	192.00	190.10	191.34	193.15	190.15	191.65

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	454,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117.76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333,83	1,750,77
Average of Fridays										
July 1959 ..	1,698,91	23,54	1,722,45	117.76	172,01	289,77	16.82	131,85	1,360.83	1,722,45
August „ ..	1,670,76	23,63	1,694,39	117,76	163,01	280,77	16.57	134,95	1,278,68	1,694,39
September „ ..	1,658,75	24,40	1,683,16	117,76	163,01	280,77	16,68	136,13	1,266,26	1,683,16
July 1960 ..	1,827,14	25,64	1,852,77	117,76	140,01	257,77	13,91	128,54	1,466.47	1,852,77
August „ ..	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819.21
September „	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.30	131,80	1,437,70	1,810,26
Week-Ending										
30-9-1960 ..	1,790,04	14,99	1,805,03	117.76	123,01	240,77	13.34	132,52	1,431,74	1,805,03
7-10-1960 ..	1,810,91	12,22	1,823,13	117,76	123,01	240,77	13.21	130,62	1,451,74	1,823,13
14-10-1960 ..	1,808,64	14,39	1,823,03	117,76	123,01	240,77	13.21	130,43	1,451,84	1,823,03
21-10-1960 ..	1,812,02	10,45	1,822,47	117,76	123,01	240,77	13.21	129,81	1,451,89	1,822,47

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad‡	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,79	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51.82	13,60
1957-58* ..	54,61	11,28	81,90	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,81	25,57	28,23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
July 1959 ..	57,01	23,49	81,19	161,83	323,52	54,65	468,18	23,61	5,56	11,57	24,46	69,14	320,74	13,10
August „ ..	57,38	37,65	84,17	155,45	334,65	63,80	488,44	23,70	3,88	15,23	21,44	74,08	340,57	9,55
Sept. „ ..	61,55	20,48	78,06	120,78	280,88	65,03	430,91	24,51	4,30	20,60	17,35	76,50	278,28	9,36
July 1960 ..	63,54	20,24	120,31	132,35	336,44	73,49	494,93	25,70	13,72	21,02	32,81	125,06	260,19	16,48
August „ ..	60,44	23,00	118,40	120,40	322,25	76,19	483,44	19,92	23,55	21,65	37,69	117.00	251,73	11,90
Sept. „ ..	67,44	30,26	108,27	92,64	298,59	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85	12,03
Week-Ending														
30-9-1960 ..	63,32	18,46	104,94	87,62	274,34	81,30	440,64	15,09	16,85	16,17	27,36	130,63	222,32	12,22
7-10-1960 ..	55,34	11,25	105,61	85,96	258,16	76,65	420,01	12,29	23,78	17,79	39,19	127,75	186,94	12,26
14-10-1960 ..	52,68	43,80	110,16	88,25	294,89	83,54	463,43	14,48	17,20	17,84	26,24	128,58	246,78	12,30
21-10-1960 ..	53,22	32,90	103,41	90,46	279,99	88,02	453,01	10,53	6,98	17,93	25,89	130,91	248,42	12,35

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡ Includes cash and short-term securities.

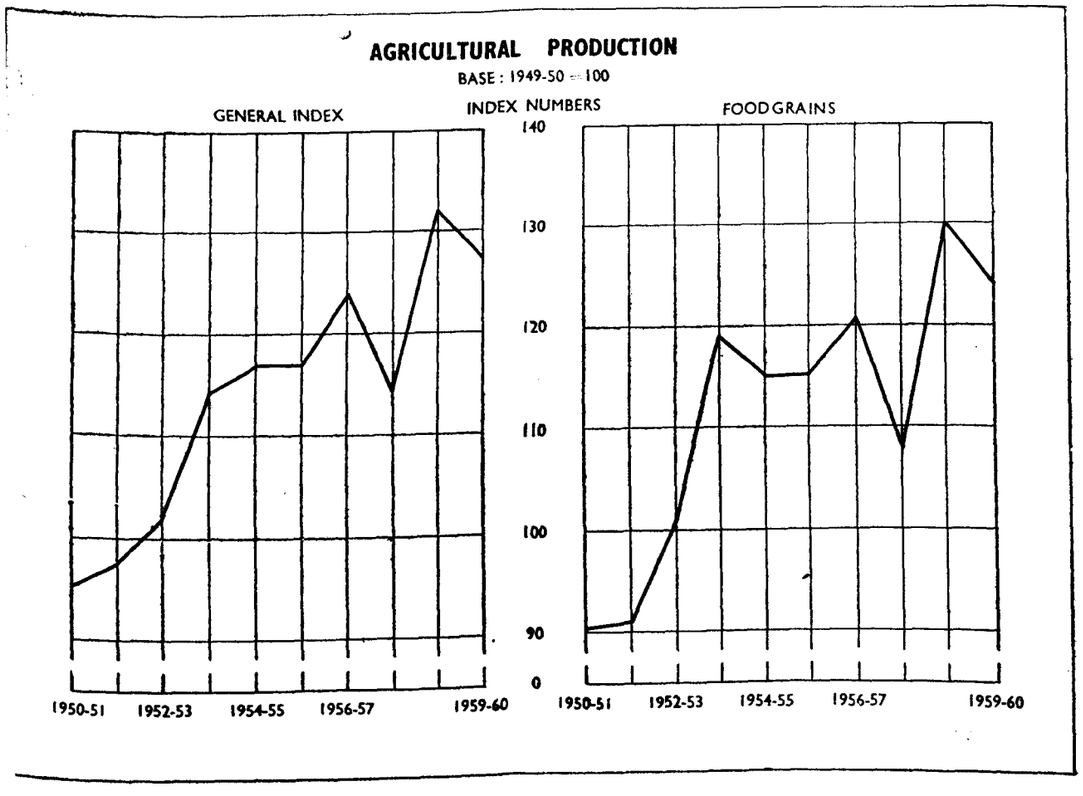
INDEX NUMBERS OF AGRICULTURAL PRODUCTION

(Base: Crop year ending June 1950=100)

Items	Weights	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
I. Food Grains (1)									
i. Rice	35.3	96.8	118.6	105.8	114.2	120.4	104.8	127.6	123.3
ii. Wheat	8.5	112.7	120.0	135.4	131.3	140.7	116.5	147.1	146.5
iii. Total Cereals ..	58.3	101.4	120.1	114.5	114.9	120.5	108.5	129.3	125.3
(b) **Pulses (2)**									
i. Gram	3.7	109.2	125.4	145.9	138.9	159.8	129.7	179.1	140.3
ii. Total Pulses ..	8.6	98.3	112.0	118.5	118.4	122.9	104.2	135.2	117.2
iii. Total Food Grains	66.9	101.1	119.1	115.0	115.3	120.8	107.9	130.1	124.3
II. Other Crops									
(a) **Oilseeds (3)**									
i. Groundnuts ..	5.7	85.3	100.3	123.6	112.4	127.2	131.5	142.7	130.2
Total Oilseeds ..	9.9	91.9	103.7	122.6	108.6	120.3	115.6	133.4	122.5
(b) **Fibres (4)**									
i. Cotton	2.8	121.0	151.8	163.6	153.9	181.2	179.7	178.0	145.7
ii. Jute	1.4	148.6	100.0	94.8	135.8	138.7	131.0	158.6	139.8
iii. Total Fibres ..	4.5	128.4	132.1	140.4	149.7	170.7	165.5	175.0	145.2
(c) **Plantation Crops**									
i. Tea	3.3	115.4	100.6	110.4	107.2	108.7	116.9	122.9*	124.0*
ii. Coffee	0.2	125.9	146.5	151.8	196.1	204.1	229.8	241.2*	245.7*
iii. Rubber	0.1	106.1	131.8	127.6	146.1	143.4	140.1	143.4*	137.9*
iv. Total Plantation Crops	3.6	115.7	104.0	113.2	113.2	115.0	123.8	130.0	131.1
(d) **Miscellaneous (5)**									
i. Sugarcane ..	8.7	101.6	89.5	115.9	119.8	137.2	134.7	139.4	148.5
ii. Tobacco ..	1.9	91.3	101.5	95.1	112.9	113.7	89.8	99.7†	102.4*
iii. Total Miscellaneous	15.1	101.5	97.4	115.8	120.1	129.2	126.1	129.0	136.9
(e) **Total Other Crops**	33.1	103.8	104.7	120.9	119.9	130.6	128.1	136.7	133.1
III. General Index	100.0	102.0	114.3	117.0	116.8	124.0	114.6	132.3	127.2

(1) Includes Jowar, Bajra, Maize, Ragi, Small Millets, and Barley, besides Rice and Wheat. (2) includes Gram, Tur and other Pulses. (3) Includes Groundnut, Sesamum Rape and Mustard, linseed, and Castorseed. (4) Includes Mesta. (5) Comprises Sugarcane, Tobacco, Potato, Pepper, Chillies and Ginger. (a) Provisional. *Based on provisional estimates. †Based on final estimates.

Source: Ministry of Food and Agriculture.



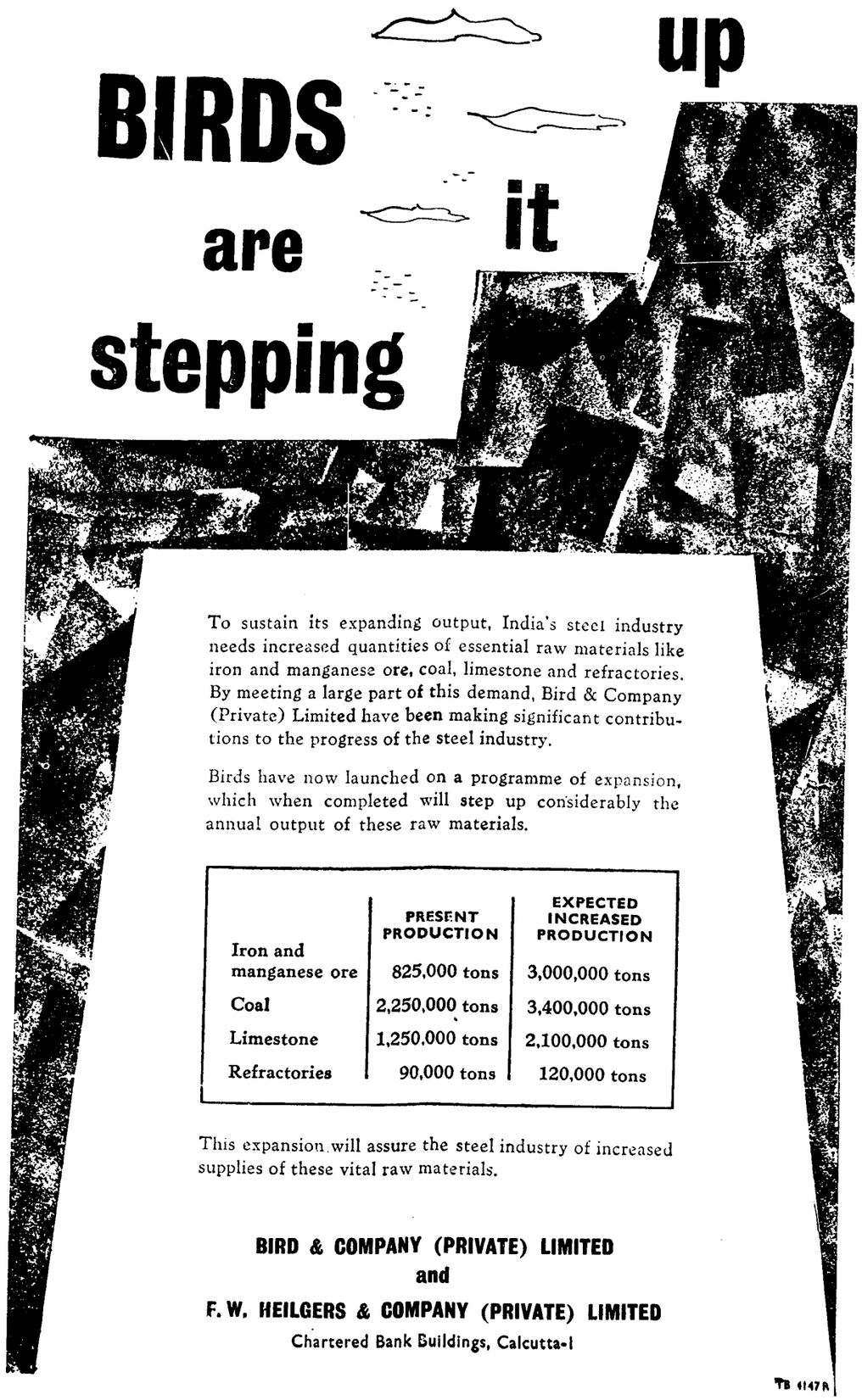
INDIA'S FOREIGN TRADE

(By Land, Sea and Air)

Monthly averages or Calendar months	India's Balance of Trade in Merchandise			Index Numbers of Quantum and Value per unit of Imports and Exports (By Sea, Air and Land) Base: 1952-53=100			
				Quantum		Value per unit	
	Exports including Re-exports (Rs. lakhs)	Imports (Rs. lakhs)	Balance of trade (Rs. lakhs)	Imports	Exports	Imports	Exports
1952	51,39	68,54	—17,15	—	—	—	—
1953	44,28	47,50	— 3,22	90	99	95	93
1954	46,88	53,96	— 7,08	101	102	89	95
1955	50,66	56,09	— 5,43	109	113	88	93
1956	51,60	68,46	—16,86	136	109	89	94
1957	50,86	85,73	—34,87	156	119	98	94
1958	48,25	72,02	—23,77	140	108	92	93
1959	51,90	73,95	—22,05	148	119	90	91
November 1957	59,02	78,18	—19,16	143	122	98	101
December „	54,59	66,58	—11,99	130	122	92	93
January 1958	54,77	66,05	—11,28	130	127	91	88
February „	41,93	66,21	—24,28	130	97	91	89
March „	46,68	70,56	—23,88	132	109	96	89
April „	41,73	59,98	—18,25	118	95	91	91
May „	44,70	63,29	—18,59	136	104	86	89
June „	28,12	63,93	—35,81	108	63	106	93
July „	54,31	66,79	—12,48	115	124	104	91
August „	49,91	55,92	— 6,01	98	107	102	96
September „	59,02	58,60	+ 42	108	128	97	96
October „	56,10	56,96	— 89	113	121	90	93
November „	49,57	68,65	—19,08	127	110	97	96
December „	52,40	85,75	—33,35	167	124	92	94
January 1959	45,19	80,53	—35,34	128	106	93	90
February „	42,18	71,60	—29,42	112	101	96	90
March „	46,98	75,59	—28,61	135	108	87	93
April „	44,69	98,83	—54,14	167	104	87	91
May „	44,05	73,16	—29,11	139	104	86	90
June „	42,92	81,32	—38,40	146	99	96	90
July „	50,86	67,32	—16,46	140	120	82	90
August „	57,21	61,81	— 4,60	140	135	76	91
September „	58,52	70,24	—11,72	146	135	86	94
October „	59,87	66,31	— 6,44	136	142	88	89
November „	60,70	70,93	—10,23	143	136	89	94
December „	69,57	69,74	— 17	150	153	84	95
January* 1960	50,95	63,74	—12,79	88†	100†	99†	107†
February* „	48,64	69,68	—21,04	98†	92†	98†	106†
March* „	53,42	75,61	—22,19	108†	101†	97†	109†
April* „	48,74	82,27	—33,53	110†	91†	103†	110†
May* „	50,65	82,89	—32,24	111†	95†	103†	109†
June* „	48,94	84,95	—36,01	130†	95†	90†	106†
July* „	48,54	73,70	—25,16	—	—	—	—
August* „	57,04	82,73	—25,69	—	—	—	—

* Provisional.
† New series with base 1958=100.

Source: Ministry of Commerce and Industry.



To sustain its expanding output, India's steel industry needs increased quantities of essential raw materials like iron and manganese ore, coal, limestone and refractories. By meeting a large part of this demand, Bird & Company (Private) Limited have been making significant contributions to the progress of the steel industry.

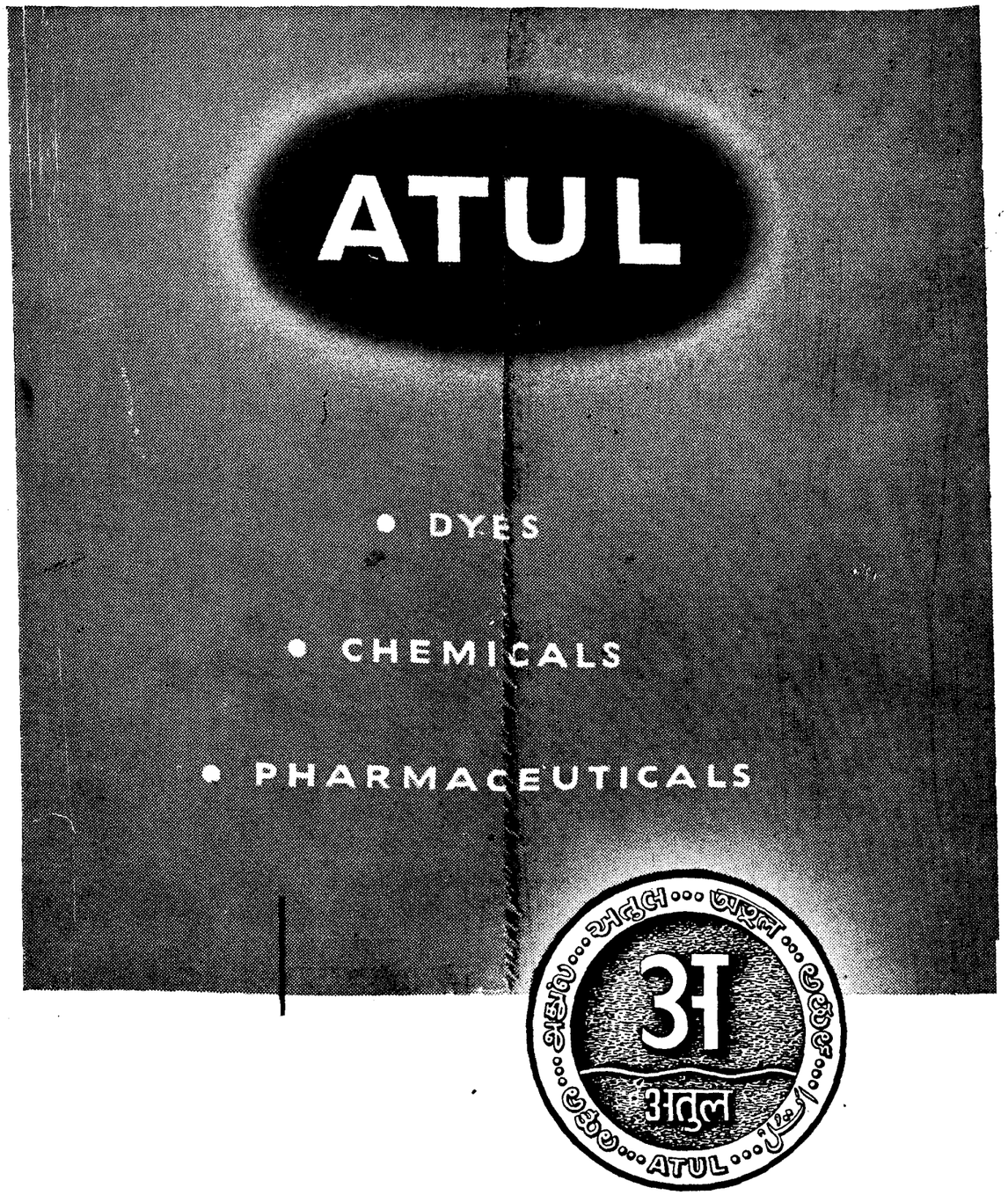
Birds have now launched on a programme of expansion, which when completed will step up considerably the annual output of these raw materials.

	PRESENT PRODUCTION	EXPECTED INCREASED PRODUCTION
Iron and manganese ore	825,000 tons	3,000,000 tons
Coal	2,250,000 tons	3,400,000 tons
Limestone	1,250,000 tons	2,100,000 tons
Refractories	90,000 tons	120,000 tons

This expansion will assure the steel industry of increased supplies of these vital raw materials.

BIRD & COMPANY (PRIVATE) LIMITED
and
F. W. HEILGERS & COMPANY (PRIVATE) LIMITED
Chartered Bank Buildings, Calcutta-1

TB 4147 R



THE ATUL PRODUCTS LTD.
Atul, via. Bulsar,
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"India can earn as much as Rs. 20 crores of foreign exchange provided she can step up her sugar exports to 300,000 tons a year. This is not difficult to achieve if control measures are undertaken to protect the sugarcane crop from the ravages of pyrilla and borers. Petroleum chemicals like aldrin and endrin have been successful in giving effective, persistent protection to one of India's most valuable cash crops."

Extract from a Burmah-Shell publication

Chemicals protect sugarcane crop

The Eastern Economist

NOVEMBER 11, 1960

America's New President

THE result, announced last Wednesday, of the election of Senator John Kennedy, the Democratic candidate, as President of the United States, brings to a dramatic end one of the fiercest election contests that the world has ever seen. It is doubtful if it could have mounted at fever pitch for so long a time except in the United States. The use of television on a scale not previously imagined has made this not merely the costliest election, but possibly also the most enduring election in terms of the personal impact of candidates on individual voters. Whether or not the medium of television is the best means of conveying the impact of personality and the battle of ideas may be seriously doubted. It seems, however, that as the election campaign moved to its dramatic close, it was the power of this medium rather than anything else that gave to Senator Kennedy, more nimble and swift of foot in debate, the marginal ascendancy which he enjoys. Both his youth and his inexperience were dismissed by the visual image of his earnest dynamism. There is no better indication of the supremacy of technology in our age than that a technological advance has now become the instrument of power. No candidate for the highest office in the United States, it seems, will be able to compete unless he has mastered the latest medium of communications in a mass communication age. This may exclude some philosopher-Presidents no less than weak photogenic personalities.

On the other hand, the campaign reaching out to every section of the country and carrying a deep personal impression was satisfying in that the personalities concerned elsewhere—both of whom also had abundant ghost writers—went straight before the eyes of the voters, so to speak without paper defence. There can be few campaigns in which the dignity of political debate was not submerged by the opportunities to be slick and clever to catch the fleeting T.V. opportunity. It is unfortunate that in the process of this debate many things were said not merely about the current administration of the United States, but of the long-term character of her system, which showed not merely the weaknesses of the current administration, but, in a sense, the weakness of free enterprise itself. It may be that the external impression thus created has had disadvantages which Senator Kennedy's internal success will not completely offset. On the other hand, it is quite remarkable, in view of the manner in which this election was fought, how great issues like Senator Kennedy's membership of the Roman Catholic Church were kept substantially in place. There is both good and bad to be found in the manner in which democracy in the sixties has been developed in the land of one of its earliest practitioners.

There is no doubt that the great majority of the people of India welcome a Democratic victory. There can be no doubt that Senator Kennedy, the young and dynamic leader, who has emerged after one of the greatest ordeals in American politics, will acquire a quick, if not very critical, appreciation in this country. There is the widely-expressed hope that youth and dynamism will reach out to the under-developed nations with all the capacity of which the United States has shown itself capable in Europe in the great period of the Marshall Plan. It is not forgotten that the resolution he sponsored with Senator Cooper two years ago was the most significant gesture of understanding India has received from the Congress of the United States. A Marshall Plan for India is already believed to be in the making in the circles at Harvard where Senator Kennedy has committed his academic loyalties. Undoubtedly, if America's balance of payments permits, there will be a great increase in foreign aid. All in all, the United States has chosen now to embark on a more lasting policy of partnership with the under-developed countries. This is, in part, the meaning of the vote which came resoundingly last Wednesday.

The period of awful suspense which arises every four years in the present leader of the Free World, has now ended. But one cannot expect, until the new administration takes shape, any vital change in existing policy. Much will depend on the new Secretary of State. He is likely to be Mr. Chester Bowles or Mr. Adlai Stevenson, both friends of India. And of the team of economic advisers, Kenneth Galbraith, Max Millikan and what is disrespectfully called "The Harvard set" know a great deal about India. They have in fact —as Max Millikan's address in Sapru House a few months ago made clear—committed themselves to "big" planning in India. The ball is now fairly and squarely in their court. With clear Democratic majorities in both the Senate and the House of Representatives, Senator Kennedy's new Brain Trusters might well exercise the influence which F.D.R.'s original conception foreshadowed but somehow failed to achieve. The world will anxiously wait to see if President John Kennedy can add a new international dimension to President Roosevelt's plans of economic rehabilitation.

The Congo in the General Assembly

BETWEEN September 21 last, when Mr. Dag Hammarskjoeld tendered his report to the UN General Assembly, and November 3, when Mr. Rajeshwar Dayal submitted the second report, the political situation in the Congo has become more confused than ever. The most important developments that have taken place in the intervening period are the emergence in the political

arena of the Army Chief of Staff, Col. Mobutu, ousting of Mr. Lumumba from the office of premiership and the closure of Parliament. Mr. Kasavubu, the head of state, is the only constitutional office-holder who remains where he should be. In the event, a very complicated and paradoxical situation has arisen. Although the Congo is a member of the United Nations, its seat in the General Assembly remains vacant because of the sheer difficulty of determining who is the legal representative entitled to occupy it. Apparenly, Mr. Kasavubu's nominee cannot be expected to represent the Congo in the deliberations of the General Assembly, as there are inhibitions on his authority that go with a symbolic status.

The rise of Col. Mobutu to potential power has created a number of complex problems and precipitated the importation of the cold war politics in the Congo problem at the United Nations. Col. Mobutu took the summary action to order the exit of the Soviet and Czechoslovak embassies from Leopoldville. It is unquestionable that Czech armaments and military equipment flowed into Mr. Lumumba's hands, obviously with the blessings of the Kremlin, but the United Nations had already taken timely and firm action to stop the supply of Czech military aid. Virtual expulsion of the two embassies was an undiplomatic and precipitate measure to be enforced. Its full consequences hardly entered into the colonel's calculations. To make a bad situation worse, he has indulged in tactless pronouncements that he would overthrow any government which would allow a come-back of the two embassies. That settles the account at the United Nations and a foretaste of it will be available at the General Assembly debate.

A swing appears to have taken place to the other extreme. Col. Mobutu is leaning too heavily on Belgian personnel at all levels—in the sphere of advice on military strategy, civil administration and technical guidance. Mr. Rajeshwar Dayal's report devotes a substantial and important part to the significance of the return of Belgian personnel and there are several observations in that report, many of them substantiated by factual information, which suggest the inference that this opportunity is being used by the Belgians for staging the restoration of their influence in the domestic affairs of the Congo.

It would be premature to come to any firm conclusion on the basis of the press summary of Mr. Dayal's report about the nature of the large-scale return of Belgian personnel, the character of their influence, or their attitude of non-intervention or intervention in the internal affairs of the Congo. Their entry as such can be hardly questioned because it is in pursuance of the direction issued by the General Assembly. The Congo's utter dearth of trained nationals, capable of undertaking the responsibility of running the administrative and technical posts, made it necessary that the vacuum should be filled by foreign personnel and, in the light of knowledge and experience of local conditions as well as of the social and political order, no one was better fitted to fill these posts than the Belgians. Therein lies the rub. Difference on the presence of the Belgians is now splitting the General Assembly. With the United States critical, Mr. Dayal's report cannot find general acceptance.

The General Assembly debate on the Congo has now been postponed. The Commission of Conciliation is being deputed to the Congo as an exploratory step to securing *rapprochement* among the leaders of the divergent groups. A mixed reception awaits the Commission, but in the prevailing mood it is not unexpected. Preservation of territorial integrity and broad unity are the first requisites to put administration on a normal footing. At the present time the United Nations can attempt no more than to bring about *rapprochement* on the basis of a coalition, which would open the way for resummoning of Parliament and restoration of constitutional authority. It is not enough for the free nations of the world to condemn the Dayal report; they will need to find something and someone more constructive to handle the crisis. This they have nowhere in sight.

The Heavy Electrical Industry

THE inauguration of the Bhopal Heavy Electricals factory by the Prime Minister on Sunday undoubtedly marked the crossing of another important milestone on India's march of industrialisation. We will henceforth be producing power generating and distribution equipment which hitherto has been imported at a high cost. Though self-sufficiency in this equipment will be achieved only over a number of years, considerable saving in foreign exchange will be effected when production at this factory goes into strides. By the end of the next year, which will mark the completion of the first phase of the project, production at the Bhopal factory is estimated to increase to Rs. 12.5 crores. By 1965-66 it will go up to Rs. 25 crores and by 1971 it will increase to Rs. 50 crores a year. Correspondingly, there will be a saving in foreign exchange.

It goes to the credit of the management of this project that in spite of heavy odds and great difficulties experienced in the early stages of construction work, production at the factory has been started according to the original schedule. The great care the management has taken to train technicians both at the training school of the factory at Bhopal and in the works of the British collaborators in England augurs well for the smooth running of the factory in the future. The factory has been rightly described as a classic case of Indo-British collaboration; the technical consultants, Messrs. Associated Electrical Industries, have ungrudgingly parted for our benefit with their vast experience and technical know-how in this field.

The tremendous effort we have to make to become self-sufficient in power generating and distribution equipment can be gauged from the fact that during the next five years, according to Planning Commission's estimates, we will be requiring additional electric power at the rate of 1.2 million kW. per annum and thereafter for another five years at an annual rate of 2 million kW. As an annual increase in generating capacity of this order will require heavy electrical equipment worth nearly Rs. 100 crores, the output at the Bhopal factory will have to be supplemented with production elsewhere. Happily, the Government of India, with aid from Russia and Czechoslovakia, has planned to set up two more big units in the public sector. They will go some way in meeting the requirements of this equipment under the Third and the Fourth Plans should, of course, electricity requirement estimates do not turn out to be on the lower side.

Taking into consideration the present lag in production in relation to demand — the Hoffman Mission in its report has drawn particular attention to power difficulties experienced in every part of India—and the impressive programmes drawn up for industrialisation, railway traction and rural electrification under the Third Plan, the target of 11.8 million kW. of electricity output by 1965-66 may, however, prove to be gross underestimate. Putting the present shortfall in electricity production compared to demand at one million kW. and with a total investment in industry, railways and agriculture during the Third Plan period running at a rate about double that under the Second Plan, demand for electrical energy by 1965-1966 may be easily in the neighbourhood of 14 million kW. If the electricity production target has to be put up by another one or two million kW. when the Third Plan gathers momentum, demand for electric power generating and distribution equipment will naturally go up correspondingly. The Government will do well to be ready in advance with schemes for the manufacture of additional heavy electrical epuipment.

An important question which arises in this connection is how far it is advisable to restrict the manufacture of heavy electrical machinery and equipment in the three public sector units. There is clearly a case for throwing open this field for private enterprise which can also play a useful role in making the country self-sufficient in this vital equipment at an early date. Certain types of electrical equipment in the heavier ranges may be earmarked for production in the private sector which is already producing light electrical equipment like electrical motors upto 300 H.P. and transformers with a capacity of 33 KV. or below. The recent experience in respect of private capital issues, particularly those connected with the production of goods for which market is assured in the country and those in which known foreign firms are collaborating, is an indication that enough capital can be raised for a manufacturing programme of heavy electricals in the private sector.

Nationalisation of General Insurance

A NON-OFFICIAL resolution sponsored by a Communist member, Mr. T. B. Vittal Rao, advocating nationalisation of general insurance will come up for discussion in the Lok Sabha on November 18, 1960—the first non-official day of the winter session. It is not for the first time that such a resolution will be debated in the House. Almost in every session, either in the Lok Sabha or the Rajya Sabha, this topic has bobbed up rather than been deliberated upon. In March this year, Mr. Bhupesh Gupta raised the same question in the Rajya Sabha. The House rejected his resolution after a full-length debate. There is no doubt that the present resolution will also meet a similar fate. It is, however, pertinent to examine once over again whether nationalisation of general insurance is in the national interest at all.

In 1956, when life insurance was nationalised, the Government of India left out general insurance for a number of considerations. The basic fact that general insurance was "part and parcel of the private sector of trade and industry" weighed heavily against nationalisation of general insurance. Moreover, errors of omission and commission in the conduct of its business did not directly affect the individual citizens.

It is widely known that the general insurance business is more complex in nature than life insurance. The contracts are of short-term duration, normally running over a single year as against the long-term life insurance contracts. Complete satisfaction of clients is a necessity if the insurer wants to obtain formal renewals of the annual contracts. Thus, quality of service rendered to the insured assumes paramount importance in the case of general insurance, though it is of no less importance in the case of life insurance as well. Recently, there have been complaints about the deterioration of service in the case of life insurance and, if general insurance were to follow the footsteps of life insurance, it is obvious that this important sector in Indian business would receive a grievous setback. Besides, many third party risks may be left uncovered causing serious legal complications.

Sometime the failure of some insurers in general insurance is cited to prove the inefficiency prevalent in this business. While there are bound to be stray failures here and there in every business, it needs to be stressed that the general body of insurers has done very well in the past and the volume of business also has been growing from year to year. The record can stand clear scrutiny. In the case of the public sector companies, the failure of one unit could not be cited to prove that all other public sector companies are also equally inefficient; by the same logic, in the private sector, the failure on the part of a few could not be used as a tool for demonstrating the inefficiency of all the companies in the private sector. This could certainly not be an argument for nationalising general insurance. In the mixed economy of this country, there is ample room for the free play of both sectors.

When life insurance was nationalised in 1956, one of the factors which encouraged the Government of India to take over life insurance was that huge funds in the hands of a large number of companies were not being properly utilised. The argument was advanced that after nationalisation they could be canalised for development purposes. What is the situation like in the case of general insurance? The Indian Insurance Book for the year 1959, issued by the Controller of Insurance, indicates that the total assets of general insurance business of Indian insurers amounted to Rs. 51.79 crores. The assets of the non-Indian general insurers were valued at Rs. 11.20 crores. Thus the total assets of general insurance business at the end of 1958 were not more than Rs. 63 crores. Almost one-third of the assets were invested in Central, State and other approved securities. This portion, thus, is already under the control of the Government. Another one-third of the assets was locked up in debentures, ordinary shares and preference shares of Indian companies while the rest was, by and large, held in the shape of agents balances, outstanding premia and amounts due from other insurers. Thus, there are no substantial resources — like the life insurance fund — which could be taken over by the Government of India for diversion to development projects if and when nationalisation of general insurance is attempted.

Nationalisation of general insurance should also be looked at from another side. What impact, it may be asked, will it have on the general climate of investment, both indigenous and foreign, in Indian business? If after solemn assurances that general insurance is outside the scope of nationalisation, it was attempted, faith in the Government policy pronouncements would be badly shaken and the investor's confidence, too, would be seriously impaired.

A DELHI DIARY

THE news of the week in Delhi, as I expect in all the world's capitals, has been the US Presidential election, and, more particularly, Senator John Kennedy. It is incredible how his face has become immediately familiar to Indians of all ages in the capital. This cannot be the result of television of which we have none outside the U.S.I.S. Will some deep student of human nature tell me how Senator Kennedy has become an old acquaintance? Perhaps the television debates put on the screen by the U.S.I.S. have helped, but I doubt if they covered any more than what statisticians call a random sample which, in the best circles, is always less than half per cent.

THE POLLSTERS: ALL'S WELL!

Random samples have played a notable part in this election, and greatly daring, I give credit in this particular campaign more to the pollsters than to anybody else. At least the candidates had, what might be called, a 50 : 50 chance, meaning that one of the two would necessarily be elected. But the pollsters predicting percentages of the popular vote might well have all been drawn. On this particular occasion, polling had to take place every week for three months and the random sample changed everywhere to obtain fresh cross-sections of that strange and elusive thing called 'voting intention'. There also emerged in this election a very large percentage of undecided votes; at one stage it was 12 per cent, but was subsequently reduced to 6 per cent by a process which the sophisticated called 'filtering'. As samples (outside the spacious National Sample Survey!) usually have an error, due to size of the sample of about 4 percentage points, it looked as if the game were hopeless. Had I been in this extraordinary occupation called public opinion polling, I might have quitted the race. Not so Dr. George Gallup. He persistently went on by a process of continuous analysis of the undecided vote and his last prediction was 51 per cent of the popular vote for Senator Kennedy and 49 per cent for Richard Nixon. It is a great reward to his continuous patience and ceaseless vigil that the final results showed him to be exactly right. He hit the Jack pot. Do not ask me whether this proves that random sampling is a good thing and public opinion polling an infallible instrument for predicting an election result. All I can say is: All is well that ends well.

Only a little over a year from now India will have its own election excitement and I am hoping that similar stamina will be shown by pollsters in the Indian Union on this occasion. Is the Indian voter more unpredictable than the American? From the deep worlds of my experience I can answer in the affirmative; at the present time, in the happy confusion which reigns almost everywhere, the "undecided" vote is believed to be 30 per cent. Does the Indian undecided vote, not receiving the penetrating pressure of television, break between the candidates or does it stay away? Here is a 64-dollar question to which I would like the reply as early as possible. Pollsters all over the world are eligible for a Rs. 100 prize which will be awarded in February, 1962, for the correct answer. No entrance fee is required!

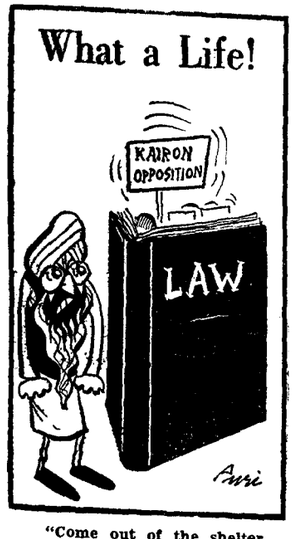
SUBRUTO MUKERJEE

The same radio broadcast which brought news of Senator Kennedy's victory and all that it means in the world's politics — with leadership of the old now committed to the young — brought the deeply distressing news that Air Marshal Subruto Mukerjee had died in Tokyo. The news to those of us who had seen him the day before his departure seemed incredible; he looked in excellent health and spirits and hardly any one could believe that he was a candidate for an early departure from this world. No one believed his heart, which had beat steadily in peace as in war, could have failed him. It now transpires from the latest news that it was not a heart attack, but an even more incredible thing — that he was suffocated while eating at a special dinner in Tokyo. Most of us are still incredible, and, foolish as may seem, much of the talk in the town is concerned with an answer to the question how it all happened.

In truth, there is no more foolish question in regard to life and death. Both of them pursue their stately courses regardless of the laws of nature, although it is claimed that the laws of nature are invariably in their operation. The stars may keep to their courses (or don't they?) but the atom does not, at least in one in a billion cases. Nobody knows why. And so, I suppose, it is with human life. In the prime of life with rich distinction, with a large circle of friends and with almost all the opportunities of professional excellence still before him, he was just cut away from it all. The heart of everyone in Delhi goes out to his beautiful wife, Sharda, without whom he never seemed to be complete. There has thus been broken a twenty year partnership which was one of the most notable that existed in Delhi's official world. With the departure of Subruto, the aged parents of P.C. and Subruto, have borne two terrible blows within a year. It is difficult to say anything to them at this hour. But almost everyone who knew their distinguished sons will carry them today in his mind.

NEW PROBLEM PROVINCE?

I have just time to record what everyone in Delhi is saying that there is a new leader in the race to become India's Problem Province. For many years West Bengal held this title securely; it is now being wrested from it by the Punjab. The Governor of the Punjab, Mr. N. V. Gadgil, at the Governors' Conference this week, seemed very cocksure about the dissipation of the Akali agitation. Whether or not he is right on that point, there is evidence of another agitation of a much more abiding character. I will do nothing in support of my contention except to produce my naughty cartoonist all over again!



"Come out of the shelter you coward!"

Courtesy: *The Hindustan Times.*

ARGUS

THE WEEK'S NOTES

Engineering Goods

EXPORT PERFORMANCE ENCOURAGING

IT IS a matter of gratification that exports of engineering goods from India are looking up; during the nine months to September last these exports (by sea route alone) amounted to Rs. 593 lakhs, compared to Rs. 391 lakhs in the corresponding period last year. If this trend continues — and there is no reason why it should not — the current year's target for these exports, fixed at Rs. 850 lakhs, will not only be achieved, but may be exceeded. More encouraging, however, is the fact that Indian engineering goods, particularly sewing machines, are making their mark in some of the highly industrialised and such distant countries as the United States and Canada; exports to North and Central America during the first nine months of the current year went up to Rs. 109 lakhs from Rs. 97 lakhs in the corresponding period last year. The increase in exports to Europe too has not been insignificant; exports to this Continent have risen from Rs. 21 lakhs in the first nine months of 1959 to Rs. 57 lakhs during the corresponding period this year.

That light engineering goods can play a significant role in diversifying our foreign trade and increasing export earnings goes without saying. An export target of Rs. 50 crores has been fixed for achievement by this industry under the Third Five-Year Plan. This target is not beyond the capacity of the industry to accomplish — it can even be exceeded — provided the industry is enabled to lower its cost of production and some incentives are given to it to further its export effort. The industry has been long complaining of shortages of some categories of steel and their high prices; nearly 50 per cent of its installed capacity is lying idle at present. With the indigenous output of steel going up, these shortages may disappear in the none-too-distant future. But it is time that attention is paid to bring down the prices of steel. The engineering goods industry's demand that it should get steel, at least for the portion of its products that is exported, at the retention price of the commodity seems to be justified.

Mr. B. S. Agarwal, Chairman of the Engineering Export Promotion Council, addressing a Press Conference in New Delhi on Tuesday, suggested a seven-point scheme to step up exports of engineering goods. He called for interesting the established exporters in export of engineering goods by granting them import licences for the raw materials imported by the industry and allowing them to sell these to actual users, reducing the price of steel, pig iron and tinplate, granting of rebate in income-tax on export earnings as is the practice in Japan, provision of credit facilities on long-term basis and concessional rates, and lowering of shipping and freight rates. These measures can go a long way in making Indian engineering goods competitive in world markets in the crucial next five years, after which the industry itself should be in a position to look after its export business. One wonders, however, what useful purpose will be served by setting up a high-power committee, as suggested by Mr. Agarwal, to consider the problems the Indian exporter has to encounter. The Export Advisory Council is already there to focuss the attention of the Government on the difficulties faced by the exporters.

The industry on its part has, of course, to enforce a strict discipline regarding quality of exportable goods; complaints about sub-standard goods being supplied by some Indian exporters to foreign countries are not infrequent. It will do well also to strengthen its after-sale service in the importing countries for that is the way to win customers so far as engineering goods are concerned.

Land Transport

THE REVOLUTIONARY ROADRAILER

A VERITABLE revolution in the rolling stock used for the two types of land transport, namely, road and rail, now seems in the offing. This is the invention of the "roadrailer" freight vehicle which has been manufactured after several severe tests on British railways and roads by the Pressed Steel Company Ltd. The roadrailer was on show at the International Commercial Motor Transport Exhibition in London recently. It has now entered into the stage of active use on road or rail.

The construction of the roadrail is quite simple. It is a road-semi-trailer which is fitted with the minimum of extra equipment that is necessary for it to operate on rail track. The extra equipment consists mainly of retractable road and rail wheels and special couplings in order to allow the vehicle to run when coupled together in an integrated freight train on the railways. When operated on the road, it can be hauled by a standard road tractor. It is very light in weight as the body is made of aluminium. But any other body can also be fitted without detriment to the mobility of the roadailer either on road or rail.

The roadrailer can be loaded with goods at the factory or the farm and with the help of the tractor taken to the railhead. From there it can be mounted on the rails and if the destination again happens to be far away from the railhead, the roadrailer can be put on the road to carry freight where required. All costs required in transhipment of goods, marshalling at the yard (when a whole series of roadrailers are coupled into a train) as well as the delays involved can be eliminated. This motor-cum-rail transport — which means total modernised land transport — can save on costs. Door-to-door service, which is at present the privilege of motor transport, will thus become available to the combined road-rail stock. Co-ordination between these two forms of transport has defied solution in all countries and necessitated direct or indirect protection to rail transport. It will no longer be an intractable problem. But one condition that is implicit in the adoption of the roadrailer is the strength, firm surface and width of roads capable of sustaining tractor-cum-trailer transport without detriment to other vehicular traffic.

Now that the roadrailer has become a commercial proposition it would be worthwhile for transport engineers in this country to devote serious attention to the question of evolving a proper prototype for Indian road and rail conditions. As it is, from time to time Indian railways have exhibited strains of high operating costs and the plea of co-ordination has come in handy to ask for help to tide over difficulties. The potential demand for land transport in this country in the years to come requires that the cheapest and quickest mode of transport should be adopted. Here the roadrailer can be of great value.

Education

NATIONAL CONSCIOUSNESS AMONG STUDENTS

THE STATE Education Ministers' conference held at New Delhi in the first week of November decided to initiate a new, vigorous campaign for promoting national consciouness and encouraging a broader pers-

pective among the students. It was suggested at this conference that the students in the North should learn one South Indian language as a part of the three-language formula. It should be made compulsory for students to know the National Anthem by heart. Community singing of the anthem should be encouraged, sectarian names of the institutions should be abolished and religious holidays should be celebrated against the national background. All these are laudable recommendations and need to be accepted without any hesitation. But not much success need be expected from such pious exhortations if the basic ills from which our educational system seems to suffer are allowed to remain.

For any scheme to be effective at the student level, it is necessary that a close association should be built up between the teacher and the student. Unluckily, the type of personal contact which is desirable cannot be maintained in the present circumstances when the number of students in relation to the teachers is extremely large. At the school as well as the university level today, for every teacher there are no less than 60 to 70 students, whereas the proper ratio would be 20 : 1. This ratio is all the more necessary in view of the fact that some departments at the University level attract only a handful of students while others are flooded with students. This uneven distribution of students amongst different departments is also one of the reasons why the number of teachers needed at the university level is much larger than available at the present moment.

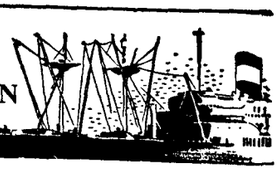
Mr. C. D. Deshmukh, Chairman of the University Grants Commission, suggested the appointment of an expert committee, including both psychologists and educationists, to analyse the problem in detail. His suggestion was accepted and the composition of the committee would be made known soon. The committee would conduct a survey to assess the causes of prejudices amongst the students. It is expected that the survey would throw up workable clues for eliminating these prejudices.

Third Plan

MANAGERIAL MAN-POWER RESOURCES

INDIA'S Third Five-Year Plan will impose considerable strain on the managerial man-power available for executing the projects. It is necessary that steps should be taken to develop managerial man-power resources in the country in such a manner that no serious bottleneck is created by the paucity of experience managers. The Directorate of Man-power in the Ministry of Home Affairs is considering the broad aspects of managerial resources. It has the guidance of a capable Ford Foundation Expert in Mr. Leo Werts.

The programme for extending the training facilities for managers needs to take into account long range requirements of managerial man-power. Unless the educational programme in the institutions of higher education is planned in such a manner that the future demands are taken into account, strains on the economy may be unbearable. It is, however, gratifying to know that in the Indian Union a number of organizations have started taking interest in management and a number of institutions such as the Universities of Delhi, Bombay and Madras; the All-India Institute of Social Welfare and Business Management at Calcutta, the Indian Institute of Technology, the Indian Institute at Bangalore and the Victoria Technological Institute at Bombay have commenced comprehensive courses in management. The All-India Board of Technical Studies in Management has particularly stressed that programmes at all these institutions should emphasize principles, practices and technology of management which are common in all the enterprises, public or private. In addition to these universities, the Administrative Staff College of India at Hyderabad and the Indian School of Public Administration provide short term courses for senior managers and administrative officers. A number of experienced managers are also visiting foreign universities every year for discussions with the experts and for possible improvement in management methods in this country



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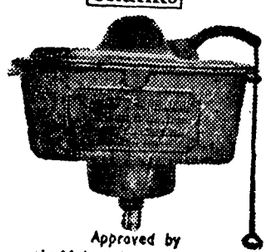
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The World Abroad

HOW TO ENCOURAGE SAVING

By

ODYSSEUS

THE DANGER of applying to developing countries economic theories devised to explain conditions in developed countries is well brought out in a newly published book, "Fiscal Policy In Underdeveloped Countries" (Allen & Unwin, London. 25sh.) by Dr. Raja J. Chelliah. He begins by contrasting the objectives of fiscal policy in a developed and in a developing country. The basic objective in industrialized democratic countries is to regulate the flow of purchasing power, to avoid inflation, to determine the level of effective demand in order to maintain full employment, and to smooth out booms and depressions, while leaving the allocation of resources among alternative uses to entrepreneurs acting in response to the controlling power of consumers' demand.

In developing countries, on the other hand, although fiscal policy will naturally defeat its aims if it promotes inflation, its prime aim is not so much stability as movement forward — it seeks, or should seek, to accelerate the rate of savings and capital formation. Investment priority in developing countries must go to "economic overheads" — roads, railways, dams, power stations, ports, technical training facilities — and to "social overheads" — schools, hospitals, libraries, public health services — because such investments create "external economies", i.e., they raise the marginal productivity of private investment by widening markets, raising the productivity of the workers, and reducing costs of production. Once these facilities exist, new industries can be more easily established. And because private capitalists in developing countries cannot raise the huge sums required for economic overheads, the government has to raise the capital, draw up priorities for its use, and allocate it accordingly.

Dr. Chelliah goes on to observe that there is widespread opinion in favour of ensuring compulsory saving through taxation and of increasing public investment by higher taxation. Because private and business savings are low, the inference is drawn that public investment must be stepped up, even at the expense of private investment. Another argument used to support compulsory savings and public investment is the need to reduce inequalities of income. The reduction of inequalities and collective savings by means of taxation are, says Dr. Chelliah, almost articles of faith in India.

Dr. Chelliah does not dispute the need to raise more revenue, but he courageously insists that the fundamental need is to raise the rate of savings. If you put the cart of compulsory collective savings before the horse of raising the savings rate, you risk replacing private investment by public investment, whereas the real need is to raise the total of both public AND private investment.

Because private investment has to some extent, in years gone by, been directed to commerce rather than industry, to urban real estate rather than to factories, this does not mean that it should be banged on the head, but merely that it should be redirected into more productive channels. Even in Socialist Pattern India, the greater part of the economy, however measured, is left to private enterprise. The Industrial Policy Resolution of 1956 laid down that only Industries of basic and strategic importance, public utility services, and those which require investment on a scale which only the state can provide, are reserved to the state. The development of all other industries is left to private enterprise. So that if private investment is discouraged, the greater part of the economy is slowed down. To squeeze private enterprise in India is to inhibit economic development. Public and private investment must regard each other as friends, not rivals, because much public investment is intended to raise the productivity of private investment.

Public investment itself can't hope to reach the very high level necessary if private investment is not actively encouraged. Where else is the money for public investment to be obtained?

COMPULSORY SAVINGS?

All this is so obvious that it is surprising how many accept uncritically the weapon of compulsory savings. Net capital formation is about 7 per cent of national income in India. Assume that this must be raised to 12 per cent if fairly rapid growth is to be achieved. Now, tax revenue is about 8 per cent of national income. Of this, the government is able to spend little on fixed capital formation, i.e. government savings until now have been low or nil. Hence to achieve a 12 per cent increase merely by expanding public investment means that taxation must be raised to 13 per cent of national income and that all of this increase must be invested. Assuming no increase in current expenditure, tax revenues would have to be raised by 62.5 per cent above their present level. "It is doubtful," says Dr. Chelliah, "if this increase can be achieved in the near future." And it is unrealistic to lay down that current expenditure should not increase during the course of development, because to build up human capital and the social services is as important as to create plant and machinery. So, if allowance is made for increases in non-capital expenditure, the increase of taxation required would be much higher. Such a programme would require the proportion of national income taken in taxes to be increased so steeply that it would eventually include both the 15 per cent which welfare governments use on current expenditure and about another 20 per cent for gross capital formation. This is the level of taxation required — about 35 per cent of the gross national product — if a country is to rely on tax-financed investment. But India's present level of taxation is about 8 per cent of the national income! Compulsory collective saving has its place in a developing country, but by itself it clearly can't do anything like the whole job.

PRIVATE INVESTMENT'S ACHIEVEMENTS

The charge that private investment in India directed too many resources to conspicuous consumption in fine town houses, or to speculation and commerce, may have been justifiable in the past, but it was not borne by the Taxation Enquiry Commission, which analysed the balance sheets of public companies for the years 1946-51. The Commission found that corporate savings provide, on the whole, a larger source than new subscriptions in financing industrial expansion. The Reserve Bank of India studied the growth of 750 joint stock com-

panies during 1950-55. Since the total paid-up capital of the companies studied made up two-thirds of the total paid-up capital of public limited companies in the sector covered, the Bank's findings can't be shrugged off. The Bank found that gross and net fixed assets rose about 50 per cent each in 1950-55. Profits rose steadily from 1952. This rise was largely attributable to additional investment.

The rate of investment in factory enterprises is estimated (excluding expenditure on modernization and replacement) to have risen from an average of Rs. 260 million per annum in the first two years of the First Plan, to Rs. 440 million in the third, Rs. 500 million in the fourth, and Rs. 850 million in the fifth, year. These and other figures cited by Dr. Chelliah suggest that government should encourage private enterprise and strengthen its inducements to invest, while taking other measures to increase public investment.

How do you strengthen the inducements to save and invest? This question leads Dr. Chelliah to examine the principles on which India's taxes are now based. Once again, he debunks ideas that are held widely not only in India but in the West, and I suggest that Western economists and politicians have much to learn from him.

Every country in the world that enjoys (if that is the right word) a developed taxation system imposes steeply progressive taxes on the principle of "taxation according to ability to pay." Dr. Chelliah asks whether this assumption does in fact enable the state to raise the maximum amount of revenue compatible with the object of increasing savings and investment. He has no difficulty in showing that taxation according to ability to pay, which is held to justify steeply progressive taxation, is a subjective concept, which does not lead by any logical or mathematical process to the calculation of any specific scale. Nor does it logically justify steeply progressive taxation. This being so, one can only conclude that the real object of those who favour steeply progressives taxes is to reduce inequalities of wealth. Dr. Chelliah does not favour such inequalities. He merely points out that (a) taxation according to capacity to pay is incompatible with the desire to promote savings and investment and (b) there are other ways of reducing inequalities. These are two different aims, not to be confused, which would be considered and dealt with separately.

Progressive taxation may be justifiable in a developed country in which taxes are raised solely to pay for the costs of common benefits, like the armed forces and the social services, but Dr. Chelliah points out that in a developing country, the aim of taxation is "functional", i.e., taxation is a tool to raise the rate of investment. Of course, the social and other services have also to be paid for, but the volume of government services that can be undertaken in future depends on the rate of investment and development. Although Finance Ministers are loath to admit it, they do in fact recognise that there is a limit to progressive taxation which, when reached, forces them to fall back on indirect taxes. These are regressive and flout the much proclaimed principle of taxation according to ability to pay. Adherence to this principle hamstrings a developing country's ability to raise more money. If progressive taxation is increased above a certain point, it decreases savings and investment. So, whenever, with the aid of indirect taxes, revenue is increased, the tax structure remains repressive and saving is discouraged.

In a final article, next week, we will consider the way out of this dilemma.

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(Incorporated in England)

Drawing of 5 per cent Rupee Debenture Stock 1970 For Redemption

Holders of 5 per cent Debenture Stock (Indian Issue) are hereby advised that a Drawing will be held on Thursday the 1st December, 1960 at 10-30 A.M.

Notice is hereby given that the Indian Debenture Register will be closed for a period of 11 days from 21st November to 1st December, 1960, both dates inclusive.

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H. C. BOWKER,
Actg. Agent.

Victoria House,
Calcutta, 1st November, 1960.

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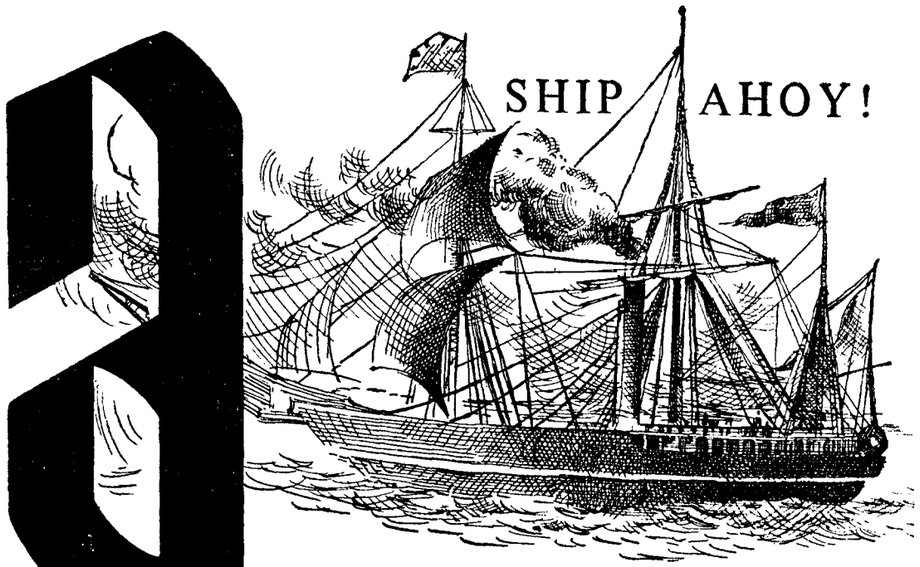


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The European Scene

EUROMARKET'S AID TO DEVELOPING NATIONS

From Our Special West European Correspondent

PARIS, November 5.

IN articles here in August (on the Common Market's ex-colonies) and in September (on the Aid India meeting in Paris), it was remarked that the outflow of development capital from this region to the backward economies was not as substantial as the prosperous Common Market Six could afford. It was pointed out that the will to assist African development certainly existed and had been formulated in investment plans, but for a variety of reasons the actual sums really invested were still modest; while, in the West German case, the will to assist was qualified by certain dogmas about the right way to give aid which, in practice, reduced the flow of capital abroad. The point about drawing Indian attention to this situation was to show that West European aid capacities were by no means strained to the limit and nor were West European capital surpluses already earmarked for other beneficiaries; so there was still scope for more energetic efforts by Indian borrowers in this region.

Not surprisingly, this state of affairs could not endure; new and pressing claims on European capital surpluses have been presented in the last few weeks. Already in September, when Dr. Erhard was in Washington for the World Bank meetings, "high U.S. officials" (I quoted a New York business weekly) "are known to have talked like Dutch uncles to their German opposite numbers. In the realm of assistance to underdeveloped countries, the latter were told in no uncertain terms, they simply aren't carrying their fair share of the load." Reports from Washington this week say that, following up that admonition, the U.S. Government "has decided to make a fresh and pressing effort to persuade West Germany to assume a larger part of the joint expenses of the Atlantic Alliance, in particular in defence and in aid to underdeveloped countries."

Simultaneously, in the first days of November, two meetings were going on in Paris between the authorities of the Six nations which will result in more substantial capital aid to two groups of backward economies: Greece, Turkey and possibly Israel on the one hand, and the new African states on the other. These two meetings are interesting because the style of assistance they discussed would meet the objections Dr. Erhard opposed to the plans of his U.S. critics in September. Dr Erhard, according to the same New York source, rather surprised his "Dutch uncles" by admitting frankly that everything they said was true; Bonn had been laggard, remiss and cautious — but that was because West Germany had a very different conception of development assistance to the U.S. practice of reckless, unco-ordinated and overlapping handouts. "Even with the best will in the world," said Dr. Erhard, "the quantity of public and private capital available for investment in underdeveloped lands falls far short of legitimate opportunities and needs. As a consequence, in order to make the most of their efforts, the nations of the West must work together far more closely in this sphere". "Furthermore," he went on "they must encourage the developing countries to help themselves." If these are really the criteria Bonn imposes for development aid, then the projects just discussed in Paris by West Germany and her Common Market partners will satisfy them, and the way is open for a faster flow of Continental capital, in the first place to Greece and Africa. If, at the same time, the American demand that Bonn should pay two-thirds of NATO expenses on her territory, while boosting her assistance to backward economies, produces the hoped for result, then the continental capital surplus I described in the summer may well disappear.

The first meeting was the quarterly conference of Common Market Foreign Ministers, and its main subject was the treaty of association between their enterprise and Greece. The principle of this association, first step toward full membership at some much later date, had already been solemnly admitted; it remained to draft the details and in particular to settle the large sum of investment capital that Athens demands as the price for opening her markets more freely to Common Market exports. The subject is delicate because, not merely are Greek demands for capital substantial in themselves, but the agreement with Greece will immediately be invoked as a precedent by Turkey, which country is also seeking associate status in the Common Market — and Turkey's needs of development capital are much larger than Greece's. Mr. Ben Gurion of Israel has also been putting out feelers on the same subject, and, of course, any agreement with that country would involve further capital outlays for the Common Market. As it happens, Israel's overtures have had a cold reception, because certain Continental countries are anxious to maintain good relations with the Arab states (not France: she has none): so Israel has been informed that associate status is limited to European countries (these being held to include all Turkey) and to African countries (not just the recently freed colonies, but all African States, such as Tunisia which is also interested in becoming a Common Market associate).

Greece is asking more than $100 million of Continental investment capital, and Turkey will no doubt ask for more than that. These are considerable sums, but they meet Dr. Erhard's requirements. The effort is not bilateral, but a joint venture by all the Six nations, and Greece and Turkey have shown willingness to adjust their economies to the needs of balanced progress. In fact, Dr. Erhard in person visited both countries and advised on the reforms he thought necessary. The treaty between the Six and Greece will probably be finalised at the middle of this month, and the Turkish project will be taken up at once. So there goes a few hundred million dollars of the Continent's capital surplus. Not that its aid capacities will thereby be reduced permanently. From a purely business point of view, investment in these two backward European countries is a much sounder proposition than investment in most parts of Africa or Asia, and will produce quicker returns. Meantime, the partial adhesion of these countries to the Common Market widens the field for Continental enterprises and reduces certain of their raw material and food costs. Progress in that direction and — even more important — the experience gained by the Six in joint lending operations will increase the Common Market's aid potentiality within a very few years.

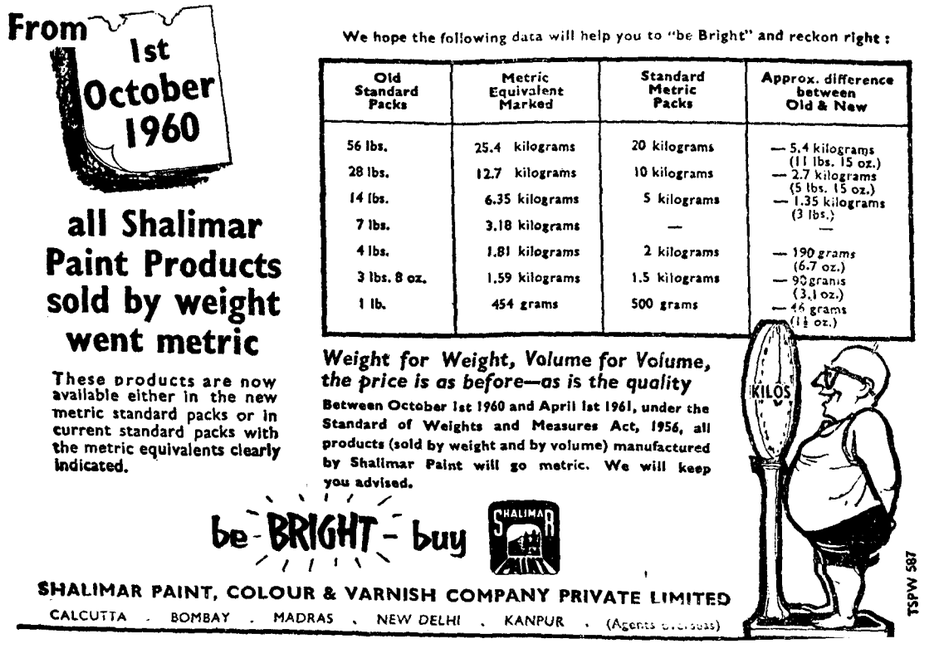
The second Paris meeting was a "European round table" on the subject of "forms and techniques of assistance to developing countries". Its conclusions now go to the Council of Ministers of the Common Market for application. Following on the establishment by the Six of a "co-ordination group for technical assistance to developing countries," it shows that the Six are ful-

filling Dr. Erhard's wish for a co-ordinated approach by Western leaders to the problem of overseas investment. This is, anyhow, implicit in the Common Market Treaty; as the region is economically unified, it must practise joint lending abroad, and potential borrowers will be dealing not with Bonn or Paris, but with the institutions of the Community. This is important because at present these Six nations provide about half of all the technical assistance that goes each year to developing countries: about $230 million worth out of a world total of $500 million yearly. However, what concerns us now is the effect of the latest decisions on the size of the Common Market capital surplus, part of which was, theoretically, open to claims from India.

The experts gathered in Paris decided, first of all, that this capital surplus being after all limited, it would be best used by concentrating it more or less in one region, and that region was Africa. This is not at all the proposition that capital assisance and other advantages should be offered exclusively to the African "associated territories", i.e. those African regions that were still French colonies at the time the Rome Treaty was written. There is now no discrimination between those favoured wards and other African countries (or such as care to seek West Europe's help), but simply a general preference for investment in Africa rather than Asia or elsewhere, on the grounds that this will produce the best returns. This general preference constitutes no insurmountable obstacle to would-be borrowers from other continents, as was the case when only the listed associated territories had access to the Six-nation investment fund.

As to the performance of that fund, it was recognised — as stated here in previous articles — that it was not succeeding in tapping the potential Continental capital surplus; its loan commitments, even on paper, were well behind the quantum of capital offering, and its actual outlays of capital further behind still. The experts blamed the complicated working of the fund for the gap—often 15 or 20 months—between presentation of a business-like investment project and the beginning of work on the ground. They recommended total reform of its procedures in order to hurry up the outflow of capital from the Continent to Africa. This will possibly be effective, but I see no reason to revise the opinion that Africa will not be able for some years yet to use all, or even a large part of the industrial capital (as distinct from finance for public works, education, health and infrastructure) that the Common Market countries can afford to offer industrialising economies.

A third decision, also taken mainly with Africa in mind, might interest other countries also. It is well known that the Continental countries and particularly France are in profound disagreement with the Anglo-Saxon countries and particularly Britain about the possibility of helping backward economies by means of measures to stabilise commodity prices. Although the Common Market is the biggest single importer of commodities, it can do little to stabilise their prices without the active co-operation of the British and the Americans, and they dismiss such schemes as utopian. So, after stigmatising the "selfishness of certain importing countries" which is delaying efforts on a global scale to protect developing nations from wide variations in prices for their exports, the Continental experts recommended doing something on a limited scale. They urged developing countries to expand present marketing boards and stabilisation funds that seek to protect their own export industries, and to set up new ones. The Common Market would then assist these local organisms with technical help, with advice on how to co-ordinate them, and — most important — with financial aid in the shape of repayable loans. However, limited in scope, this seems a sound and practical proposition. So any country, not only in Africa, that sets up, or already possesses, a central marketing board or price-equalisation fund dealing in a raw material or other commodity that is of real interest to the Common Market (e.g. because that region buys a large proportion of that commodity) could approach the Six for help.



Economic Report from the U.S.

A LOOK AT THE ECONOMY

By

GUY SIMS FITCH

WASHINGTON, Nov. 1.

IT is an old adage that statistics can often be misleading. This is certainly true today as far as the American economy is concerned. Let us take a look at a few of the seemingly unfavourable trends. Consumer spending — the major support for U.S. economic activity — declined during the third quarter of the year at an annual rate of $500 million. This development, which reversed a long-standing upward movement, contributed to the slight dip in the gross national product (GNP) — the total output of goods and services — for that three-month period. Yet this dip in purchases was not due to any drop in the ability of consumers to maintain their buying pace. On the contrary, consumer income during the third quarter actually reached a record annual rate of $457,500 million after taxes, a rise of $3,400 million over the second quarter. This means that in terms of their aggregate financial well-being, the American people by and large were better off than they had been before. It means that total personal savings during the third quarter rose to an annual rate of $29,000 million, highest ever for any peacetime quarter on record.

Another highly publicized problem is the steel industry. Steel production has been at a low ebb in recent months, average little better than 50 per cent of capacity since July. Yet this, too, is not necessarily a valid indicator of the state of the economy. The fact is that actual consumption of steel this year appears headed for the second largest annual total on record. And few would deny the reliability of steel usage as a gauge of economic activity. It should be remembered, in this connection, that the low operating rate in steel today has been caused to a large extent by the heavy reductions in inventories by steel users. According to some calculations, if the production pace were equal to the consumption pace, steel output would be running closer to 70 per cent of capacity than to the actual 50-55 per cent. One also should keep in mind that the nation's steel capacity has grown enormously in recent years, and as of this past January 1, totalled 148.5 million tons. This means that even at reduced operating rates, steel production this year will be one of the highest on record. Moreover, an estimated 30 million tons of this capacity can be classified as reserve — as high-cost capacity to be used chiefly to meet current or prospective shortages.

Contributing to the disappointing steel production rate has been a slowing down in automotive orders for steel. Yet during the past month, the automobile industry has raised its production to the highest level since last February — an indication that this important industry has to some extent been living off its steel stocks. Even if automobile output were to fall moderately below the original production schedules for the rest of this year, the estimate is that 1960 production would still reach 6.7 million cars. This would be more than one million above the 1959 total, and would make 1960 the second-best automobile year on record. Whether or not this total actually is reached will depend in large measure on the behaviour of the consuming public. These figures show they have the money to spend. Will they spend it — on automobiles or on anything else?

In answer, it is encouraging that automobile sales during October ran well ahead of the like 1959 month. When the returns are in, they may show that automobile sales in October, 1960 set a record high for any October of any year. One should be wary, of course, of trying to reach sweeping conclusions on the basis of one month's results in one industry. But there are other clues that consumers may be stepping up their purchases. One of the more important is the jump in department store sales in recent weeks. There are some estimates that October sales were the best since July, and the third highest for any month.

Another highly publicized statistics has been the decline in industrial production, which in September was down to 107 per cent of the 1957 average from a February-July range of 109-110. Yet here again, one must be careful in assessing the underlying trends. While output was falling, new orders received by manufacturers were rising, for the second straight monthly increase; total unfilled orders also rose in September, for the first such gain since last March. None of this is meant to deny —nor can it deny—the obvious fact that the U.S. economy has slowed down perceptibly this year, and is far less exuberant than the experts would like to see it. Nevertheless, this examination of some of the more spectacular of the statistical barometers should make it clear that the business trend has by no means been uniformly downward. It also should demonstrate that even during the current slowdown, the economy has retained important elements of strength that could contribute to a renewed upsurge in the not too distant future. As a matter of fact, slowdown or no, when the final 1960 accounting is made, it undoubtedly will show that the U.S. economy still managed to attain a new high in over-all economic activity.

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WORLDGRAM

India

Second Prize Bond Draw: The following series of Prize Bonds will be eligible, in accordance with the terms of the Notification for the issue of Five-Year Interest-free Prize Bonds, 1965, for participation in the Second Quarterly Draw to be held on December 1, 1960:

Rs. 100|- Denomination: Series, A, B, C, D, E, F, G H, J, K, L, M, Q, U and V.

Rs. 5|- Denomination: Series AA, AB, AC, AD, AE, AF, AG, AH, AJ, AK, AL, AM, AN, AP, AQ, AR and AT.

The draws will be held at nine places, namely, Bombay, Calcutta, New Delhi, Madras, Bangalore, Nagpur, Lucknow, Patna and Hyderabad. They will be conducted, at each place, under the supervision of a Committee consisting of prominent non-officials and representatives of the Central Government, State Governments and the Reserve Bank of India. The composition of the Committees and the particular series in respect of which the draw will be held at a Centre will be announced later.

*

Reorganisation of Central Excise: The Government of India have constituted a 7-member committee to carry out a comprehensive examination of the working of the Central Excise Department and to make recommendations for its reorganisation. Mr. A. K. Chanda, until recently Comptroller and Auditor-General of India, is Chairman of the Committee and its members are: Mr. Babubhai M. Chinai, M.P.; Mr. N. P. Nathwani, M.P.; Mr. B. C. Ghosh M.P.,; Mr. J. D. K. Brown, lately President of the Associated Chambers of Commerce, Mr. A. M. M. Murugappa, Chettiar, President of the Federation of Indian Chambers of Commerce and Industry, Mr. R. N. Misra, Director of Inspection, Customs and Central Excise, who will also be secretary of the Committee. The terms of reference of the Committee will be to examine generally the organisational and administrative set-up of the Central Excise Department and advise Government on such reorganization as may be necessary for achieving maximum efficiency at minimum cost; to review the Central Excise Act as well as the rules and procedures and recommend the steps required for their rationalisation, simplification and improvement, wherever necessary, so as to better adapt the machinery to the changing conditions; to make any other recommendations germane to the objectives of the investigation. The Committee headquarters will be in New Delhi. It will submit its report to the Ministry of Finance (Department of Revenue) before October 31, 1961.

United States

Grant to India's Malaria Eradication Drive: The United States Government has given a further grant of $10,377,000 (Rs. 4.9 crores)) to India's malaria eradica programme. This brings the total U.S. aid to the programme to Rs. 44.8 crores. Under an agreement recently signed between the Governments of India and the United States, the grant will be utilized for the purchase abroad of approximately 16,730 tons D.D.T., 100 pick-up trucks with spare-parts and drugs used in the treatment of malaria. Since 1953, the United States have met most of the foreign exchange needs of the campaign against Malaria. In addition to dollar grants the United States has made available to the malaria eradication programme rupees acquired through the sale of agricultural commodities shipped to India under P.L. 480.

U.S.S.R.

Medical Education in U.S.S.R.: As many as 80 medical institutes are training doctors for the Soviet public health services. Enrolement to these institutes aggregate more than 1,70,000 young men and women. These figures, testifying the success scored in medical education are given in the latest statistical volume, 'Public Health in the U.S.S.R.', published in Moscow. At present, the Soviet people are better provided with doctors. The U.S.S.R. has five more doctors per 10,000 of population than, for instance, in the United States of America. People say, the best way to evaluate the present is to review the past. Tsarist Russia, and especially her national outlined territories, rank d among the most backward of the States. After the October revolution, in 1917, care for the health of the working people became a matter of paramount importance in the Soviet Union. Particularly great attention was paid to the establishment of higher and secondary medical schools. Today people in all the Republics of the U.S.S.R. can receive medical education. Last year, as the statistical book, 'Public Health in the U.S.S.R.' reports, the number of doctors in the Soviet Union reached 3,80,000 and it is expected that it will rise to 6,00,000 by 1975.

*

U.S.S.R.'s Rate of Growth: It is claimed by Russians that the Soviet rates of growth are higher than the American. During the past 42 years (1918 — 1959) the average annual rates of industrial growth in the U.S.S.R. were as follows (in per cent): 10.1 in the U.S.S.R. and 2.3 in the United States. During the last six years, Soviet industrial production grew at the rate of 11.2 per cent and the American 2.4 per cent. As regards pig iron, this annual increment amounted to 2.6 million tons in the U.S.S.R. In the United States, the output of pig iron did not grow on the average, but rather decreased by 2.3 million tons a year. As regards steel, the U.S.S.R. registered an increase of 3.6 million tons, and the United States a decline of 2.7 million tons. The growth of iron ore output for instance, is accompanied by an increase in coal production. The American figures, along with declining production reveal a lack of balance between the outputs of individual industries. This year's margin of increase in the Soviet industrial output will exceed 1,40,000 million roubles. Only a few years ago, the annual margin of increase was 1,00,000 million roubles.

Greece

Bartar Trade Dealings with Communist Bloc Countries: Greece is the latest country to experience costly disillusionment in bartar trade dealings with communist bloc countries. It has now been officially confirmed that Soviet bloc countries have been re-exporting Greek products such as leaf-tobacco currants, sultana raisins, raw skins, and cotton to western markets at prices 10 to 34 per cent below the prices covered by Greek exporters. The Greek products were traded to the Soviet Bloc countries in exchange for manufactured goods. The values placed on these capital goods by the Communist countries are usually inflated by 40 per cent over comparable capital goods offered by free-world countries. However, this bartar type of trade agreement is tempting to a country short of foreign exchange. The trouble is that Soviet bartar agreements often result in illicit competition which reduces a country's foreign exchange earnings from exports, as other countries have previously learned.

United Kingdom

Instruments for Indian Oil Pipeline: A British firm of automatic control manufacturers (Honeywell Controls Ltd.) of Middlesex, has received the biggest single contract in its history — worth £300,000. The order is for automatic fuel-measuring instruments on the 720-mile length of the new oil pipeline in Eastern India. A large part of the equipment involved will be made in Scotland. The builders of the pipeline Burma Oil Company (Pipelines Ltd.) placed orders with Honeywell, whose main factory is at Motherwell, Scotland. Work on the project is expected to begin soon and finish by the middle of 1961. Manpower at the factory is to be increased by one-third in the extension programme of £1 million. Work has just been started in the factory on a £30,000 contract for automatic control instruments in a Russian sugar factory. This is expected to be completed next May. The New-house (Motherwell) factory is still at work on a recent £260,000 order for similar instruments for a Russian chemical plant.

*

Consortium to Market U.K. Telemetry System: Five British Electronics manufacturing companies have formed a consortium to exploit the overseas and British markets for a major air-to-ground multi-channel telemetry system developed by them in collaboration with the Royal Aircraft Establishment at Fornborough, Hampshire.

*

New Camera Range-Finder: A new type of stereoscopic camera range-finder called the 3-D-3 which simplifies and increases accuracy in focusing has been developed by Mr. Norman Barton, a scientist at the U.K. Fighting Vehicles Research and Development Establishment. It overcomes disadvantages existing in present types which generally use a system of bringing two super-imposed images into register with one another. It is claimed that it will mean better photographs for the professional and no more 'fuzzy' snaps for the amateur.

Australia

Taxation Survey: An official pamphlet has been issued surveying the whole field of taxation in Australia. The following points relate to overseas investors: Tax on dividends paid after June 30, 1960 to shareholders not resident in Australia may be met by withholding tax, deducted from dividends at the time of their payment. These dividends are not taken into account in assessments accept where the shareholder elects to have the assessment basis applied. In the case of non-resident of Australia all income from sources wholly outside Australia is exempt income, and is not taken into aicount in determining the rate of tax payable on the taxable income. Tax is not payable by an individual unless the taxable income of the year exceeds Rs. 1,120. Individuals and companies are exempt from the tax on profits of gold and uranium mining, or, in some circumstances, gold and copper. There is a 20 per cent exemption for profits from mining of tin, copper, pyrites and a number of other minerals. Exemption is provided for income from the disposal by a bona fide prospector of rights to mine certain metals or minerals. Exemption is also given to income from sales of petroleum mined in Australia or in Papua and New Guinea upto the amount of capital expended on exploration and mining. Taxation agreements entered into with the United Kingdom, the United States, Canada, and New Zealand limit the amount of tax on dividends paid to residents of those countries.

Austria

L.D. Process Making Headway: Currently 21 steel works using the Austrian L.D. process on a licence basis are in operation in four continents. Another 36 LD steel plants are under construction in foreign countries. Recently, representative of the biggest South African steel concern, the South African Iron and Steel Industrial Corporation Ltd., in Pretoria visited Austria for negotiations on a license for L.D. steel production in Africa. The concern intends, by introducing the Austrian process in two steel works in Pretoria and Vanderdijlpark, to double its crude steel production.

U.A.R.

Trade with U.S.S.R.: In view of the fact that the volume of trade between the U.A.R. and the Soviet Union has risen from £E6 million to £E50 million in four years time, it has been decided to conclude long term trade and payment agreement between the two countries, declared the Executive Minister of Economy at a press conference at which he explained the results of his recent visit to the Soviet Union and Hungary. He said that the new long term trade and payment agreement would replace the existing one which was concluded four years ago, renewable from year to year and which no longer suits the new situation arising from the great increase in the volume of trade between the two countries. Continuing, he said "Our foreign trade policy aims at ensuring stability and equilibrium in the volume of trade and the disposal of specified quantities of important commodities within the duration of any trade agreement between the U.A.R. and any country. This policy will apply to the new long-term trade and payment agreement with the Soviet Union." The Minister disclosed that he had agreed with the authorities in the Soviet Union Foreign Trade Ministry in the formation of a sub-committee to examine the list of commodities exchanged between the two countries to find out which of them would ensure stability and equilibrium between imports as well as on the broad lines of the new agreement. This was the first time the U.A.R. had thought of concluding a long-term agreement with the Soviet Union.

T.W.A.

Jet Service Between the United States and India: On November 2, 1960, Trans-World Airlines inaugurated jet service between the United States and India. It is reported that TWA will use the world famed Boeing 707 Intercontinental superjets to provide the fastest service between the United States and India. The superjets will fly from New York to Bombay halting at Rome and Dhahran, and cover the distance of approximately 8,000 miles in 15 hours and 40 minutes flying time. The Westbound superjet will make an additional stopover at Paris. The TWA superjet service expansion to Bombay brings to a total of ten overseas cities served by TWA superjets on its 50,000 miles route network. Transworld Airlines Superjets have special features of a luxurious lounge, the widest seats and a brand new modern colour scheme specially designed for these air-lines.

NEWS IN BRIEF

INDIAN

The Central Warehousing Corporation is likely to construct 35 more Central Warehouses during the Third Plan period. It is also proposed to construct 20 specialised storages, including cold storages for perishable commodities like fruits and vegetables.

*

The production of coke at the Durgapur Steelworks has been at its maximum for the last one month. The first battery of coke ovens recorded its highest output of 1,489 metric tons of coke during the last week of September and the production is being maintained at the same level since October 3, 1960.

*

Till early this year, about 50,000 persons had got themselves enrolled in the National Register of Scientific and Technical Personnel. The Register has two sections, general and special. In the general section, meant for the Indian technical personnel living in the country, about 46,000 persons had been listed. The special section for Indian scientists abroad had about 3,800 persons on rolls.

*

A conference of the trainees sponsored by the National Productivity Council for studying modern techniques of scientific management, industrial engineering, industrial relations in U.S.A., U.K. and France discussed recently the steps for effectively utilising the knowledge and experience gained by them abroad.

*

It is reported, Rajasthan is now ready to implement the Intensive Agriculture District Programme, better known as Package Programme. Rajasthan thus becomes the second State to launch this concerted drive for higher food production. Madras was the first.

*

Technical details of the plan for acquisition of one hundred acres of land on the foreshore of Ernakulam for the second shipyard were finalised at an official conference recently.

*

Earnings from tea export during August this year declined to Rs. 12.62 crores from Rs. 14.02 crores in the same month last year. During the five-month period ended August, tea exports were also valued lower at Rs. 32.47 crores against Rs. 39.91 crores in the corresponding period of last year.

*

The Government of India have decided to issue for November this year repeat quotas for the export of manganese ore to exporters in various sectors to the extent of 1|12 of their 1959-60 quotas.

*

Production of cement declined further to 610,000 tons in July from 632,300 tons in the previous month and 665,600 tons in May this year.

*

Saleable steel production by the Tata Iron and Steel Company at its Jamshedpur works continued to improve with October output rising to 114,200 metric tons from September's output of 108,000 metric tons.

FOREIGN

An official announcement is expected before the end of the year that a new steel mill is to be erected in South Africa. Dr. F. Meyer, Chairman of the State-owned Iscor Steel Company, has revealed that it proposes to spend between £270 million and £280 million during the next 12 years to double its present steel production of 2.35 million ingot tons annually.

*

The Federal Reserve reported that the U.S. lost another $108 million in gold during the week ended October 26. Since the beginning of the year the stock has fallen by $983 million.

*

French car exports in September outside the French area were 27,872. This is well above the August figure of 10,500, but still some way below the 32,385 in July and the record February figure of 55,000.

*

Recent reports that the U.S. Government would slash oil import quotas have been confirmed in Washington with an announcement that the Interior Department is proposing a 60,000 barrel-a-day reduction in import quotas for crude oil for the first half of 1961.

*

Canadian Pacific Airlines, a subsidiary of Canadian Pacific Railway, is trying to find work for some of its Bristol Britannia airlines and may start a new airline in Britain, says the financial post.

*

A Cuban mission made recently an agreement under which Czechoslovakia will help to build several industrial plants in Cuba, the Ceteka news agency said. It reported that the mission, led by the President of Cuban National Bank, discussed with Czech Foreign Ministry officials the execution of important economic projects on the basis of an agreement last June.

*

A gain in Canadian gold production during August of nearly 9 per cent from a year earlier is reported by the Bureau of Statistics. Gold output reached 580,670 fine ounces, compared with 349,470 fine ounces in August 1959.

*

It is reported higher wages and family allowances will this autumn give many French families the first real improvement in their standard of living since General de Gaulle came to power in May, 1958.

*

Pye Industries (Australia) and Petbow of England, have jointly formed an Australian Company — Petbow Pty. with a nominal capital of £250,000. Petbow is a leading maker of engine-driven power plant, including welding and generating equipment, floodlighting equipment, mobile workshop and switch boards.

*

Awarding of final contracts for completion of a new Styron production plant in Greece has been announced by Dow Chemical International Limited S.A. The new manufacturing facility for Dow Hellenic Chemical Industry Ltd., located at Lavrion, Greece, a suburb of Athens will be built by Foster Wheeler Italiana of Milan, Italy.

Pardon our Presumptuousness..... but.....

The beginning and the end of a Five Year Plan are vital dates in the nation's history. Each Five Year Plan is both an assessment of the past and a call for the future. It seeks to translate into practical action the aspirations and ideals of the millions in the country and gives to each of us the opportunity of service in the common cause of eliminating poverty and raising standards of living....

Today, on the eve of the Third Five Year Plan, we of the Raza Buland Sugar Co. Ltd. believe that 25 years' useful service to the Nation is something to talk about, but we will rest contented by narrating a few facts about our "achievements" and our contribution towards raising the standard of living of our people during the past 12 months.

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Paid to Workers..... Over Rs. 17,70,000

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On the occasion of our Silver Jubilee celebrations recently almost a hundred of our oldest workers who had served the Raza Buland Factories for over 25 years were awarded silver medals, and cash awards.

These are our humble contributions towards the cherished targets and goals of

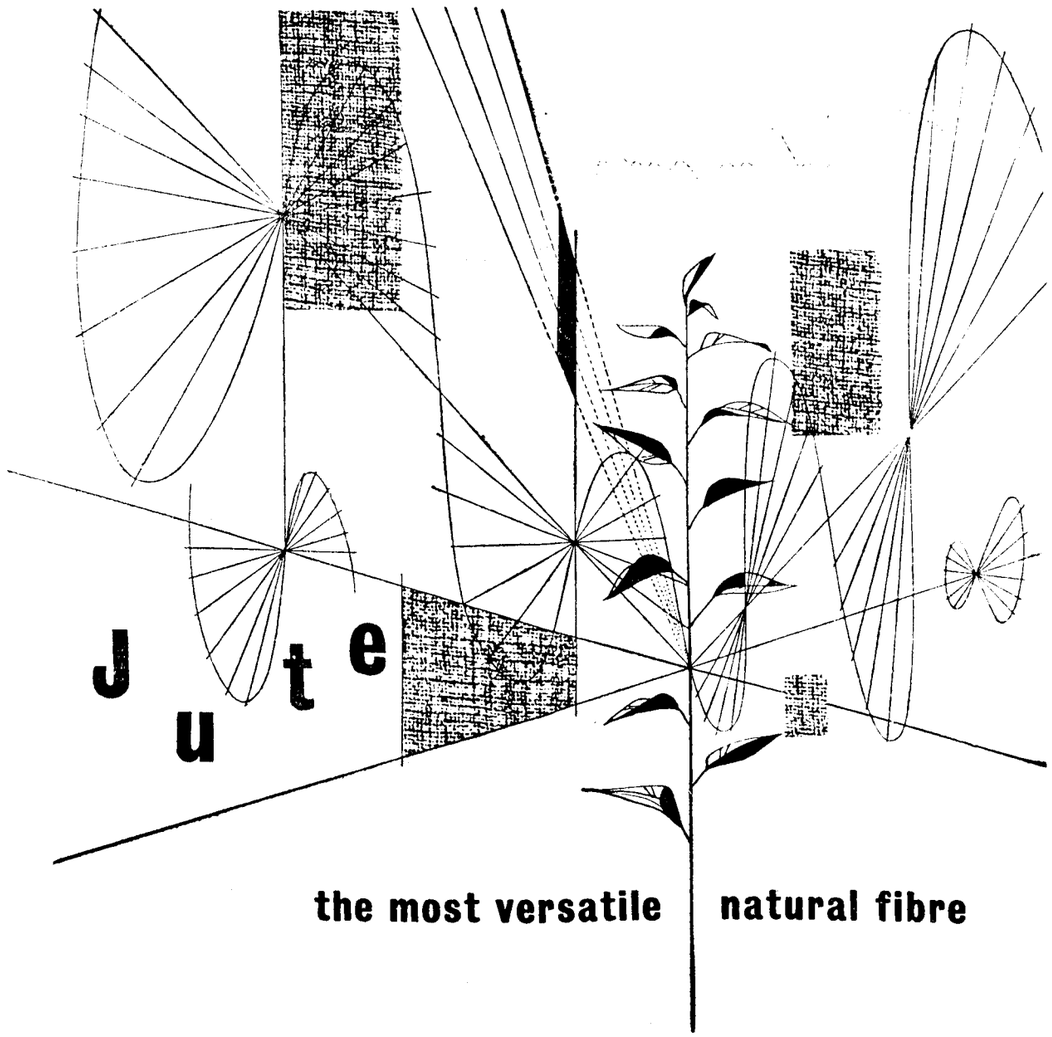
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Special Article

BANKS AND THE NEW PHASE IN GILT-EDGED

By

S. NARAYANASWAMY

GOVERNMENT Securities have been regarded the world over as the symbol of fluidity in investment. It is good and pertinent to remember how it all started — with that colourful monarch Charles II who brazenly stole the deposits which London goldsmiths made with the Royal treasury and later on had the hardihood to finance his extravagances and whims by issuing tokens of royal indebtedness to men of commerce; of how some ingenious sychophant peers of the realm that frequented the Court of the carousing king, discounted these promissory notes at great profit, because of the facility available to them of helping themselves to face value of these pronotes by reason of their proximity to and influence over the King.

Centuries have no doubt passed since this royal hedonist was the unwitting inventor of negotiable instruments of Governmental borrowing. We can say, as we often do, that it is a far cry from the days kings and courtiers who wined and dined off the fat of the land and the Government securities market of today which are very different things from being tokens of indebtedness of whimsical kings, though the word 'Gilt-edged' traces its origin according to some, to the fact of it all having started with royalty.

It is true that Government securities are regarded as the most preferred form of investment by banks and insurance houses the world over. Their high fluidity, despite their low yield makes them the first line of defence for banks. Their easy pledgeability and saleability are regarded as valuable characteristics. Provident Funds, Trusts, Charitable and Educational Endowments are all called upon to put their "corpus" in Government Securities.

Today, however, individuals do not by and large care to put their savings in gilt-edged except where trusts for minors are created. This is because of the low yield available after taxation and the fact that gilt-edged is known to be no hedge against inflation. Thus when new loans are floated, it is observed that Governments both at the Central and State levels in India concentrate on appeals to banking institutions and believe that individual subscriptions would be small.

There has been a tendency for State borrowings to become bigger in order to achieve some degree of self-reliance in financing plan projects. In order to ensure subscriptions for the larger loan issues made by States, it was not regarded as adequate for State Governments to appeal to the banks and the Life Insurance Corporation to subscribe and sit back. They have had to press into service their revenue collecting machinery to canvass subscriptions, by the simple process of each District Collector being allotted a target of collection and he in turn mobilising his deputies and the tahsildars who fall back in turn on village officials—like some subunderwriting machinery in public share issues. These officials finding it by no means easy to induce subscriptions in driblets preferred to induce subscribers to go to banks, take overdrafts for sizeable sums and apply through the banks, depositing a small margin with the banks.

A new class of enterprising subscription promoters in rural areas has sprung up in several districts more particularly in Andhra and Madras States. I hear they are now observed to have sprung up in other States also. It is now believed that without the assistance of these loan-subscription promoters, State loan issues at any rate would have had to confront the spectre of undersubscription. They have therefore come to be regarded by the lower rungs of revenue officialdom as a valuable standby.

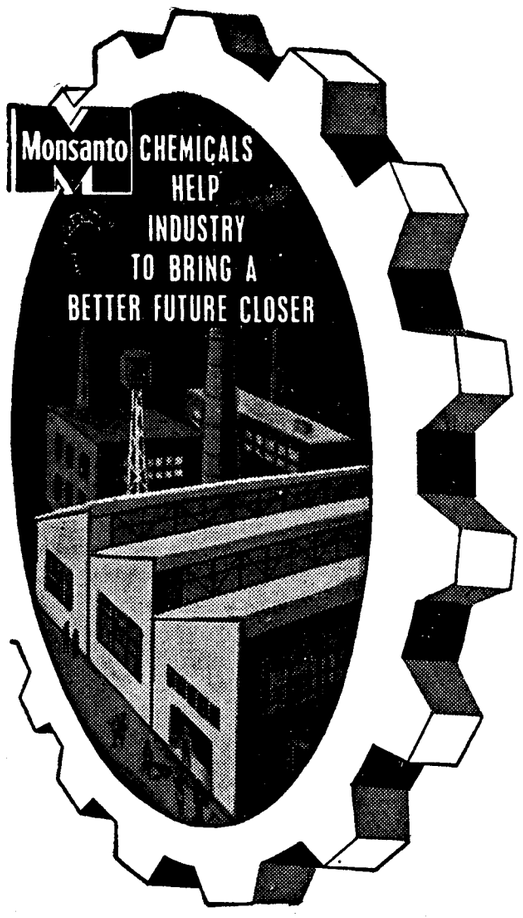
Let us now see how they operate. The loan subscription promoters (who for purposes of this article I shall describe as L.S.P.) have arrangements with one or more fair-sized banking institutions to give overdraft facilities to the rural subscribers for new loan issues on a margin of say 2½ per cent. The banks offer these facilities as these overdrafts are of very short duration and often banks themselves buy off these securities at a discount. The L.S.P.s go along with revenue officials to the village landowner and tell him that he is put down as a prospect for say Rs. 1 lakh subscription in the new loan. The landlord who is sensitive to the steamrolling effect of this visitation by revenue officialdom has not of course the required sum to subscribe nor even any fair part of it. The L.S.P. has a whispered consultation with the landlord and tells him that he, the L.S.P., is always there to arrange bank facilities if the landlord would plank say two per cent of the money or Rs. 2,000 as margin to be deposited for the overdraft arrangement that enables him to become a proud subscriber of Rs. 1 lakh and assures him that the loan scrip would be sold out the moment scrip is issued or even earlier by negotiating bank receipts — an interbank facility that enables business to take place in the temporary absence of scrip. The landlord is often prepared to lose his margin wholly or in part so long as he has been able to propitiate the revenue officials concerned, of whom he sincerely hopes he has seen the last for the season.

The L.S.P. either arranges an overdraft in the landlord's name with the bank paying another ½ per cent out of its own pocket as residual margin or arranges one in his own name and subscribes for Rs. 1 lakh loan. In the former case he has to take an authority letter from the landlord to sell out the loan bonds as early as possible, after issue and also a letter to the bank authorising them to deliver the bonds when received against payment as per instructions of the L.S.P. The loan issue is subscribed or oversubscribed by (a) banks investing on their own account and (b) on behalf of overdraft availing clients of the aforesaid description who never intend to hold on to the bonds because overdraft interest is high as compared to taxable bond interest. Once the subscription list is closed, the L.S.Ps get busy contacting city brokers as to possible saleable rates of the bond and endeavour

to sell quickly and often do so without waiting for bonds to be received from the public debt office and on a bank receipt basis. The L.S.P's hurried sales result in the bonds being sold below the issue price and a discount of about 50 nP. to one rupee was common till recently. The margin of 2 rupees collected from the subscriber operated as a safe cushion against such discount in price levels and there was still a retainable residue of margin which the L.S.P. trousered as the fee for his troubles.

Unfortunately this happy position has been reversed in recent weeks. Several of the recently issued State Loans have been sold at Rs. 2.50 to Rs. 3 discount on the issue price. The fall in price was caused by pressure from L.S.Ps to sell—because soon after overdrafts were given, the interest rate was raised by the banks — following Reserve Bank's directive to increase the average rate of lending by ½ per cent. The gap between the interest paid to the banks and the tax-deducted-interest on the bond widened as a result and this became a significant out-of-pocket burden which the L.S.Ps were naturally reluctant to shoulder. The scramble to sell became large as a result. Four per cent 1969, Andhra and Madras State Loans were issued at Rs. 99.75. The Andhra Loan was sold down to Rs. 96.75 and the Madras Loan down to Rs. 97, the losses being respectively Rs. 3 and Rs. 2.75 per cent — incurred in a period of 3 months from the date of issue. The L.S.Ps have all been bitten by having to sell bonds at a loss and having no recourse against the original subscribers. They incur expenses going from place to place, take the trouble to arrange overdrafts, pay out-of-pocket difference in interest on overdrafts and finally incur a capital loss on sale; all of which constitutes a rather unprofitable promotional effort.

For some years there were complaints of official pressure in securing subscriptions for loans. The revenue official cannot be obviously expected to get subscriptions by gentle persuasion and they were in a quandary when Government asked them not to use pressure. But this new class of L.S.Ps came in handy and what might have been a bagatelle 2,000 rupees subscription was increased to Rs. 1 lakh by the ingenuity of the L.S.Ps, who helped to create optical illusions of rural support for loan issues. Thanks to Reserve Bank policy of dearer money for trade and industry, these unsung bond-salesmen of rural India are making a hurried but determined retreat from promotional efforts for future loans. The million dollar question is, who will be in a less enviable position in the context of future State loan issues: the itinerant revenue official or the State Governments whose loan issues have become his pet aversion; or the bank who piled a gainful trade in the past, buying securities that were distress-sold at attractive discounts?



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THE BUSINESS WORLD

Is the World Shortage of Capital Coming to an End?

By WILLIAM REES-MOGG

THE key to the success of international development in the 1960's will be the price of money. In the 1950's the non-industrialised countries still for the most part had reserves to draw upon; India in particular had the sterling balances which had accumulated during the war. They were also able to undertake new debt without feeling immediate anxiety about the cost of the debt service on the balance of payments. By 1960 this had ceased to be the case for India or for most other countries in need of development. The problem was no longer a simple one of how much capital could be obtained; there arose the new problem of how much could be paid for.

As a result in recent years all developing countries have become acutely conscious of the importance to their economies of the level of international interest rates. Loans from the Communist countries often come at artificially low interest rate (Communist interest rates like Communist export prices are arbitrarily determined). Nevertheless, most foreign capital could only be obtained at rates settled in the light of the world demand for capital.

For many years we have become accustomed to the assumption that there was, in a real sense, a world shortage of capital. That was not merely taken to mean a world shortage of liquidity, of money or credit in one form or another. Such a shortage can always in theory be cured by purely monetary methods. What was meant was something quite different; it was a world shortage of the capacity to produce capital goods.

In such circumstances it was considered natural for the price of capital to be forced up. In fact, just such circumstances did undoubtedly exist for the ten years after the war. There was hardly any surplus heavy industrial or constructional capacity in any of the major industrial countries during the ten year period. As a result the attempt to hold down interest rates after 1945, particularly by the Labour Government in Britain and the Truman administration in the United States, did in fact break down. The world market price of credit was forced up by the shortage of industrial capacity to make the capital equipment that was wanted.

All this is now agreed. Yet people still take the shortage of industrial capacity for granted, after it has in fact ceased to exist. The vital factor is the position of the United States. There the level of unemployment has risen to 6 per cent, while only half of the steel capacity is being employed — and this not at the climax but at the start of a recession.

This is all the more important because the United States is still the great central investment reserve of the non-Communist world. Outside the Communist sector the U.S. has something like half the world's investment capacity. If the U.S. has surplus capacity on its present scale then there cannot exist any true world shortage. For instance, the United States present spare steel capacity is larger than the actual production of any other industrial country except Russia.

Plainly the major re-equipment period has now passed in Europe and in all the Communist countries except China. The sporadic appearance of surpluses of Russian commodities, and the growing Russian exports of capital confirm this.

However, if this is so, the concept of a long-term shortage of capital goods capacity is no longer justified. In that case the expectation of high interest rates in the period of the next few years is also likely to prove wrong. If interest rates are ultimately determined by the state of industrial capacity to produce capital goods, then they ought now to be starting a major long-term decline; comparable in significance to their rise in the early 1950's.

Certainly there are some signs that this may be happening. The United States has reverted to a frankly easy money policy, and has brought interest rates down rapidly. The British Bank Rate, though still at the comparatively high level of 5½ per cent, has also been brought down. Germany and France are expected to follow with at least comparable reductions.

The period of falling interest rates could be quite a long one. Problems such as the desire to avoid devaluation of the dollar could delay it. Plainly, however, this is a trend which would be of immense value to the Indian economy. Each one per cent off India's interest liability is the equivalent of a large increase in exports. The capital consuming countries have an obvious and vital interest in the improvement of the world's supply of capital; that is itself more a matter of physical capacity than of the creation of credit.

The one factor telling the other way is of course the need of the developing countries themselves for capital goods. However, even the most optimistic development plans are in fact comparatively small compared to the potential world resources. The world shortage of capital was created by the post-war re-equipment and expansion needs of the most advanced industrial economies; it was on the scale of their existing capacity. There seems to be no danger that the countries which are in process of industrialisation can overstrain the resources of the most advanced industrial economies; long before that they would have overstrained their own.

The Consequences of the Credit Squeeze

By CROESUS

HAS the latest instalment of dearer money policy of the Reserve Bank proved effective? This is the question that is currently being hotly discussed in financial circles everywhere. While the Governor of the Reserve Bank is reported to have maintained —this he is stated to have done in the course of an address to the Society for International Development, Madras Branch, last week—that the credit squeeze has helped restrain speculation and also assisted in bringing down commodity prices, the press in general and sections of the financal Press in particular do not seem to think so. Availing himself of the occasion provided by his address on "Monetary Stability and the Role of the Reserve Bank," I find that Mr. Iengar made the point that the Reserve Bank's recent policy of dearer money was aimed at reducing demand in credit for non-productive purposes like speculation on the stock exchanges and commodity markets. Combined with the monetary measures taken by the Bank previously, he said, the cumulative effect should be to exercise a downward pull on inflationary pressures. He then went on to describe the latest measure and tried to counter two criticisms, namely (1) that it increased industrial costs, and (2) that, inasmuch as it would exert pressure only on the organised market and there was a considerable unorganised money market over which the Reserve Bank has no control, the effect would only be to divert business to the unorganised sector. On both these points, as is only to be expected, he reiterated his views expressed on previous occasions. In fairness to him, I must add that nowhere in the reported speech have I come across a categorical claim by him that the results visualised by the Bank had been realised.

Be that as it may, it is appropriate, before pronouncing opinions, to examine the relevant bank statistics to see how far the latest dose of credit squeeze has produced results. It was on October 1 that the latest credit squeeze measure became effective. On 30th September last, that is, on the eve of the enforcement of the credit squeeze in question, total bank credit stood at Rs. 1121.59 crores. After four weeks, that is as on October 28, total bank credit stood at Rs. 1111.18 crores. Over the four-week period thus, there has been a decline of Rs. 10.41 crores, making an average decline of Rs. 2.60 crores per week. But even after this decline, total bank credit at the end of October. 1960 was Rs. 169.73 crores higher than at the end of October, 1959 Again, over the same four weeks of October 1960. total deposits also have shrunk, after a steady rise until mid October. Thus, from the mid-October peak level, the latest position with regard to total deposits represents a fall of Rs. 17.30 crores; even taking the absolute figures as on September 30 and those on October 28, the net difference or decline amounts to Rs. 12.14 crores. In other words, notwithstanding the credit squeeze, the ratio of total bank credit to total deposit liabilities continues to be high at 58.45 per cent — it was even higher at 58.85 per cent for the week ended October 21 — as against 52.34 per cent at the end of October, 1959. The latest figure incidentally is only less than one per cent below the peak reached during the last busy season. On the basis of these figures it cannot be contended that the credit squeeze has had any marked effect so far. At the same time, it cannot be doubted that it has created conditions which make it difficult for banks, as well as for trade and industry, to obtain their requirements of credit as freely as before. Otherwise, there would not have been any need for representations to the Reserve Bank from several quarters pleading for a relaxation of at least the latest credit squeeze. What has, in fact, happened is that, whether or no it has discouraged unhealthy speculation on the stock markets as intended by the Reserve Bank, the credit squeeze has created a degree of confusion and disturbed investors' confidence noticeably. The high call money rates in the inter-bank sector and the capital depreciation in Government securities—especially State loans—are significant pointers to an avoidable deterioration in the situation, a development the implications of which can only be ignored at our peril. Add to this the sudden cooling off of interest in new capital issues and we have a situation which can hardly be expected to foster investors' confidence.

Had any of the aims that Mr. Iengar claimed for the Reserve Bank's latest measure of credit squeeze been achieved, there would perhaps have been a better appreciation of the dearer money policy of the authorities But there is no concrete evidence to establish that the policy has had its effect on the price structure as a whole. Except where supplies have been appreciably increased as, for example, in foodgrains and sugar, prices have, in fact, tended to rise. The frantic efforts that are being made by the authorities to prevent the rise in prices in raw material of at least two of our major industries, cotton and jute textiles, are clear proofs that the policy has not proved effective. As for curtailment of credit to non-productive purposes, while it is doubtful whether this has at all been achieved, it is quite clear that the needs of atleast some essentially productive enterprises have been adversly hit. In consequence, whether by a negligable or a sizeable margin, the costs of productive enterprises have increased and, to this extent, instead of countering inflation, the policy may be said to have only added to its tempo.

This is not to say that we have no use for monetary weapons nor to underrate their effectiveness in given situations. But, as Mr. Iengar seems to admit, the best results can be expected only when there is proper co-ordination between the monetary and the fiscal fields. Maybe, a precise co-ordination is difficult to attain, but then the two must atleast not work at cross purposes. Also the desired results would not follow, if one policy is actively pursued while the other is passively or sedulously dormant. As Mr. Cobbold, Governor of the Bank of England, did in London recently, Mr. Iengar also must admit, sooner or later, that "monetary policy can only carry part of the burden of the economic adjustment and cannot be effective if it is expeted to work against, rather than in support of, government policy in fiscal and other fields." Again, as Mr. Cobbold urged, credit policy should not be too rigid. There is need for less rigidity in this matter on the part of the Reserve Bank of India. If the latest credit squeeze is not to result in more damage, especially as we are on the eve of the busy season, the Reserve Bank should take steps to ensure that a proper correlation is soon established between the demand of the forthcoming busy season and the quantum of bank credit that is to be made available.

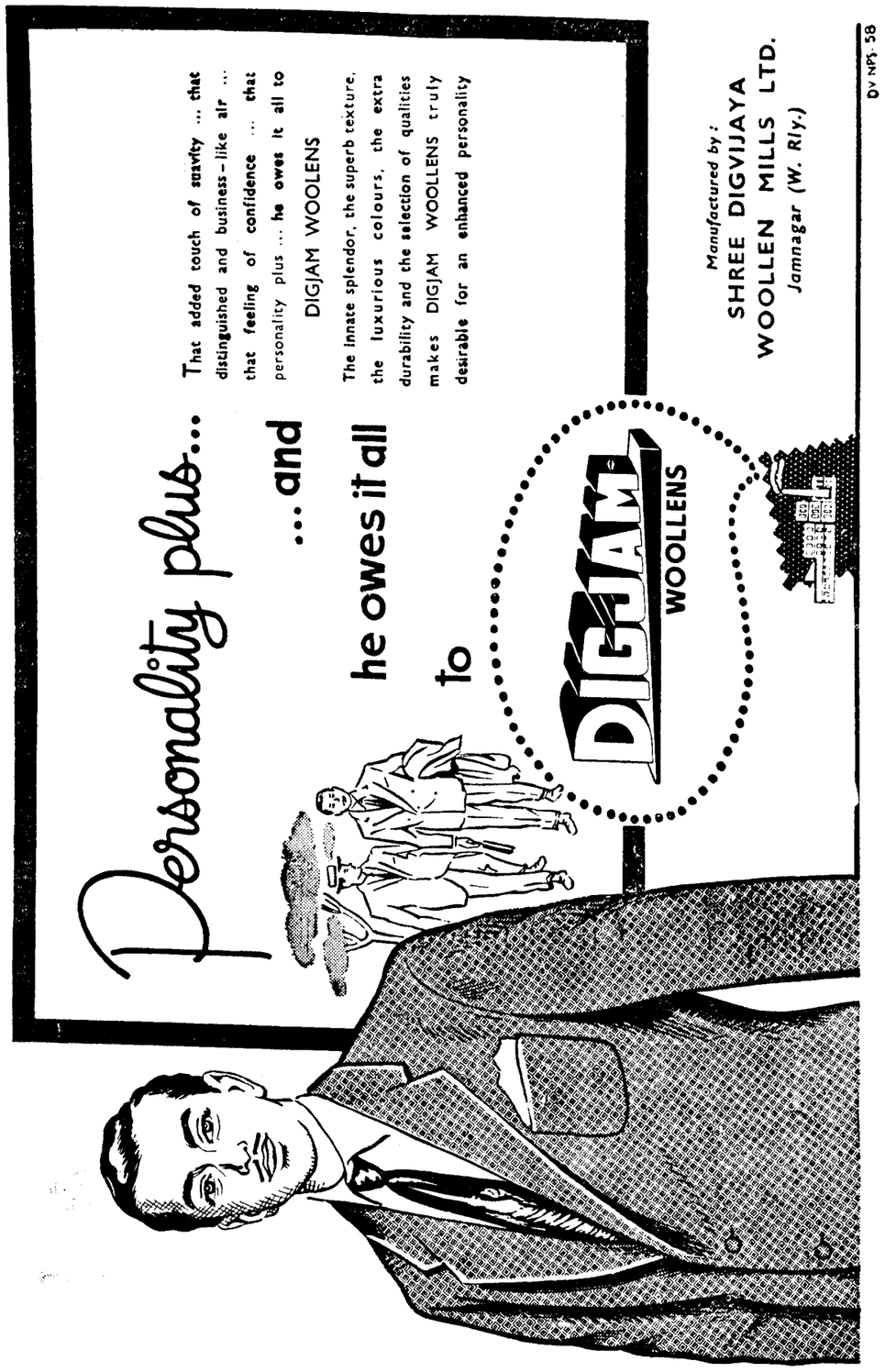
Business Notes

L.I.C.

THE THIRD MILESTONE

THE LIFE INSURANCE CORPORATION'S third annual report for the calendar year 1959 has an encouraging account of yet another stride made in business. Most of the indicators of business justify the conclusion that progress has been much faster in this year than in the earlier two years. It can be confidently said that the life insurance business has now received a new dynamism in this country and due credit can be given to the Corporation for it. During the year 1959, new business amounted to Rs. 429 crores as against Rs. 348 crores





in 1958. In percentage terms there was an increase of 25 per cent in 1959 above the previous year as compared to the increase of 22 per cent in 1958. But the fact that the base for the percentage estimation for 1959 was higher conceals the real magnitude of increase in percentage terms. It is not necessary to repeat the performance of the Corporation in respect of each single indicator.

The report for the last year gives a clear impression that the post-nationalisation task of integration of the former private units has been successfully accomplished. Now that the Corporation has not only consolidated its progress but entered upon a distinct phase of accelerated progress attention should be drawn to the overall expense ratio. This ratio improved from 29.2 per cent in 1958 to 28.7 per cent in 1959. But here a pertinent question may be asked: Can it be said that this pace of improvement is satisfactory? At the time of nationalisation, much capital was made out of the virtues of integration, large-scale operations and the efficiency and economy which go with them. Integration must show concrete results in terms of a lower expense ratio. It is difficult to be sure that the lower expense ratio of 1959 can be reckoned as gratifying. The Corporation would do well to accept the yardstick of expense ratios in the industrialised countries where the insurance habit has spread intensively and try to measure its success with reference to it. In any event, the financial management of the Corporation at this stage ought to show progressive economies. This is for the reason that the sources where business is being tapped are confined essentially to the already explored urban sector.

This leads one to an important aspect of the future of life insurance and the new challenge which the Corporation has to face. Fresh business potential in the field of life insurance is to be sought in a substantial degree in the rural sector. How far has the Corporation succeeded in penetrating into this field? Certainly, the Corporation has no proud claim to make in this behalf. A significant fact to be noted is the frank admission of the failure of the scheme of Janata policies. It would appear that the initial pilot projects taken up for experimentation of this scheme have now dampened the original enthusiasm of the Corporation and it should be clear that the rosy picture of the prospect of the Janata policy scheme was highly exaggerated. Why have the pilot projects failed to yield the expected results? The Corporation's explanation is: "As the Corporation issues policies for Rs. 500 and above under its plans, most people prefer to go in for such ordinary policies in preference to Janata policies." This explanation is hard to accept. What exactly are the attractive features of these conventional policies which claim preference at the hands of prospective policy-holders? The preference referred to above seems to be confined to the lower income groups in the urban sector. But that is not enough. If the saving and insurance habit is to be encouraged on a nation-wide scale, the potential sphere of the rural sector ought to be tapped.

Trade

MOUNTING DEFICIT WITH GERMANY

WEST GERMANY'S foreign trade has been setting new records year after year, throughout the fifties. In 1959, her exports rose by 11 per cent to over DM 41,000 million, while her imports increased by 13 per cent to DM 35,148 million. Probably the most interesting phenomenon on the import side last year was the extent of rise in purchases from Germany's Common Market partners, which rose from DM 8,000 million to DM 10,000 million—an increase of 25 per cent. While Germany has thus had a record foreign trade, our country's trade with her has given rise to an adverse balance of trade of Rs. 80 to 90 crores! This was the gloomy picture that was disclosed by Mr. Lal Bahadur Shastri, the Union Minister for Commerce and Industry, whilst addressing the last Annual General Meeting of the Indo-German Chamber of Commerce in Bombay, last week. Expressing concern over this state of affairs naturally, he pointed out that the most difficult problem facing the country was how to wipe off this deficit.

During 1957-58, India's imports from Germany had reached the figure of Rs. 130 crores, as against which our exports to Germany were only Rs. 28 crores. There was some improvement in our trade relations with West Germany last year, because, during 1959-60, our imports fell from Rs. 130 crores in 1957-58 to Rs. 106 crores. At the same time, unfortunately, for us, our exports to Germany also dropped from Rs. 28 crores in 1957 to just over Rs. 20 crores, both in 1958 and in 1959. If the present trend should continue, it is estimated, India's trade deficit with West Germany would reach the enormous figure of Rs. 500-600 crores during the Third Plan period. It must be disconcerting for both India and West Germany to see such a trend. It must be particularly so to us, for this has been happening when German imports from the other parts of world have been showing an increase. With the exception of 1958, when the terms of trade moved sharply in Germany's favour, imports have risen steadily year by year. Among the countries which exercised a strong influence on Germany's import pattern, in the descending order, were France, the USA, Netherlands, Italy, Belgium-Luxumberg and the UK. Three others of the Outer Seven—Sweden, Switzerland, and Denmark—followed the UK.

AIDS TO EXPORTS

NOW, GERMANY'S export surplus makes it essential that other countries should have the best possible chance of increasing their exports to her. In this connection, Mr. Shastri stated that India was ready to export goods, such as tobacco, cotton textiles, shellac, mica, carpets, floor coverings, sports goods, handicrafts, leather, and tea which are all in great demand in West Germany, to bridge the trade gap. He added that a stage had been reached when India should no longer be explored as a market for West German goods, but, on the contrary, that all possible steps should be taken by Germany to import more and more from India to narrow the existing trade deficit between the two countries. The Union Minister also made certain suggestions to strengthen the trade bonds between India and West Germany. For instance, he suggested that a possibly hopeful line of co-operation was to process the material in India—this would save a considerable sum on freight—and feed German industries with the material so processed in India. There was no precise limit to which these arrangements could be worked, he added. Meanwhile, it may be noted that, for the benefit of the exporting countries, Germany which is one of the world's largest creditor countries, has lately launched on a process of liberalization of quota restrictions. This is as it should be. It remains to be seen how far she will be able to follow an "outward looking policy"—which, in the main, she has followed hitherto—inside the Common Market.

Earlier, Mr. A. B. Parakh, President of the Chamber, said that the main effort of the Chamber had been in the specialized field of promoting trade, commerce and industrial and economic relations between India and West Germany. He urged the need for setting up in the offices and organisations which represent our industrial and commercial interests in every foreign country an active and effective sales force. The stress on the words "active" and "effective" cannot be overdone in the context of reports that one hears so often from West German business men who visit our exhibits in places like Dusseldorf and find that they cannot place an order

for the bulk supply of any of the exhibits that might appeal to them. Those who are in charge of the exhibits, we are told, do not care to lift even their little finger to encourage those who make such inquiries and put them in touch with reliable parties in India. It is futile to hope for any large-scale rise in our exports even to a sympathetic West Germany, so long as this state of affairs lasts.

AGREEMENT WITH CZECHOSLOVAKIA

TRADE BETWEEN India and Czechoslovakia has been increasing during the last few years. During the year 1952, 1953 and 1954, India had a favourable balance of trade, but the trend was reversed in 1955 and in 1958 the unfavourable balance of trade was as high as Rs. 253 lakhs. Export promotion measures in 1959 had their effect and India acquired a favourable balance to the tune of Rs. 51 lakhs. In these years the commodities which found favourable market in Czechoslovakia were mostly hides, skins and fur skins undressed, metalliferous ores and metal scrap, textile yarn, fabrics and made up articles and related products etc. The table below depicts the general direction of trade since 1952:

DIRECTION OF TRADE

(Rs. lakhs)

Year	Imports	Exports	Balance of Trade
1952 ..	1,60	2,90	+1,30
1953 ..	1,28	2,75	+1,47
1954 ..	1,33	2,08	+ 75
1955 ..	2,02	1,14	— 88
1956 ..	6,28	2,91	—3,37
1957 ..	6,15	3,78	—2,37
1958 ..	6,48	3,95	—2,53
1959 ..	3,72	4,23	+ 51
1959 (Jan.-June)	1,65	2,26	+ 61
1960 (Jan.-June)	3,43	3,42	— 1

A new trade and payments agreement has now been concluded with Czechoslovakia. The agreement will remain valid for three years and will come into force from January 1, 1961. Payments relating to commercial and non-commercial transactions between Czechoslovakia and India would be effected in Indian rupees. This is in keeping with the pattern of trade agreements which has now become conventional. Besides, the two countries have agreed to grant each other most-favoured-nation-treatment and other trade facilities.

The agreement is framed on the basis of equality and mutual benefit and is, therefore, bound to increase further the trade between the two countries. It may also be interesting to note that Czechoslovakia has promised aid to the extent of Rs. 23.10 crores for the Third Plan. This in itself is an indication that the economic and commercial relations between the two countries are becoming closer.

Tobacco

QUALITY CONTROL

QUALITY CONTROL and standardisation of products have become an integral feature of almost every economic activity these days, which is as it should be. While inaugurating the Tobacco Seminar recently at Guntur, Dr. Punjabarao Deshmukh, Union Minister for Agriculture, ascribed the growing export potentialities of Indian tobacco also to the institution of compulsory quality control on unmanufactured tobacco destined for overseas markets. This has helped to create confidence among foreign buyers, he said. An idea of the increase in exports of tobacco can be had from the following table:

Period	Export of unmanufactured Tobacco	
Average	Quantity (In million lbs.)	Value (In lakhs of rupees)
1942-43 — 1944-45 ..	21.9	97
1945-46 — 1947-48 ..	48.0	427
1948-49 — 1950-51 ..	75.40	979
1951-52 — 1953-54 ..	82.06	1,249
1954-55 — 1956-57 ..	89.76	1,163
1957-58 — 1959-60 ..	93.16	1,432

Although exports of tobacco have been increasing year after year, it is interesting to note, that, out of the total production of tobacco (590 million lbs. of all types) in the country, only about 13 to 14 per cent is exported. More than 75 per cent of the tobacco exported consists of virginia type grown in Andhra Pradesh alone. Now, there is vast scope, even as there is urgent need, for increasing tobacco exports, if need be even by curtailing internal consumption. As it is, tobacco exports accounted for Rs. 14 crores by way of foreign exchange during 1958-59 and contributed Rs. 45.8 crores to the Union Exchequer as excise duty during 1957-58.

So far so good. It would, however, be unfortunate if the fact that tobacco exports are expanding thus were to generate a sense of complacency (as is feared) to the neglect of several of the problems and, therefore, to the detriment of the industry as a whole. In spite of quality control at each stage of production, to mention only one of these, there are still complaints as regards quality from our traditional buyers, such as, the U.K. It should be remembered that our virginia tobacco is in demand because (1) of its bright and attractive colour and (2) of its quality. If no efforts are made to maintain the colour and the quality of the tobacco we export, we have only ourselves to blame if the U.K. — which is the largest importer of unmanufactured tobacco in the world — were to seek alternative sources such as the Federation of Rhodesia and Nyasaland.

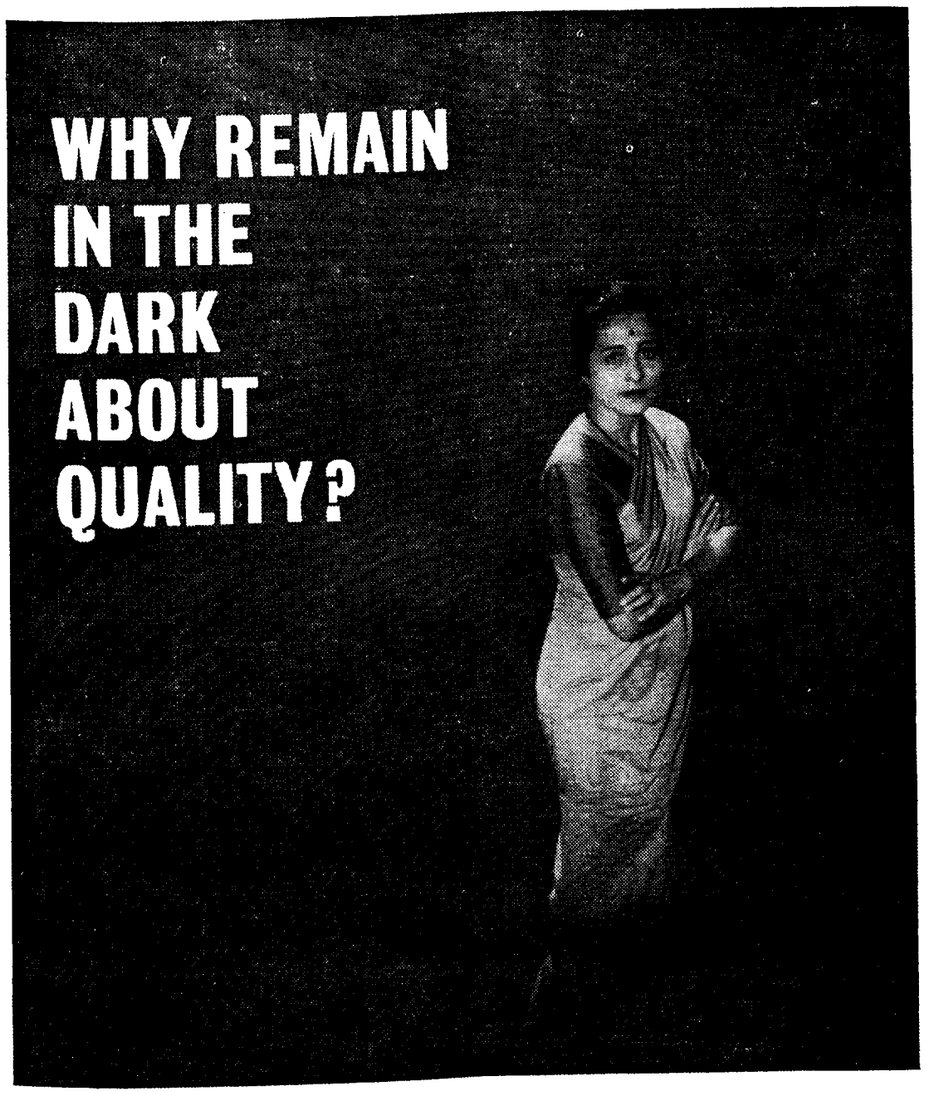
Perhaps the tendency to become complacent stems from the fact that India today occupies the third place, after the U.S.A. and China, among the tobacco-producing countries of the world. World production of tobacco during 1957-58 was estimated at about 8,300 million lbs.. India's share therein being 590 million lbs. In this increasingly competitive world of ours, if India is to retain her position—and in the context of our foreign exchange crisis, we have no alternative but to maintain, nay improve upon, this—there can be no place for any complacency. The authorities, for their part, would do well to give careful consideration to certain suggestions in this behalf made by the tobacco growers. Among others, they have stressed these three: first, Indian tobacco manufacturers, foreign buyers and others should be required to indicate, well in advance, some idea of their requirements; secondly, the Government of India should enter into long-term agreements with the importing countries regarding the quantities required, and the economic price to be paid for, and, thirdly, it should be made clear that prices for Indian tobacco should be on the basis of the quality of the leaf sorted according to "Agmark" grades specified by the Government of India.

The Government of India would also do well to implement the following suggestions made by the Tobacco Seminar at Guntur:

(1) A soil survey must be taken up immediately;

(2) cultivation of flue-cured virginia tobacco should be prohibited;

(3) A "Package-programme" on the lines of the programme initiated for paddy should be launched in the case of flue-cured virginia tobacco also.



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FROM THE CAPITAL'S CORRIDORS

LOK SABHA SESSION

THE winter session of the Lok Sabha opens on November 14. Thirty sittings have been planned for this session which will come to an end on December 23. The Prime Minister's statement on his participation in the UN meet and that of the Finance Minister on his recent visit to London and the United States should be the highlights of this session. Assam controversy is also likely to be discussed. So also the problems arising out of the shortfall in coal production and its movement by the railways. The session, however, is expected to be dominated by "half-an-hour" discussions; no less than seventeen notices for such discussions have already been received by the Lok Sabha Secretariat.

Some of the important subjects on which the Members have sought to raise "Half-an-hour" discussions, along with the talking points they have indicated relating to them, are:

(a) **The Economy Car:** The motion seeks to discuss the Government Resolution setting up a Committee to select a small car to be manufactured in this country. The following talking points have been indicated in this respect: (1) Advisibility of establishing a factory in the public sector and setting up of a number of ancillary units in under-developed areas; (2) Method and extent of protection to be granted to the automobile industry; (3) Level of indigenous content in case of certain automobile manufactures and measures to be taken to increase such content; (4) Target for commercial vehicles at the end of the Third Five-Year Plan; (5) Urgency for the manufacture of cheap and strong cars of two types without delay and need to reduce manufacturing costs, in collaboration with Defence Ministry; (6) System of price fixation and the principle of fixed margins of profits for manufacturers; (7) Question of price control of trucks and cars and need for manufaturing more trucks and carriers; (8) Need for liberal provision of foreign exchange for import of components.

(b) **Cotton Industry Wage Board:** The motion seeks to discuss the decisions of the Government on the recommendations of this Wage Board on the following lines: (1) Capacity of industry to pay increased wages and the impact of recommendation on other industries and exports; (2) Discrimination in the wages suggested by the Board; (3) Merger of DA with the basic wage and neutralisation of dearness allowance; (4) Recommendations regarding gratuity; (5) Financial effect of the various recommendations, their implementation in various States and effect on uneconomic units; (6) Fixation of work-loads and rates of payment of wages; (7) Progress regarding implementation of the recommendations in various States.

(c) **Rise in Cost of Living:** This motion seeks to discuss the abnormal rise in prices of commodities "throughout the country". The following points are sought to be raised in this connection: (1) Impact of rising prices on implementation of Five-Year Plans; (2) Effect of prices on standard of living and need to check rise in prices; (3) Frustration in fixed income groups and salaried employees; (4) Expansion in money supply.

(d) **Economy Measures:** The measures adopted by the Government to keep down its expenditure are sought to be discussed on the following lines: (1) Need for adopting more stringent measures for economy and scope of various measures for effecting economy; (2) Failure to implement various measures and mounting expenditure on administration and ceremonies.

(e) **Direct Taxes:** Discussion on this subject will refer to Tyagi Committee's Report on Direct Taxes. It will be on the following lines: (1) Incidence of direct taxation and need for overhauling and rationalising the structure of direct taxes; (2) Increase in income-tax arrears and ways and means to collect dues from the assessees; (3) Prevention of tax evasion; (4) Increased punishment to tax dodgers and black-listing of tax dodging firms and individuals; (5) Abetment of tax evasion to be penalised; (6) Need to evolve simple procedure and to re-orientate the official machinery for effective implementation; (7) Need for independence of Appellate Tribunals; (8) The question of Estate Duty exemption certificates.

(f) **Public Sector Enterprises:** The discussion on this subject is to revolve around the following points: (1) Need to reduce heavy overhead costs and to run the undertakings in a profitable manner; (2) Fixing regulations to recruit personnel with due regard to the interests of local talent; (3) Profitable marketing of the products of the companies in the public sector; (4) Association of labour with management; (5) Need for imparting special training to staff and to run companies on commercial lines by cutting red-tapism; (6) Capital structure, depreciation policy, price policy, manner of calculating profits and building up of reserves; (7) Participation of private capital in the public sector undertakings; (8) Undesirability of permitting haphazard growth of public sector undertakings as corporations; (9) Need to restrict the number of corporations; (10) Ban on employment of retired officers; (11) Need to prescribe financial principles to govern (a) capital structure, (b) depreciation policy, (c) contribution by such corporations to general revenues, (d) manner of calculating net profits, (e) building up of reserves, (f) price control of commodities produced or services rendered by such corporations, and (g) other financial adjustments; (12) Parliamentary control with particular reference to (a) corporation budget, (b) laying down of policies, (c) changes in directorate, (d) control of capital issues, (e) prevention of monopolistic trends, and (f) audit control.

(g) **Sugar:** The Member sponsoring this motion has indicated the following points on which he will dwell upon during the discussion: (1) Need for change in the distribution system of sugar in view of increased production; (2) Profits being realised indirectly by several State Governments in distribution of sugar; (3) Integrated development of sugar industry in the country; (4) Country's capacity to export sugar; (5) Need for removal of all controls on sugar industry; (6) Proper and economical utilisation of molasses.

(h) **Industrial Finance Corporation:** The motion on this subject is to be taken up if time permits. The following talking points have been indicated by the Member who is sponsoring this motion: (1) Need to give assistance to deserving industries especially in the South; (2) Discrimination shown by the Corporation in giving assistance and need to fix priority for giving assistance; (3) Need to simplify procedure for giving loans and actual payment of money; (4) Review of development of industries particularly in the fields in which the Corporation has advanced loans; (5) Arrangement for training for supervisory staff of State Finance Corporation; (6) Need to grant loans for industrial co-operative societies and to promote small-scale industries; (7) Necessity of introducing checks to prevent misuse of loans granted; (8) Steps for realisation of over-due loans.

(i) **National Industrial Development Corporation:** The points indicated for discussion on this subject are: (1) Need for development of industrially backward areas; (2) Need for expanding the activities of the

Corporation; (3) Review by the Government of the working and affairs of the Corporation and steps to be taken to improve them; (4) Schemes of financial assistance rendered to the industries and the result thereof; (5) Schemes of rehabilitation, modernisation and expansion of industries; (6) Impact of these schemes on the economy of the country with particular reference to the new industries and regional distribution of credit; (7) Composition of the Board of Directors.

NEW BILLS

In addition to the fifteen pending Bills, included in which is the Bill amending the Companies' Act, twenty-one Bills have so far been planned to be introduced during this session. The list drawn up, however, does not include two Bills seeking to ban strikes by Government employees and checking of anti-Indian propaganda on the borders. The following are the important new Bills planned for the session:

(1) The Indian Telegraph (Amendment) Bill.
(2) The Indian Wireless Telegraphy (Amendment) Bill.

These Bills seeks to cover the licensing of TV sets possessed and/or worked in India.

(3) **The Constitution (Ninth Amendment) Bill:** This Bill seeks to give effect to the transfer of certain territories to Pakistan in pursuance of agreements entered into between the Governments of India and Pakistan.

(4) **The Acquired Territories (Merger) Bill:** This Bill provides for the merger with the States of Assam, Punjab and West Bengal of certain territories acquired in pursuance of agreements entered into between the Governments of India and Pakistan and for matters connected therewith

(5) **The Slum Areas (Improvement and Clearance) Amendment Bill:** This Bill seeks to quicken the pace of slum improvement and slum clearance work in Delhi and to give protection against eviction to Amladars.

(6) **The Specific Relief Bill:** This Bill defines and amends the law relating to certain kinds of specific relief obtainable in civil suits.

(7) **The Limitation Bill:** This Bill seeks to consolidate and amend the Law relating to limitation.

(8) **The Marking of Heavy Packages (Amendment) Bill:** This Bill provides for the appointment of authority for the enforcement of penalties under the Act.

(9) **The Forward Contracts (Regulation) Amendment Bill:** This Bill seeks to enable the Central Government and the Forward Markets Commission to keep a more effective watch over forward trading activities and also to remove difficulties that are experienced in the working of the Act.

(10) **The Industrial Employment (Standing Orders) Amendment Bill:** The Bill seeks to extend the scope of the parent Act and to provide for appointment of additional certifying officers etc.

(11) **The Preventive Detention (Continuance) Bill:** This Bill seeks to extend the life of the Preventive Detention Act, 1960, for a further period of three years.

A Bill is also to be introduced to define the duties and powers of the Comptroller and Auditor-General of India.

UTILISATION OF ASSAM GASES

According to a report on the utilisation of Assam gases, prepared by Burmah Oil Co. Ltd., 38 million c.ft. of natural gas per day of the composition methane 90.40 per cent, ethane 5.08 per cent, propane 2.84 per cent, Iso-butane 0.47 per cent, N-butane 0.66 per cent, and Iso-pentane, N-pentane and Hexanes 0.55 per cent, would become available for use by about April, 1963. The liquifiable petroleum gases (LPG) would yield the following quantities of hydro-carbons:

Propane	39,000 gallons/day
Iso-butane	12,000 gallons/day
N-butane	14,000 gallons/day
Pentane, etc.	9,000 gallons/day

It is understood that out of the 38 million c.ft. of natural gas, 28.5 million c.ft. have already been earmarked as per details given below, leaving a surplus of 9.5 million c.ft. of gas for further utilisation:

Project	Likely date of completion	Gas Requirements (Million c.ft./day)
1. Fertilizer plant	1964	13
2. Power plant	1963-64	5.5
3. Cement factory	Under Examination	4
4 Gas distribution scheme north of Desand river	1962-63	6

The Government of India, it is learnt, has received three proposals from private sector parties for the utilisation of surplus gases. These proposals are under examination. In India a beginning is yet to be made in the field of petro-chemical industry. The best way to make a proper beginning would be to separate the constituents of liquifiable petroleum gases and use them for the manufacture of diverse products. The removal of constituents such as ethane, propane, butane etc., and the supply of the scrubbed gas would not, according to the Burmah Oil Company's report, come in the way of the commitments already made with regard to utilisation of Assam natural gas. The residual gas (after the removal of LPG) can be used with no disadvantage for the already approved fertilizer and other projects.

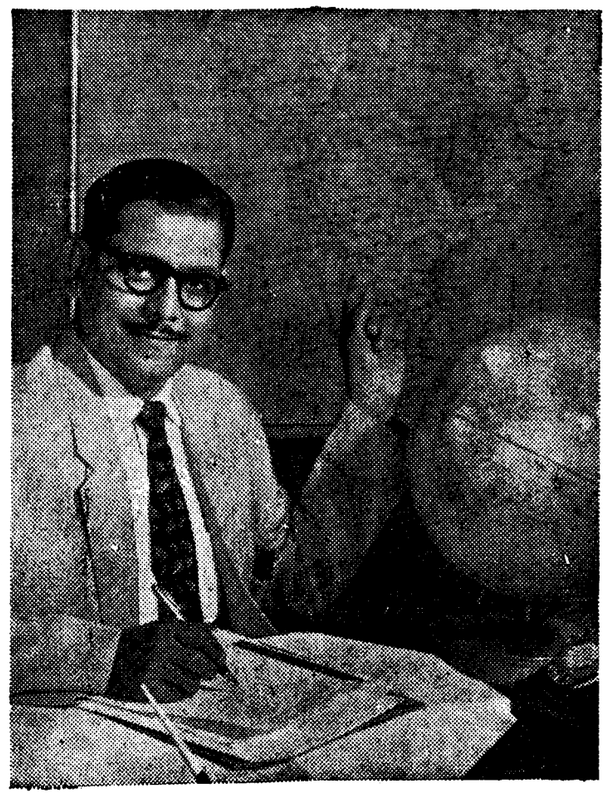
The following are the particulars of the proposals received by the Government from the private sector parties for the establishment of gas-based industries in Assam.

(1) **Duncan-Phillips Proposal:** This proposal is for the manufacture of (1) 4,000 tons of polyethylene, (ii) 20,000 tons of Cis-4 polybutadiene—a new type of synthetic rubber—and (iii) 5,000 tons of channel type carbon black per year. While the manufacture of the first two items is to be based on the higher fractions of natural gas, the manufacture of the third commodity is to be based on the residual gas (after the removal of LPG).

The manufarture is to be undertaken by a new public limited company/companies in tecnnical and financial collaboration with M/s. Phillips Petroleum Company (USA). On the Board of Directors of this company/companies there would be, among others, a nominee of the Assam Government, two nominees of M/s. Phillips Petroleum Company (USA) and two nominees of M/s. Duncan Brothers. M/s. Duncan Brothers propose to act as secretaries and treasurers.

The plant and machinery are to be obtained from dollar and hard currency areas. The foreign exchange required is about Rs. 5.42 crores. This will be spent as follows:

(a) Synthetic Rubber Plant	Rs. 3.75 crores
(b) Polyethylene Plant	Rs. 1.50 crores
(c) Channel Black Plant	Rs. 0.17 crores
TOTAL	Rs. 5.42 crores



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The procurement of equipment from indigenous sources would be to the extent of Rs. 5.98 crores. The foreign exchange requirements of the project would be met from Phillips' contribution in the equity share to the extent of Rs. one crore and borrowings from DLF or other financing institutions in the USA.

For technical services M/s. Phillips are to be paid a fee in dollars equivalent of 10 per cent of the net profits of the new company before taxes, with an initial payment of $1,50,000 in one year after the date of signing of the technical service agreement, adjustable against future fee.

(a) **Polyethylene:** The present installed capacity in the country for the production of polyethylene is about 6,200 tons a year as against a target production of about 25,000 tons proposed in the Third Plan. There is, therefore, scope for setting up additional capacity for the manufacture of polyethylene.

(b) **Cis-4 Polybutadiene:** Duncan-Phillips have indicated their desire to undertake the manufacture of 20,000 tons per year of Cis-4 polybutadiene—a new type of synthetic rubber based on the utilisation of butane. The consumption of all varieties of rubber by the end of the Third Plan would be in the region of 100,000 tons per year as against the present consumption of about 50,000 tons. This demand would be met as follows, leaving deficit of at least 15,000 tons to be met by imports :

		(Tons)
Natural Rubber (Indigenous)	40,000	
Synthetic Rubber (SBR) (Indigenous)	30,000	
Reclaimed Rubber (Indigenous)	15,000	85,000
Natural Rubber (Imported)	..	15,000
TOTAL		100,000

There is thus scope for the execution of Duncan-Phillips' proposal, should this type of synthetic rubber be found suitable for climatic conditions in this country.

(c) **Channel Black:** Duncan-Phillips have indicatcated that they are also interested in undertaking the manufacture of about 5,000 tons of "channel black" per year utilising Nahorkatiya gas. The quantity of the gas required would be of the order of 12 to 15 million c.ft. per day, but this amount of gas would not be available because out of the total availability of about 38 million c.ft. of gas, 28.5 million c.ft. have already been ear-marked for utilisation otherwise. Further, some gas would be needed for the manufacture of polyethylene and synthetic rubber.

(2) **Kesoram Cotton Mills Proposal:** M/s. Kesoram Cotton Mills Ltd., Calcutta, propose to undertake the manufacture of 5,400 tons of channel type carbon black per year in technical collaboration with M/s. J.M. Huber Corporation (USA). There would be no financial collaboration. The manufacture is to be based on the Nahorkatiya gases. The total value of the plant and equipment would be about Rs. one crore. Out of this, plant and equipment worth Rs. 90 lakhs are to be obtained from indigenous sources. Foreign exchange required for the import of plant and machinery has been estimated at Rs. 10 lakhs.

(3) **P.J.B. Industries Proposal:** This proposal is for the manufacture of about 10,000 tons of furnace type carbon black based on natural gases. The manufacture is to be undertaken by a new public limited company is technical and financial collabration with Messrs. Continental Carbon Company (USA). On the Board of Directors of this company would be a representative of the overseas firm. The American firm is participating to the extent of 25 per cent in the equity capital of this company. The US interests are to be paid 5 per cent royalty on a maximum of 10,000 tons|year of carbon black for ten years. The foreign exchange required for the import of plant and machinery would be about Rs. 25.75 lakhs. It is stated that the capital equipment will be supplied by the American collaborators against their investment.

The current consumption of about 3,500 tons of the variety of carbon black intended to be manufactured by the applicants is likely to increase to about 7,000 tons by the end of the Third Plan period. The overseas collaborators, it is stated, are willing to export about 3,000 tons of carbon black to be produced under this project.

M|s. Devenport and Company (Private) Limited, Calcutta, have also submitted a scheme for the manufacture of (a) 24,000 tons of general purpose synthetic rubber (SBR), (b) 6,000 tons of polyethylene and (c) 6,000 tons of polystyrene per year. This scheme, however, is based on the utilisation of refinery gases and not natural gas. The manufacturing activity is to be undertaken by a new public limited company to be floated in technical and financial collaboration with M|s WITCO Chemical Company (USA).

RAW MATERIALS FOR STEEL PLANTS

The first meeting of the Raw Materials' Committee for Steel was held here last week. As could be expected, the Committee discussed the problems of coal supplies to the steel plants. The Committee endorsed the recommendation of the Vishnu Sahay Committee that the steel plants should be the first responsibility of the railways, so far as the transport of raw materials is concerned.

Further, the Committee, it is understood, has suggested a formula to meet the persistent demand of the coal industry for an upward revision of coal prices. It is said to have recommended that collieries supplying coal containing less than a stipulated amount of ash content may be paid some bonus over the controlled price.

The Committee was set up recently to assess and advise on the immediate and long-term problems of supply and movement of coal, iron ore, limestone, dolomite and other materials such as refractories to the steel plants so as to ensure efficient production and optimum utilisation of the installed capacity.

JAPANESE DELEGATION

A Japanese delegation is here to study the working of India's steel plants. Japan has decided to expand its steel production from 12 million to 18 million tons a year. The interest among the Japanese steel manufacturers to study the Indian plants, it is understood, has been provoked by the comments of the President of the Republican Steel Corporation of the United States on the Bhilai Steelworks. The U.S. steel magnate had observed that Bhilai would be the most up-to-date and modern steel plant in the world and that setting up of this plant was an uncommon task performed by uncommon people outside Russia. A British team, headed by Dr. Colclough, has also visited the three public sector steel plants in this country following this comment of the President of the Republican Steel Corporation.

The Japanese Mission includes persons who might settle the price of iron ore India is to supply to Japan next year. The ore used at Bhilai is similar to that exported to Japan. Mr. C. M. Poonacha was planning to visit Japan to settle this price matter. His tour might be cancelled if the Japanese Mission settles the issue during its current visit.

PRODUCTION OF FERRO-SILICON

Demags of West Germany are likely to collaborate with an Indian firm for the production of 7,200 tons of ferro-silicon per annum. The Third Plan production target for this commodity has been fixed at 40,000 tons. The Mysore Iron and Steel Works (Bhadravati) produce 5,000 tons of ferro-silicon per year. They are expected to expand their capacity to 20,000 tons under the Third Plan. A Calcutta firm has also been licenced to produce 5,000 tons of ferro-silicon per year. With the execution of all these three schemes, the installed capacity for the production of this important item used in steel-making will be 34,200 tons per annum.

BHADRAVATI STEELWORKS EXPANSION

Demags, along with AEG and another West German firm, have also signed an agreement with the Mysore Government to raise the capacity of Bhadravati Steelworks from 30,000 tons to 100,000 tons. The capital cost of this expansion programme is estimated around Rs. 7 crores.

SCHEMES FOR STEEL TUBES MANUFACTURE

The output of steel strips for tubes manufacture is expected to increase to around 2,00,000 tons by 1961-62. It is likely to go up further to 2,50,000 tons in 1963-64 and 4,00,000 tons in 1964-65. The Government of India, it is understood, has under examination three schemes for the manufacture of steel tubes and pipes. One of these schemes is for the manufacture of spirally welded pipes, the second one for the manufacture of E.R.W. pipes and the third one for the manufacture of seamless tubes. A West German firm, it is learnt, is prepared to meet the foreign exchange component of the cost of the second scheme, which will be executed in collaboration with an Indian concern.

RAISING CEMENT OUTPUT

To step up production in consonance with the growing demand for cement, the Government of India, it is learnt, has permitted the Associated Cement Companies to expand the capacity of four of their units as follows:

(1) Madukkarai Cement Works (Coimbatore): From 2,80,000 tons per annum to 4,00,000 tons per annum.

(2) Banmor Cement Works (Madhya Pradesh): From 60,000 tons per annum to 1,00,000 tons per annum.

(3) Khalari Cement Works (Bihar): From 1,00,000 tons per annum to 1,70,000 tons per annum.

(4) Kymore Cement Works (Madhya Pradesh): From 5,73,000 tons per annum (plus 25,000 tons per annum of white cement) to 7,50,000 tons per annum.

The following proposals from the other cement manufacturers are understood to be under consideration·

(1) **Panyam Cement and Mineral Industries Ltd.:** Expansion of the installed capacity of their works in Kurnool district (Andhra Pradesh) from 62,700 tons per annum to 1,94,700 tons per annum.

(2) **Birla Jute Manufacturing Co.:** Raising of the production capacity of the Satna cement factory (Madhya Pradesh) from 2,47,500 tons per annum to 5,17,500 tons per annum.

(3) **Saurashtra Cement and Chemical Industries:** Increasing the capacity of their Ranavar (Gujarat) factory from 2,00,000 tons per annum to 4,00,000 tons per annum.

WHEELS FOR AUTOMOBILES

A Bombay firm proposes to set up a factory, in collaboration with Joseph Sankey & Sons Ltd., of the United Kingdom, to manufacture wheels of cars, jeeps and trucks. The production in the first year will be 12,500 wheels on single shift basis. It will go up to 18,000 wheels from the second year of the company's going into production. The factory will be located at Kurla (Bombay) and will cost Rs. 25 lakhs. Rs. 22 lakhs would be the cost involving foreign exchange.

INDO-CZECH TRADE PACT

The new Trade and Payments Agreement between India and Czechoslovakia has been concluded in Prague. The agreement comes into effect from January 1, 1961, and will remain valid for a three-year period.

The agreement provides a framework for expanding trade between the two countries on the basis of equality and mutual benefit. Both the countries have agreed to grant to each other "Most-Favoured-Nation" treatment and other trade facilities to enable closer commercial and economic relations. Payments relating to commercial and non-commercial transactions between Czechoslovakia and India would be effected in Indian rupees.

Schedules listing the goods available for export from either country to the other have been included in the agreement. Among the articles listed for export from India are cotton textiles and fabrics, jute manufactures, coir yarn and manufactures, woollen textiles, vegetable oils and hydrogenated oils, spices, tobacco, tea and coffee, processed and semi-processed hides and skins, shellac and shellac products, mica, manganese and ferro-manganese, chemicals and pharmaceuticals, handicrafts and handlooms, tinned fruits, plastic goods, sports goods, engineering goods, cashewnuts, deoiled cakes, cinematograph films, books, magazines and pictures, etc.

The items of import from Czechoslovakia would be iron and steel products, special steel, alloy steel, writing and printing paper and newsprint, various types of machinery and machine tools, capital goods, dyes, intermediates and chemicals, diesel generating sets, tractor and tractor parts, ball and roller bearings, tyres and tubes, mild steel products, etc.

BRIEFS

English Electric Company of India, a subsidiary of English Electric Company Ltd., of the United Kingdom, which has set up a factory at Madras for the manufacture of combination switches and switch-boards, has drawn up a scheme to increase its production of combination fuse switches by 9,180 per year and of combination fuse switch-boards by 240 per annum.

•

The possibility of producing pulp and paper from banana stem are being explored. In Jalgaon, near Bombay, about 1.2 lakh tons of dry banana stems are available in a year. A Bombay firm is negotiating for collaboration in this project with Aktiebolaget Difibrator of Sweden and a German firm.

•

India Cements Ltd., Madras, has a proposal to set up a new factory to manufacture P.V.O. resins|compounds; 5,400 tons per annum in terms of resin, working on three-shift basis. The firm proposes to enter into an agreement with B.F. Goodrich Chemical Co., of the U.S.A., for technical collaboration and capital participation.

•

M|s. T. V. Sundaram Iyengar and Sons have entered into a financial and technical collaboration agreement with Lucas of the United Kingdom to manufacture electrical equipment, such as dynamos for motor vehicles. The project will cost £1.5 million. Sixty per cent shares of this project will be held by Lucas.

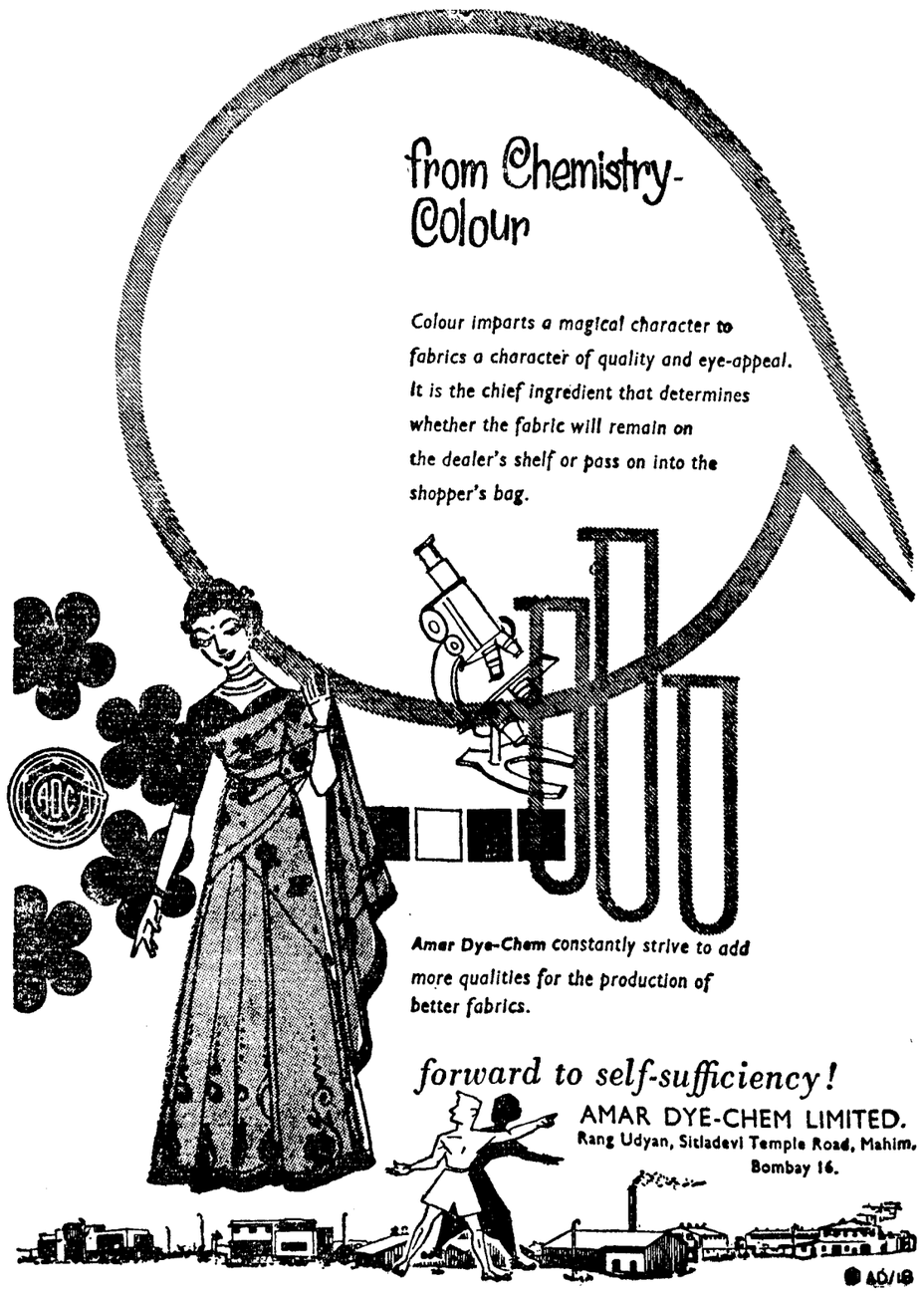
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Mr. Steward Mason of the World Bank is expected here shortly. He will discuss with the Government of India the present and the future lending programme of the Bank in regard to this country.

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COMPANY AFFAIRS

ORIENT PAPER PLANS FOR EXPANSION

The Directors of the Orient Paper Mills Ltd. have pointed out in their annual report that the licenced capacity of the paper mill to be set up by the Company at Amlai has been increased by the Government of India from 100 to 150 tons per day. The Government recently allowed the Company to negotiate direct for a loan with the Export-Import Bank of Washington, to cover the foreign exchange cost of the Company's Amlai Project and accordingly an application has been made by the Company to the said Bank. The negotiations for purchase of necessary machinery for the said project have been finalised with Messrs Beloit Iron Works, Beloit, Wisconsin, subject to sanction of the loan by the Export-Import Bank and the issue of Import Licences by the Government of India for the same.

The upward trend in the cost of raw materials, salary, wages and other expenses continued to persist resulting in further rise in the cost of production. However, due to the expansion and modernisation carried out by the Company, most of the increased cost is being absorbed by better working efficiency of the mills and increased production. The revised prices of paper and board as recommended by the Tariff Commission and accepted by the Government of India came into force with effect from January 1, 1960.

The Directors made representations to the Orissa Government for abolition of or reduction in the rate of levy on bamboos and coal carried by any means other than railways or airways but it did not yield any results. The Company has represented inter alia this matter to the Orissa Taxation Committee. The disputes between the workmen and the management, pending before the Labour Tribunal, were amicably settled and an award was accordingly made. In terms of the settlement, the parties have agreed to maintain industrial peace for a period of five years. The Directors hope that with the mutual goodwill and the co-operation of the parties, the factory would function more efficiently in the interest of all concerned.

During the year to March 31, 1960, the Company made a profit of Rs. 184.94 lakhs. After making provision for depreciation (Rs. 72.50 lakhs), development rebate reserve (Rs. 17 lakhs), taxation (Rs. 40 lakhs), reserve for contingencies (Rs. 10 lakhs) and general reserve (Rs. 3 lakhs), there was a sum of Rs. 42.44 lakhs for disposal of the Directors. The dividend at the rate of 5.50 per cent per annum on tax-free preference shares plus such further dividend as may be payable on passing of the Preference Shares (Regulation of Dividends) Act, 1960, has been proposed to be paid by the Directors. Dividend on ordinary shares is to be paid at the rate of Rs. 2.25 each, which will absorb Rs. 33.04 lakhs.

JAY ENGINEERING: STRESS ON EXPORTS

As against the previous year when the production of sewing machines and fans was 1.97 lakhs and 2.71 lakhs respectively, the production of Jay Engineering Works Ltd. during the year to March 31, 1960, was 2.42 lakhs and 3.46 lakhs of sewing machines and fans respectively. The Company is gradually building up export business in America and the sales in England are also steadily going up. The Directors are hopeful that the zig-zag sewing machines of the Company will be in the market before the end of the year. The exports of sewing machines and electric fans last year were 23,716 nos. and 21,497 nos., and this year sewing machines were 41,930 nos. and fans 43,858 nos.

The figures of sales and profits in lakhs of rupees are given below:

Sales	1958-59	1959-60
Sewing Machines ..	257.84	322.84
Electric Fans ..	272.60	390.25
Paints ..	2.80	2.45
Miscellaneous ..	—	5.10
Total ..	533.24	720.64
Profits ..	19.22*	32.44**

* After providing Rs. 25 lakhs for Taxation including Wealth Tax.

** After providing for Rs. 19.50 lakhs for Taxation.

Export Sales ..	45.11	82.52

The Directors have proposed the payment of dividend at the rate of 17.15 per cent subject to tax on ordinary shares which will absorb Rs. 15.63 lakhs. Dividend at the rate of 10 per cent subject to tax on preference shares will absorb another sum of Rs. 5 lakhs.

The Directors have decided to separate a sum of Rs. 7 lakhs towards Development Rebate Reserve and another sum of Rs. 4.80 lakhs towards General Reserve. During the year additions to machinery and building were made to the extent of Rs. 35.05 lakhs and Rs. 9.63 lakhs respectively.

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COMMODITY NEWS AND NOTES

PRODUCTION OF WOOLLEN YARN AND FABRICS

The Government of India have issued an Order empowering the Textile Commissioner to regulate the production and sale of all types of woollen yarns, and to fix the maximum prices of all types of woollen yarns and fabrics, including hosiery goods. The Order has been issued under the Essential Commodities Act, 1955. The Government had issued in September 1960 the Woollen Yarn (Production and Distribution) Control Order. The Woollen Textile (Production and Distribution Control) Order, which has now been issued, is a comprehensive measure, bringing within its scope both woollen yarns and woollen fabrics. This repeals the earlier Woollen Yarn (Production and Distribution Control) Order.

SUGAR AND SUGARCANE

Sugar production in India reached a record figure of 2.4 million tons in 1959-60. Incentives in the form of rebate on excise duty and higher sugarcane prices played a significant part in stepping up the output. For the Third Plan, a target of 3 million tons of white sugar and 6 million tons of 'gur' and 'khandsari' has been proposed so that the growing demand for sugar may be met and a surplus created for export. The consumption of sugar in India has doubled in the last eight years. India is the largest producer of sugarcane in the world. While the area under sugarcane is 1.5 per cent of the total cultivated area, 5 per cent of the total agricultural income is derived from it. The production of white sugar is valued at Rs. 200 crores per year. The output of 'gur' and 'khandsari' accounts for another Rs. 200 crores annually.

In the past few years, as a measure of deliberate policy, the setting up of sugar mills in areas other than Uttar Pradesh and Bihar, in which the industry was concentrated for a long time, has been encouraged. A large number of the new factories are in the co-operative sector. Sugarcane growers combine to form co-operatives to run sugar mills to which they supply cane. Research has been carried on at the Sugarcane Breeding Institute in Coimbatore for several years on breeding improved varieties of sugarcane so that the yield of sugar which is low can be increased. Some high yielding varieties have been evolved at the Institute and they have now replaced the low yielding varieties in the field. The National Sugar Institute, Kanpur, conducts research on the production aspects of sugar and advises the sugar industry on production problems. Research has also been carried on in regard to manurial practices and the crushing schedule of sugarcane. In recent years, considerable quantities of sugar have been exported whenever a surplus has been available. A difficulty in the way of exporting sugar is the high price of sugarcane which can be got over by increasing the yield per acre and higher recovery of sugar from cane.

NAGAUR GYPSUM — DISCOVERY OF HIDDEN WEALTH

When the railway authorities in the former Jodhpur State sunk a bore hole decades ago in the Nagaur town, they hardly realised the historic significance of the act. For what was a mere indication has now been established by the Geological Survey of India a vast reserve of gypsum opening up new possibilities of industrial development of the country. Still larger reserves are likely to be unearthed when the department undertakes further prospecting of the entire area. A basic raw material for the manufacture of portland cement, artificial fertilizers like ammonium sulphate, sulphuric acid and Plaster of Paris, gypsum is also used for the manufacture of Keen's cement, crayons, paper, paint, and as a flux in the smelting of nickel, lead and copper ores. Its value is well-known as a mineral fertilizer. With the rapid increase in the production of cement and establishment of chemical fertilier plants since Independence, there has been a phenomenal rise — 18 times between 1947 and 1957 — in the production of gypsum in the country. About 224,227 tons of gypsum were consumed for the manufacture of cement in 1957 as against 52,608 tons in 1947. Since the manufacture of ammonium sulphate from gypsum started at Sindri in 1951, the unit has become the major consuming centre having utilised 527,347 tons or approximately 41 per cent of the total production of gypsum in 1957.

By 1961 the demand for gypsum for the cement and ammonium sulphate industries alone will be nearly 2.4m. tons. The consumption is expected to rise further to about 2.6 million tons a year if the sulphur project materialises. Considering the present drive for the industrial and agricultural development in India, the rate of consumption is likely to increase in arithmetical progression.



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SCHEDULED BANKS

Rs. in Lakhs

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of 4	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	520,75	328,26	855,60	31,97	44,48	8.98	442,79	51,40	59.56	321.29
1954-55 ..	559,92	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.08	339,74
1955-56 ..	608,84	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653.34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,80	619,19	1,343,08	39,34	77,58	8.72	723,79	167,32†	66.77	385,54
1958-59 ..	735,93	860,33	1,536,26	40,30	83,99	7.74	766,56	133,27†	58.37	565,14
1959-60 ..	745.84	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
Average of Fridays										
May 1960	785,27	1193,71	1,978,98	48,84	90,72	7.05	984,21	167,88†	57.21	744 91
June	790 17	1202,95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
July	792,32	1215,71	2,008,43	48,19	112,01	7.98	979,13	147,95†	56.12	735,74
August	792,95	1212 04	2,004,98	46.35	110,46	7 82	966,68	149,15†	55.65	739,09
September	779,24	1188,44	1,967,68	46,46	102,53	7.57	980.18	146 48†	57 26	734 02
October	791,28	1155,68	1,946,95	48,25	101,04	7.67	965,97	150,43†	57.34	703 55
Week Ending										
30-9-1960 ..	775,00	1183,62	1,958,62	45,77	96,20	7.25	980,83	146,75†	57.57	726.21
7-10-1960 ..	790,42	1166.29	1,956 71	48,48	101,67	7.67	970,74	151,27†	57.34	719.93
14-10-1960 ..	792 37	1164,34	1,956,71	47,50	107,76	7.93	968,14	147,98†	57.04	707,72
21-10-1960 ..	785 11	1148,23	1,933,34	48,34	99,06	7 62	964 62	151,67†	57 74	697,00
28-10-1960 ..	797,20	1143,85	1,941.05	48,69	95,65	7.44	960,38	150,81†	57.25	689,54

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+ 29,26
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+ 126,65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+ 263,69
1956-57 ..	2,312,89	1,556,50	756.39	744,74	11,65	+ 128,57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59 ..	2,498,75	1 724,53	774,23	754,98	19,25	+ 109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+ 203,44*
March 1960 ..	2,703 13	1,862,72	840,41	818,62	21,79	+ 82,77
April ..	2 746 29	1,912,93	833 36	812,78	20 58	+ 43,16
May ..	2 724 97	1 895,79	829,19	810,08	19,11	— 21,32
June ..	2,702,31	1,869 02	833,28	810,37	22 92	— 22,66
July	2,670 14*	1,826 91*	843,23*	813.05*	30,18	— 32,17*
August ..	2,658,79*	1,806,60*	832 19*	819 55*	32,63	— 11,35*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

Labour Statistics

INDEX NUMBERS OF INDUSTRIAL UNREST

(Base: 1951 = 100)

Year	Manufacturing Sector				Plantations			
	Total No. of man-days lost (in '000s)	Total No. of man-days worked (in '000s)	Severity rate of man-days lost per lakh of man-days available for work	Index Number of Industrial Unrest	Total No. of man-days lost (in 000s)	Total No. of man-days worked (in '000s)	Severity rate of man-days lost per lakh of man-days available for work	Index Number of Industrial Unrest
1951 ..	2,697**	6,33,394**	424	100	47	2,91,740	16	100
1952 ..	2,056	6,61,989	310	73	178	3,08,137	58	363
1953 ..	2,564	6,66,246	383	90	81	2,84,698	28	175
1954 ..	2,713	6,76,142	400	94	17	3,15,805	5	31
1955 ..	4,164	7,35,573	563	133	612	3,07,609	199	1,244
1956 ..	4,892	8,14,217	597	141	173	2,67,846	65	406
1957 ..	3,923	9,75,868	400	94	514	3,60,682*	142	887††
1958 ..	4,046	9,73,684	413	97	946	3,60,682*	262	1,637††
1959 ..	4,314	9,73,684†	441	104††	136	3,60,682*	38	237††

Year	Coal Mines				Ports			
	Total No. of man-days lost (in '000s)	Total No. of man-days worked (in '000s)	Severity rate of man-days lost per lakh of man-days available for work	Index Number of Industrial Unrest	Total No. of man-days lost (in '000s)	Total No. of man-days worked (in '000s)	Severity rate of man-days lost per lakh of man-days available for work	Index Number of Industrial Unrest
1951 ..	298	92,421	321	100	36	13,146	273	100
1952 ..	271	93,621	289	90	41	13,128	311	114
1953 ..	252	92,967	270	84	100	13,631	728	267
1954 ..	224	92,585	241	75	26	14,887	174	64
1955 ..	191	94,281	202	63	59	15,675	375	137
1956 ..	1,109	95,097	115	36	112	14,458	769	282
1957 ..	567	1,07,105	526	164	51	16,631	306	112
1958 ..	255	1,11,574	228	71	792	16,925	4,470	1,637
1959 ..	328	1,11,927	292	91	26	16,925†	153	56††

Note: A line has been drawn between 1956 and 1957 in order to indicate that figures for 1957, and onwards, are not strictly comparable with those of earlier years. Since 1957 the coverage of the statistics is all-India, whereas upto 1956, they covered only the erstwhile part 'A' States and Delhi and Ajmer.

† As the figures of man-days worked for 1959 are not available, 1958 figure has been repeated.

†† This is only an estimate and hence provisional.

** Excluding Punjab and Delhi, as the figures of man-days worked were not available.

* As the figures of man-days worked for 1957-59 are not available, 1956 figures for man-days worked for all-India have been repeated.

Source: Indian Labour Journal.

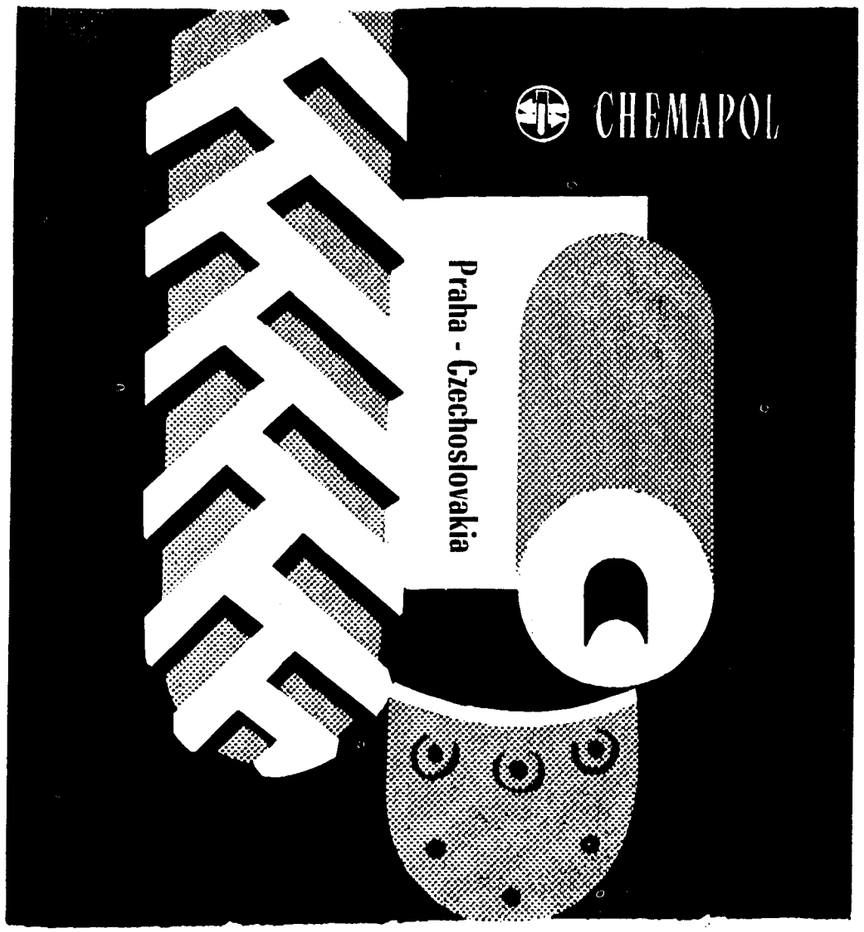
Labour Statistics

INDUSTRIAL DISPUTES IN 1959

Industry	No. of disputes	No. of workers involved	No. of man-days lost	Wage lost (in Rs.)	Production lost (in Rs.)
1. Plantations	120	53,040	1,35,743	1,23,974 (82)	5,35,889 (48)
2. Coal Mines	76	31,421	3,28,034	6,42,579 (38)	25,16,727 (38)
3. Other Mines	69	57,925	2,84,001	4,23,004 (48)	13,20,153 (46)
4. Food (except beverages)	75	33,792	2,33,163	4,14,733 (56)	1,15,27,767 (56)
5. Beverages	7	942	13,831	4,242 (5)	49,795 (5)
6. Tobacco	46	19,085	1,15,477	2,55,516 (27)	6,27,882 (15)
7. Cotton Mills	166	1,68,690	14,80,804	48,35,497 (130)	1,74,18,396 (72)
8. Jute Mills	21	30,563	1,77,822	2,85,562 (13)	5,20,143 (9)
9. Woollen Mills	5	1,616	21,463	20,106 (3)	1,74,600 (2)
10. Other Textiles	50	9,026	2,38,201	7,01,745 (30)	52,68,156 (19)
11. Coir Factories	11	798	14,504	32,173 (9)	9,29,030 (9)
12. Saw Mills	12	3,200	15,886	37,746 (11)	1,18,250 (10)
13. Furniture and Fixtures	5	495	9,233	27,094 (5)	17,820 (3)
14. Paper and paper products	5	1,999	99,558	3,99,920 (5)	90,61,200 (5)
15. Printing, Publishing and Allied Industries	37	2,167	19,815	21,620 (28)	37,908 (22)
16. Chemicals and Chemical Products	55	10,590	1,02,701	1,40,481 (44)	18,46,614 (35)
17. Non-metallic Mineral Products (except Products of Petroleum and Coal)	82	21,660	6,52,584	7,79,356 (67)	65,96,208 (57)
18. Basic Metal Industries	65	34,302	2,38,612	6,54,538 (37)	19,76,812 (19)
19. Manufacture of Metal Products (except Machinery and Transport Equipment)	107	21,518	3,41,191	3,21,491 (41)	25,67,481 (31)
20. Machinery (except electrical machinery)	29	8,223	1,34,143	1,00,445 (17)	1,22,664 (10)
21. Electrical Machinery, Apparatus, Appliances and Supplies	29	10,547	2,29,218	2,68,064 (24)	20,69 504 (19)
22. Transport Equipment	20	12,577	1,36,438	1,79,658 (9)	4,51,500 (8)
23. Miscellaneous	439	1,59,440	6,10,726	16,51,234 (273)	35,08,347 (213)
TOTAL	1,531	6,93,616	56,33,148	1,23,20,778 (1002)	6,92,62,846 (751)

Note: Figures in brackets indicate the number of cases to which the relevant information relate, wherever information is not available for all the cases.

Source: Indian Labour Journal.



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With a Supplement
on
AN INDO-AFRICAN TRADE SURVEY

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The Eastern Economist

NOVEMBER 18, 1960

Guest Editorial

Must the United Nations Disintegrate?

(A Personal Evaluation by Andrew Boyd)

LUNCHING with a Russian at the United Nations during this Assembly's early days, I was puzzled when my Soviet friend complained that the television cameras in the hall were being trained on Mr. Khrushchev too often. Surely the Soviet leader had come to New York to get publicity, not to shun it? And very well he was doing, too, in that line; the American press was giving him far better coverage than the Peking newspapers gave to his words and deeds at the UN.

What worried my friend, however, was the risk of Mr. Khrushchev being seen to yawn. Yawn he did from time to time, as does everybody at some point in even the most star-studded United Nations debate. It was, indeed, easy to see that a yawning Khrushchev would not fit in with the idea that the whole 99-nation Assembly was vibrating to his galvanic energy and dynamism.

One must not underestimate the Soviet leader's impact on the United Nations. The spectacular show staged at its Turtle Bay headquarters in September and October, in an unprecedented blaze of publicity, and at a cost of around eight crores of rupees to all parties concerned (including a million hours of overtime pay for the hard-pressed New York police), was all of his making. The magnetic field he created was powerful enough to draw into his orbit such diverse, and often reluctant, personalities as Presidents Eisenhower, Nasser and Nkrumah, Prime Ministers Nehru, Macmillan, Menzies and Diefenbaker, not to mention the King of Jordan and the Crown Prince of Morocco; at one point it seemed that only the Queen of Sheba was lacking.

Each frown, each smile of his was noted, discussed, dissected by a thousand observers. All were agreed that he made the pace, that none of the other personalities present could outdo him. When he denounced the Secretary-General and demanded a drastic reconstruction of the whole United Nations structure, your correspondent (who, growing hungry during Mr. Khrushchev's long mid-day speech, had retired to the lounge to fortify himself with coffee and a sandwich while keeping an eye on a handy television screen) had a distinct sensation that the great glassy walls of the building itself trembled. The United Nations, we were assured—and not only by *Pravda*—could never be the same again. And yet, and yet....

Studying the Soviet commentaries on Mr. Khrushchev's triumphant return to Moscow, I have been struck by the frankly defensive, almost apologetic, tone that has seemed to underlie the trumpet notes of triumph. Evidently the Russian public had been led to expect more than it actually got. It was not told, of course, about the Soviet leader's wilder tantrums, but it must somehow have got wind of the fact that his behaviour had lacked dignity, for the official commentators used ingenious formulae to explain this way. More revealing still were the petulant rebukes that *Pravda* directed to the nations of Africa and Asia, and to Yugoslavia too, for their apparently unexpected refusal to give wholehearted support to Mr. Khrushchev's various proposals.

In this respect, it would seem that the late Mr. Dulles's deplorable dictum that "neutralism is immoral", having been jettisoned by America, has now been adopted by Russia. From what Russians have told me, in New York, here in London, and recently in Moscow too, I would judge that this adoption is a confused and even schizophrenic one, nothing like as dogmatic as Mao Tse-tung's verdict that "there is no third way". The whole Soviet approach to the United Nations, the approach that lay behind this year's spectacular Assembly, reflects this schizoid state of mind.

The United Nations—according to authoritative analyses published in Moscow this year—is no longer a mere American instrument; the admission to membership of so many newly independent Asian and African nations has transformed it into a very promising means of promoting the Soviet Union's international aims. All that is needed now, in the Soviet view, is the ousting of Mr. Hammarskjoeld and the reconstruction of the Secretariat and the Security Council on a tripartite basis, with power evenly divided between the Communist powers, the "neutralists", and the countries in alliance with America; each group, of course, to wield a veto. The explicit assumption is that America will become more and more isolated, and that the Asian and African states will have no difficulty in making common cause with the Communist powers.

However, even before this Assembly opened in September, it was clear that these assumptions were wrong. The very day that Mr. Khrushchev landed in New York, the Soviet group in the United Nations found itself completely isolated in the emergency debate on the Congo. Even Cuba and Guinea joined with every other non-Communist member state in backing an Afro-Asian resolution similar to the one that Russia had vetoed in the Security Council when Ceylon and Tunisia introduced it there. In both Council and Assembly,

an extraordinary procession of African and Asian spokesmen defended the Secretary-General; even those who, like President Nkrumah, had sharply criticised his actions in the Congo, went out of their way to reject the Russian charges against him. The attitude of Asian and African members to Mr. Khrushchev's plan to oust him and reconstruct the Secretariat has been correspondingly chilly. And since then the Russians have again appeared isolated in opposing the enlargement of the Security Council to provide more seats for Asian and African members.

Mr. Khrushchev's personal errors in behaviour in New York have not helped to advance his cause in this respect. When, at the end of his stay, his shoe-brandishing and shouting led the delegate of Nepal to plead for less unparliamentary conduct, his response was to ask: "By the way, is there a parliament in Nepal? I must look it up when I get home". But no amount of mere tact could have solved the difficulty for him. For the plain fact is that most Asian and African nations, and many small states elsewhere too, are in no mood to take directions at the UN from any great power.

There is no monolithic unity (in the Marxist phrase) between the Asian and African member-states, or even among the African members alone, about what exactly the United Nations should do in the Congo or in other spheres of its activity. But there is a pretty solid unity, and to my eye it is growing more solid all the time, among these states when it comes to the supreme question of the fate of the United Nations itself. In one of his angrier moments in New York, Mr. Khrushchev hailed, with relish, "the beginning of the disintegration of the UN". Disruption, if not disintegration, was threatened in a whole series of Soviet moves at the Assembly. If Russia did not get its way, it gave warnings that it would make the Secretary-General's position impossible, withdraw from the debates on disarmament, block the enlargement of the Security Council, refuse to contribute to the cost of the UN work in the Congo, and (like Belgium) intervene directly in the Congo, by-passing the United Nations. The Asian and African members' resentment of these hectoring tactics seemed to me both profound and almost universal.

These members' attitude is obviously crucial for the future of the Organisation. Not only are Africans and Asians carrying the main load of its Congo operations; they are also the only members in a position to frustrate a serious Soviet attempt to disintegrate it. Russia will neither leave the UN nor carry out its threats to paralyse it if it is plain that such actions would alienate Asia and Africa.

It is also obvious that newly independent nations have a particularly direct interest in the survival and development of the UN. Through it, they can influence and often restrain great powers; without it, the world would revert to naked power politics, in which smaller nations would increasingly face the choice between submitting to some powerful master and risking the perils of isolation. Awareness of this interest is fast growing; it explains the readiness of so many nations to contribute to the UN's shock-absorbing operation in the Congo, lest worse befall. It is not the American pressure alleged by *Pravda*, but a keen sense of this direct interest in the fate of the United Nations, that has led Asians and Africans to withstand and baffle the Soviet onslaught on the Turtle Bay waterfront. It is something new in history—and it is making history.

The Lok Sabha Winter Session

THE current winter session of the Lok Sabha is certainly not going to be the tame affair that the last session was. For a brief duration of over five weeks, the schedule of business is overloaded with Bills, motions and resolutions and a throw-forward of a substantial part of it to the marathon budget session is inevitable. The importance that attaches to the current session arises, in the first instance, from the fact that the House is meeting in the wake of some momentous developments on the international scene—the unique start of the UN General Assembly's session with the presence of heads of States or governments, the acute tension created there by some of the controversial issues and the Moscow conference with its profound ideological significance, to mention only the major ones. Clarification of the Government of India's views, where necessary, has been given on some of these issues and there is little that can be added to it on the floor of the Lok Sabha.

The Sino-Indian border dispute compels first attention. It is assuming a new and grave dimension by reason of the potential threat held out to the security of the frontiers of Sikkim and Bhutan. Government's informal note of protest to Peking is unlikely to assuage feelings of grave concern in the country and what it will look to is manifest evidence that no quarter will be given to a repetition of the dilemma of "actuality". The White Paper laid on the table of the House brings the position still up-to-date. There was a volley of questions hurled at the Prime Minister on the opening day on minor patrol incursions into our territory to serve the limited purpose of giving vent to the public mood. While talks are under way on the dispute, not much overt discussion can take place in Parliament. Perhaps of greater significance was a development outside the House —the dialogue between Mr. Nehru and U Nu.

The Indus Waters Treaty opens up a new, and one hopes, a different chapter in Indo-Pakistan relations. It is rightly hailed as such. Ratification by the Government may be in accordance with the constitutional procedure, particularly to give finality to a treaty to which other nations are signatories. However, financial liability is a province of Parliament. The Prime Minister must be supported, but why should Parliament not be advised before, instead of after, ratification! The discussion which will soon take place on the treaty in Parliament either on a resolution or at the time of appropriations, will have the post-facto complexion depriving it of live interest. The Constitution (Ninth Amendment) Bill will bring to the fore the issue of the transfer to Pakistan of Berubari on which feeling is running very high in West Bengal, but our commitment in the Nehru-Noon Pact will be honoured.

There is a legacy of 15 Bills left over by previous sessions to which should be added nearly 23 new ones. This is quite a staggering order for a short session. But debates on the motions introducing the Bills or on Select Committee reports or during the clause-by-clause discussion stage promise keen controversies. Already a departure was made from convention on Tuesday by two members of the Select Committee on the Prefe-

rence Shares (Regulation of Dividends) Bill by participating in the discussion of the Committee's report. The Companies (Amendment) Bills will be taken up for clause-by-clause discussion and considering the copious changes contemplated in the Act a keen debate is richly merited. But gross disparity in the strength of advocacy of the two sides in the House will detract from what should otherwise be a most valuable discussion. The Bill seeking to give a fresh lease to the Preventive Detention Act will give still another occasion for a storm in defence of civil liberties. Detention of Akali agitators on a mass scale will provide considerable ammunition now that the Communist and Praja Socialist Parties have declared their full support to the demand for a Punjabi Suba. They could have made considerable capital out of the police firings in Bhatinda and Patiala jails. But they will find to their chagrin that Mr. Justice Falshaw's categorical finding on the justification of the major firing at Bhatinda has deprived them of that opportunity.

The problem of Assam refugees in West Bengal and the official language enactment for Assam will be among the subjects, which, in one form or another will create excitement in the House. But easily a conspicuous feature of the agenda for this winter session is the unusually large number of motions for half an hour discussions. Issues of vital economic importance dominate these motions. Quite a number of public sector enterprises will come up for Parliament's critical attention. And, above all, during this period, Parliament's opinion on the Third Plan will be formed. At present it is conspicuous by its absence of understanding of the serious consequences of the pressures both on foreign exchange and on the growing difficulties on rupees.

The State of the Communist Rift

THE differences between China and the Soviet Union continue to attract and mystify the non-Communist world. They are not new. They date as far back as the day Mr. Mao Tse-tung emerged as a Communist Party leader, but were first publicised at the 20th Congress of the Soviet Communist Party at which the Chinese disputed Mr. Khrushchev's assessment of Stalin's role. Now the differences centre on the liberalism of Khrushchev versus the doctrinaire rigidity of Mao. Broadly, they may be grouped round three issues—inevitability of war, transition to communism, and the colonial peoples' struggles. Mr. Mao Tse-tung's thesis is "Every Communist must grasp the truth: political power grows of the barrel of the gun. The whole world can only be remodelled with the gun. As we are advocates of the abolition of war we don't desire war; but war could be only abolished through war—in order to get rid of the gun, we must first grasp it in our hand." Russia for its part, would seem to work on the hypothesis that war is no longer 'fatally' inevitable. In other words, the difference is only in approach as how best to eliminate capitalism or imperialism in Lenin's phrase. While Mr. Mao Tse-tung would like to blow it up, Mr. Khrushchev would like to give it a decent burial.

The difference in policy towards countries emerging from colonial rule is that while Russia wants to give financial and moral aid to the newly liberated countries, as she firmly believes that all freedom movements should be encouraged as stepping-stones to Communism. To the Chinese, this seems emotional nonsense. They want a more aggressive line to be pursued and are pinned to the faith that only a revolutionary military struggle can secure victory. Hence, they call for revolutionary and militant policies, which in their opinion can only forward the Communist cause. The differences of transition to communism between Russia and China whose ultimate aim is identical are even more interesting. China believes in the great leap forward, that is jumping almost straight from a pre-capitalist to a Communist stage, whereas Russia under Mr. Khrushchev is adhering to the idea of a gradual process, based upon technological transformation of economy, from feudalism to socialism to communism.

The ideological conflict between Russia and China had its impact on the Communist Party in this country and has left a cleavage within its ranks. The Dange-group at a conference of the Bombay city unit of the Communist Party supported the Union Government's stand on the Sino-Indian border dispute. Messrs. Bhupesh Gupta and Basavapunniah belonging to the extremist group are worried on that score and attempts are being made in the somewhat divided secretariat of the CPI to pave a way for solidarity between the two rival groups. Arguments by one side are being assiduously built up that the Chinese are in favour of co-existence. But can public opinion be taken in by such manoeuvres? The Chinese as we know them seldom practise what they preach.

Although the Russians disapprove the policies and thinking of the Chinese and their differences in approach, they at the same time will not let the basic unity of the Communist camp be ruptured. And so, one supposes, is the case with the Chinese. If no delegation was sent by Russia to attend the Chinese revolution celebrations on October 1, nevertheless, perfect ritual congratulatory messages were passed and articles were written in the Russian press extolling China's achievements. During the October 1 celebrations in Peking, speakers and slogans laid emphasis on China's championship of Sino-Soviet solidarity and peaceful co-existence and of Chinese acceptance of the leadership of the Soviet Union. Considerable publicity was also given to Mr. Mao Tse-tung's writings between 1945 and 1959 where he said that it was possible to overcome the dangers of a third world war.

The powerful delegation from China under the leadership of the cold dialectical theoretician of Marxism, Mr. Liu Shao-Chi that went recently to participate in the celebrations of the 43rd anniversary in Moscow may perhaps be able to thrash out burning questions of Marxist-Leninist-Stalinist-Khrushchevist doctrines across the table. The other world Communist Party leaders are also in communism's Vatican, the Kremlin. Communist ranks in India anxiously await the result for India's Communist Party still seeks *ex cathedra* statements on orthodoxy—from the Kremlin for the most part. But is Mr. Mao Tse-tung providing a major challenge as Earl Attlee asserted in the House of Lords? May the *fons et origo* of doctrine slowly shift to Peking? All one can say, this would be bad for the world, not for the Communist world only.

A DELHI DIARY

THE NEGLECT OF PARLIAMENT

WHEN the Lok Sabha reassembled this week, one might have anticipated much more excitement than has actually occurred. The Opposition has tried manfully to create a stir, firstly, on the ratification, without reference to Parliament, of the Indus Water Treaty, and secondly, and much more effectively, on the Companies (Amendment) Bill. Several statements have been made on the Indus pact ratification; they have clearly not dispersed the predominant feeling that the Government is treating Parliament as though it were, even in matters of such great importance, secondary. It is absurd to argue that Parliament now has authority under particular grants, to suspend the operation of any particular section of the Treaty. Everyone knows that once a treaty is ratified, it is binding and the debate on a financial grant can only be a token censure, without point or purpose. Undoubtedly, the Government was wrong, particularly as it has an overwhelming majority, not to place the facts before Parliament before ratification. Nothing would have been lost if ratification had been delayed by two months. With the clear majority that the Congress has, ratification was never in doubt. The question which is vital is whether or not ratification of treaties is an executive or a parliamentary function. Surely, there is wisdom in the view argued hotly by Mr. Asoka Mehta that, since Parliament is sovereign on matters relating to finance, it must be sovereign in regard to treaties which involve financial payments. I have not discovered what Government's objection is and surely the Prime Minister's statement about the non-exchange of instruments of ratification (and the terrible printer's devil which seems to have been pretty active in the final copies of the Treaty) was considerably off the mark. This is really a debate on principle, and not by any means a debate on what should in fact have taken place on the Treaty. Whatever a few disgruntled people might say, the great body of Indian public opinion is solidly behind the Indus Water Treaty. A minority, in which I dare to count myself, would even like a treaty on Kashmir!

Of much more noisy interest is the provision in the new Companies' (Amendment) Bill to allow companies to contribute to political funds. The stalwarts of the three opposition parties, Mr Asoka Mehta (P.S.P.), Mr. Hiren Mukerjee (Communist) and Mr. M. R. Masani (Swatantra) were all severe in their condemnation of the clause on which the remark has been made that it is likely to be the only occasion on which they will be in such violent agreement. Mr Masani's criticism was terribly telling. I see some force in his contention that donations of this kind should be made public immediately. Referring to the Prime Minister's accusations of the Swatantra Party as a projection of the 'Capitalist Group,' Mr Masani said the publication of such news would reveal that it was the Congress Party and Mr Nehru who were 'the biggest capitalist stooges.' A daring and disturbing statement which was received in what has been described as 'bitter silence!' Whether the silence was bitter or the truth in the attack, I have not been able to discover!

NEW LAMPS FOR OLD?

Deserting Parliament, which has not awakened much of my personal interest, I am now giving myself over to High Finance. It was reported on Wednesday that the Russian rouble is to be revalued from January 1; what does revaluation in this case mean? The current official exchange rate is 11.2 roubles to the pound and good mathematicians can tell you how much that is to the dollar. We are now told that the rouble, which is still to consist of 100 kopecks, is to be revalued at 90 kopecks to the dollar. Can anyone conversant with what is called the great 'Rule of Three' tell me how much revaluation has in fact taken place? Fortunately, I have the answer. It is that the new rouble will be 4.44 recurring times as "good" as the old one. But will someone tell me why the figure of 4.44 recurring was chosen instead of 5 or 10? Even more pedantically, may I ask why in dealing with gold one must go in Russia to 6 decimal places? In February, 1950, the rouble's gold content was established at .222,186 grams. Now the gold content is to be .987,412 grams. But for those who understand the highest of high finances—the price of gold!—what does this mean in terms of international trade?

I have come to the conclusion that the Russian rouble's revaluation on January 1, next year, is designed to help her foreign trade. It is quite easy for the Soviet Union to change its prices in such a manner that her new rouble prices represent a reduction in international prices and, therefore, an increase in Russia's competitive strength. I would not be at all surprised if this is one element in a new trade offensive designed to capture foreign markets. The Indian Oil Company, which is having some difficulty in selling its Russian imported kerosene and diesel, might look with some considerable favour on new Russian trade policy. It certainly needs some help from abroad in order to overcome the inconvenient questions in Parliament this week which showed abundant concern!

THE ARRIVAL OF WEST GERMANY

So far as the U.S.S.R. is concerned, no one has doubted the great increase of Soviet trade in the period of India's Third Plan. There has been less understanding of the role of West Germany and, therefore, it was good to find an authoritative statement from Dr. Hans Reuter, head of the great firm of Demag, who was here this week. In an impressive interview with the Press, Dr. Reuter set out his view on the future German investment in India. Firstly, he was not at all deterred by taxation and he did not think that it was a major factor in German participation; Demag have many schemes under discussion and, of course, are participating in Bhadravati Steelworks' expansion as well as elsewhere. Secondly, German industrialists have decided to set up a fund of 1.5 billion marks to which the West German Government was adding the same quantity and there would be, in a few months from now, a significant programme of aid to developing countries using this three billion mark fund as a beginning. Dr. Reuter spoke of fulfilling obligations and relieving the pressure on the United States in a manner which will suggest that the major decisions have already been taken short of the Bundestag level. There would appear to be much ground for the view that West Germany will play a substantially greater part in Indian development in 1961. It is interesting to note that, while Dr. Reuter was talking at the Ashoka Hotel, an agreement, granting India a 125 million mark West German credit, was being signed in Bonn. This was a "prolongation"—happy word!—of the liabilities of the Rourkela Steelworks falling due between November and March 30, 1961!

ARGUS

The age-old custom of ceremonial tree-planting is much more than a colourful ritual. It is an expression of faith in a worthy enterprise—no matter how modest the beginning. It symbolises faith in the future—faith in growth.

Everything which is vital grows—a seed into a tree, an idea into an enterprise, a school of thought into a way of life. Each adds to it carefully with the passage of years. Often, the transformation of an idea into reality can be accelerated by deliberate direction and effective planning.



Standard-Vacuum's Executive Development Programme is a case in point. It began as an idea more than fifteen years ago to increase the number of Indians in management positions. At the time there were only three Indians of this category with the Company. How quickly the idea has developed into reality can be seen from the fact that at the end of last year in Stanvac's Marketing Organization alone there were 897 Indians in management positions. Another 113 Indians were holding similar positions in the Stanvac Refinery. Adding the number of Indians in management positions in the Indo-Stanvac Project, the total for 1959 came to 1040.

As more and more Indians qualify for management positions, the number of overseas personnel (who at one stage held an over-whelming majority of senior jobs) continue to decline.

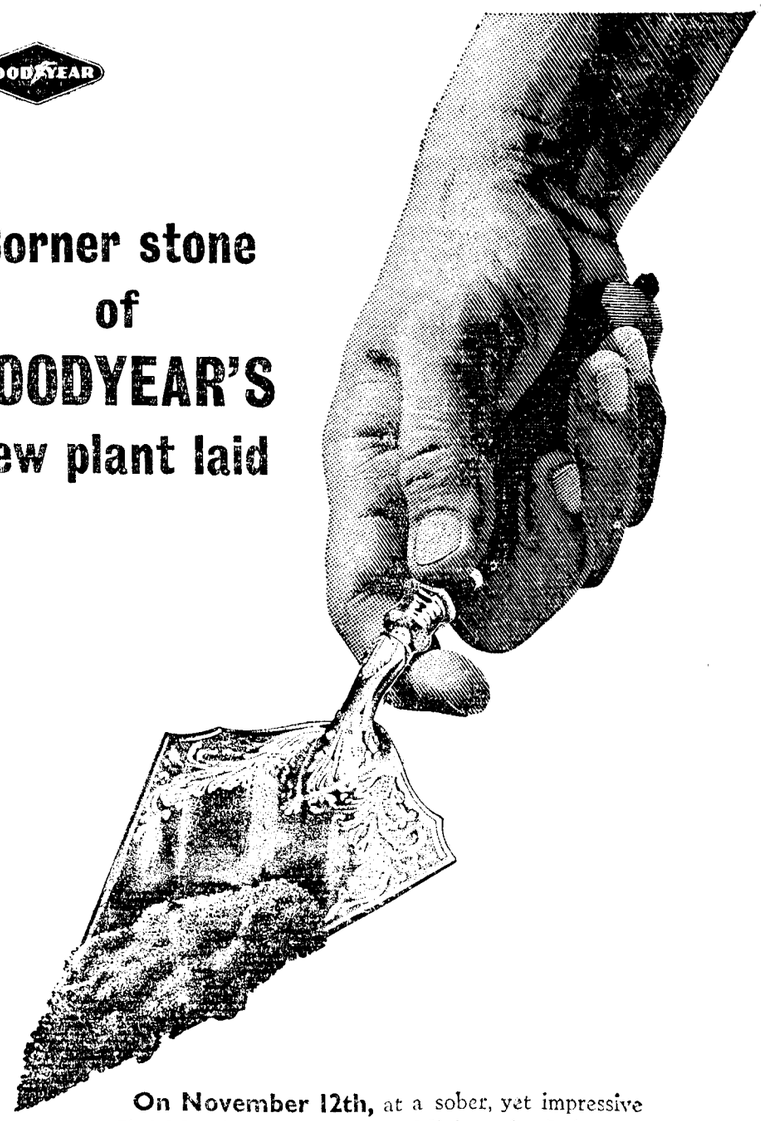
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THE WEEK'S NOTES

Foreign Aid

HEARTENING DEVELOPMENTS

CONFIDENCE THAT the new US Administration under the stewardship of Mr. John Kennedy would frame its foreign economic policy to strengthen rather than reduce economic aid to the developing countries has been fortified — if corroboration were required at all — by a significant press report from Washington on November 15. The President-elect, who is already intimately known for his deep conviction, which he shared with Senator Sherman Cooper, that a massive long-term programme of aid to India should be launched on politico-economic grounds, has given a clear indication that assistance for India's economic development will get priority attention in the programme of foreign policy. First, there is the keen feeling that India must be sufficiently armed to carry to a successful finish her war on poverty. Second, India's determination to execute her programmes of economic development within the framework of the democratic way of life and on the basis of the fundamental principle of the freedom of the individual is an answer to the challenge which is posed by the emotional appeal of rapid economic expansion by totalitarian techniques, regardless of the untold cost in terms of human hardships and forced sacrifices. The Presidential election in America has given a brightening touch to the prospect for foreign assistance which is a critical component in the resources for our Third Plan. Mr. Kennedy is equally determined to enlist similar enthusiastic co-operation from the industrialised countries of the West to participate in the great experiment of economic development within the structure of democracy in the underdeveloped countries. India is treated as a vital case.

In the immediate context of the remaining period of the present Plan comes another welcome news of the formal signing of the agreement at Bonn between the Governments of West Germany and India for aid by the former of the order of 125.1 million deutsche marks equivalent to Rs. 14.2 crores. This aid, though modest in size, becomes available at a strategic time when the foreign exchange position threatens to cast a shadow on some of the development projects in the present Plan. It would appear that this aid will be free from any rigid conditions and, furthermore, the interest rate will be low. Already the West German Government has lowered its Bank Rate as a move to discourage the outflow of gold from America. Since there can be no question now of the devaluation of the dollar, it is legitimate that ways and means should be found to ease America's balance of payments deficit. Two out of the three major causes of this deficit are America's self-imposed burden of military aid and economic aid overseas. The US Secretary of the Treasury, Mr. Robert Anderson, is visiting Bonn, Paris and London to impress upon the allies either to accept immediately a greater share of economic aid or to bear a greater share in the NATO budget or both. This, however, is an immediate strategy which is urgently needed in the nature of a support to a holding action against the outflow of gold. But there need not be any doubt that the Western countries are now showing a keener realisation of the importance of liberal policies of economic aid to developing countries.

South Vietnam

A STORM WEATHERED

MR. NGO DINH DIEM, who during his tenure of office as the President of the Republic of Vietnam, has had to contend with many a trouble arising out of the activities of Cao Dai and Bin Xuen religious sects, guerilla bands in the Mekong valley and the infiltration of Communist agents from North Vietnam, has weathered another storm. He has successfully beaten off, with the help of the loyalists in the army, a revolt by a section of officers of a paratroop unit, who, in the small hours of November 11, had besieged the President's House and threatened to depose him. Though the paratroopers' coup proved abortive — apparently due to lack of popular as well as army support and perhaps also due to their folly in letting Mr. Diem gain valuable time by engaging them in parleys on the reconstitution of the National Government — it has served one useful purpose; it has revealed that the discontent with the Diem regime is confined not only to a group of prominent citizens and some former Ministers, who a few months ago made an appeal to the President to reform his administration and to impart a greater democratic touch to it, but has extended to some sections of the Viet-namese Armed Forces.

This is undoubtedly an ugly portent for a small country, situated on the periphery of the Communist world in South-East Asia and so easily vulnerable to subversion from the north. Whatever justification Mr. Diem may have had for continuing his present policies and maintaining his hold on the Government by keeping in saddle a chosen few, it needs no second thoughts to point out that he would do well in his fight against Communism to broadbase his administration and associate with it popular political figures who are no less vociferous than him in disclaiming the red creed. It is time he recognises this fact; he will strengthen his hands by giving effect to the cmpromise he accepted while negotiating with the rebels, who of course, were not pro-Communists, to reconstitute his Government.

The United States, which has been lending powerful support to the Diem regime, also has no reason to be pleased with the events of the last ten days. Its further propping up of an irresponsive rule in South Vietnam will only lead to the discontent with a discredited clique at the helm of affairs becoming more widespread. That will hardly forebode well for the Vietnam Republic. North Vietnam will be its beneficiary.

Welfare

HAZARDS OF ALL-OUT PROHIBITION

AT THE first meeting of the Central Prohibition Committee held in New Delhi last week, suggestions were made by Mr. Shriman Narayan, Member, Planning Commission and Mr. B. N. Datar, Minister of State for Home Affairs, for the launching of all-out prohibition at one stroke in all the States of the Indian Union since the phased programme, according to them, had failed to

yield the expected degree of success. The 44-member Committee set up by the Planning Commission to co-ordinate the prohibition activities in the various States seems to have arrived at certain decisions which have not been made public, though the views of Mr. Shriman Narayan and Mr. Datar have received wide publicity in the press. Great emphasis has been laid by both of them on the fact that "prohibition is a fundamental principle laid down in the Constitution". While it is conceded that the directives of the Constitution are binding on the Government, the perilous haste with which prohibition is proposed to be clamped down on the whole country is fraught with numerous complications.

The basic objection relating to loss in revenue in case complete prohibition was attempted is being watered down by suggesting that the States could increase their revenue by alternative sources. It is indeed amazing how an expert body like the Planning Commission and one of its members could make a statement which is quite contrary to facts. The States have found it extremely difficult during the last decade to add to their revenue by tapping alternative sources of revenue. New taxation measures have not met with much success. If the Planning Commission is determined to make greater allocation to the States in the Third Five-Year Plan so as to cover the deficit in the State Budgets caused by the imposition of a total prohibition programme, there could be no argument at all. But the Planning Commission will have to contribute much more than the present yield of revenue from liquor (estimated at Rs. 40 crores per annum) because the police strength in all the States will have to be re-inforced in order to tackle the likely increase in crime cases associated with illicit distillation.

It is a well-known fact that all the States are not very keen on imposing this additional burden on their finances. The Prohibition Enquiry Committee had laid down the target of April 1, 1958, for nation-wide prohibition, but the working of the scheme at the State level has shown that not all of them are in agreement with the report of the Enquiry Committee. That is why in some of the States, only limited areas (covering nearly ten to fifteen per cent of the total area) had been declared dry. If the original phased programme of introducing prohibition in slow and small degrees were adhered to, it has some chances of working out smoothly in the long run; prohibition at one stroke is such a hazardous step that it may raise many more problems than it is likely to solve. Moreover, some of the States may not yield on this vital issue at all.

A CORRECTION

People's Participation in State-owned Corporations

In the Leading Article under the above caption in the issue of this Journal dated November 4, 1960, on page 812, please make the following corrections in para 1.

Line 6: "In contradiction to" should be substituted by "in contradistinction to".

Line 9: The last sentence should read as follows:

"This is not because there are any prejudices against the investing public as such, but because the Study Group is anxious to see that additional investment is directed to augment the total investment pool of the economy."

The printing errors are regretted. — Ed.

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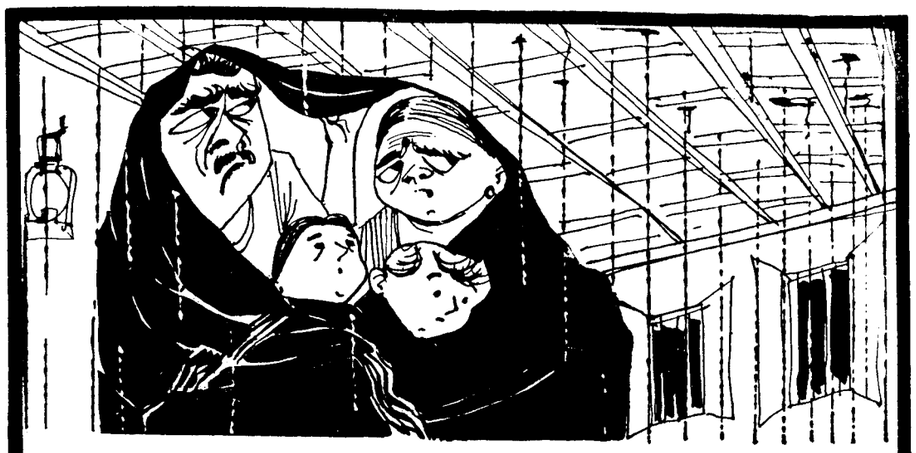


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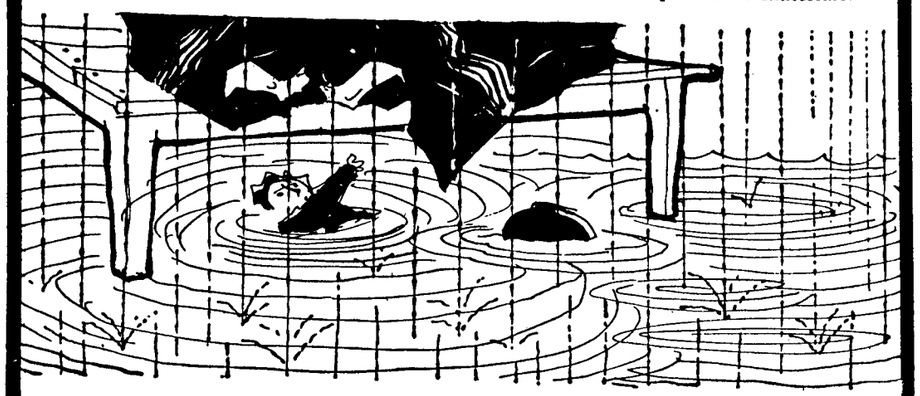
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TSTP 47 R

The World Abroad

AID FOR INDIA FROM WITHIN

By

ODYSSEUS

BECAUSE average income per head is low in developing countries, it is usually argued that savings must also be low. But what is the connexion between average income per head and potential savings? The share of the national income of the upper income groups and of income from property is the key. Mr. S. J. Patel has calculated that the share of property incomes in India and in the USA does not differ greatly. But whereas in the USA these income groups save much of their share, in India they do not. In India, the groups in the top fifth get about 55 per cent of the national income. Now in his "Fiscal Policy in Underdeveloped Countries" (Allen & Unwin, London. 1960. 20 sh.), Dr. Raja J. Chelliah reminds us that in all pre-industrial societies, agriculture contributes more than half of the national output, and that a large part of this goes to proprietors, intermediaries, merchants, and money-lenders, who don't usually have the habit of productive investment. The problem is to mobilise this surplus (which can also exist in other sectors) for productive investment. It has been estimated that India could invest 15 per cent of her income without reducing mass consumption.

The mobilization of this surplus (actual and potential — the potential being increased by using resources at present wasted or not used) is, or should be, the true basis of fiscal policy in developing countries. The Communists mobilize the surplus by socializing industry and collectivizing agriculture. In a free country, the alternatives are voluntary savings and taxation.

The basic problem is to discover the surplus and channel it into investment — without, in the process, destroying the incentives to accumulate. Dr. Chelliah's solution is that each citizen should be taxed in accordance with his unused capacity to contribute. This can be measured in terms of that part of the economic surplus accruing to him which he is not already, on his own, investing productively. His income contains a surplus if it is above the level needed to maintain (a) the minimum consumption necessary for efficiency AND (b) incentives. This minimum will obviously differ for different classes of the population — an important point.

From this, Dr. Chelliah argues that taxes must be levied on a progressive scale on that part of the income — above a certain level — that is not used for approved investment and that the tax must be framed so as to encourage saving, i.e., savings in approved investment should be partially exempted from taxation.

If we depart from the so-called principles of taxing according to ability to pay and of progressive taxation of total incomes, are we throwing social justice overbroad? In discussing this last week, we saw that (1) the principle of ability to pay is subjective and leads to no specific scale; (2) even its upholders are forced to admit that it can't be pushed beyond a certain point without destroying savings, and so, when they wish to raise extra money, they fall back on direct taxation. But this is regressive and "socially unjust"! This leads us into a sterile debate as to whether slightly regressive income taxes are more, or less, inequitable than the existing system.

The more important point is that economic development requires sacrifices in consumption and that those sacrifices must be distributed as equitably as may be possible among all classes. A tax that heavily penalizes consumption and rewards investment induces taxpayers to forego consumption. In a developing economy, equity should be understood in a dynamic setting, because it is only through progress that the standard of living of the masses can be raised. A tax system that distributes the incidence of taxation in the conventionally "equitable" way may not help the masses much. If redistributive measures lower the rate of economic progress, the absolute share going to the group most favoured by redistribution will, in the end, be less. It is not in the interests of the masses to accept redistribution in their favour if it lowers the rate of growth.

GERMANY'S EXPERIENCE

On this point post-war Germany's experience is relevant. The German "social market economy" stimulates production and lets consumption take care of itself. The Germans did not allow nice questions about social justice to distract them from the drive towards recovery and expansion. As Dr. Erhard says in his "Prosperity through Competition" (Thames & Hudson, London. 1958): ".....how much more sensible it is to concentrate all available energies on increasing the nation's wealth than to squabble over the distribution of this wealth, and thus be side-tracked from the fruitful path of increasing the national income. It is considerably easier to allow everyone a large slice out of a bigger cake than to gain anything by discussing the division of a smaller cake." Taxes not designed to extract from employers and workers the rewards of their enterprise and labour but to stimulate them to fresh endeavour in work, saving, and investment, were the chief means that Dr. Erhard used to carry out his policy. The outburst of production that followed his tax incentives was hailed outside Germany as the "German miracle". But what was miraculous was not that Erhard's policies worked — they were plain commonsense — but that politicians and voters were ready to ignore envy-creating slogans about social justice and to recognise commonsense when presented to them.

As another authority has said, "Justice has been thought of too much in terms of the division of a fixed pie rather than of encouraging the baking of more pies." Justice in taxation in a developing country cannot mean more than an attempt at equitable distribution of the burden involved in (a) capital formation and (b) the promotion of the highest possible rate of growth.

Pointing out the inequitable distribution of the burden of economic development in India at the present time, Dr. Chelliah notes that salary earners are taxed while shopkeepers escape; incomes from profits enjoy generous provisions for expenses, while salaries do not; agricultural incomes are treated leniently; and incomes from capital gains are taxed at concessional rates.

Dr. Chelliah is not against progressive taxation, but he urges that it should not be based on total income. This might mean that the tax system would be slightly regressive but it would be highly progressive on that part of the income not invested productively. Dr. Chelliah's proposal serves a double object: if a large income is not saved, much of it will go to

the state; on the other hand, if it is to avoid heavy taxation, it must go to investment. In either way the surplus is mobilized for economic development. This is Dr. Chelliah's challenging solution to the dilemma outlined here last week, namely, that more should be raised in taxation but cannot be extracted lest incentives be destroyed. Under his scheme, even if the government were to lose somewhat in tax revenue, it would have succeeded in stimulating saving of which it can take a share.

What is needed is a practical scheme whereby partial exemptions can be granted for savings invested in approved ways. Such exemptions should benefit all classes of income tax payers, not merely the recipients of dividends and owners of companies. Since encouragement to investment must not only be given to companies but to the individual, the scheme involves modification in taxation of both business and individual income.

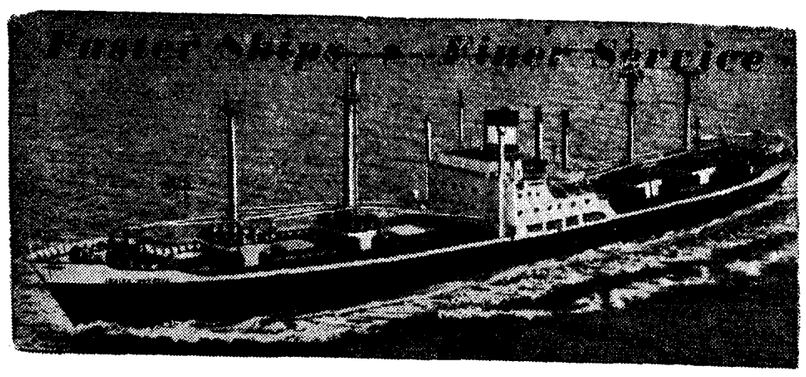
LIGHT FROM KEYNES

Space lacks to cite in detail Dr Chelliah's carefully worked out proposals for tax exemptions, but it is worth emphasizing that they are the proposals neither of a revolutionary nor of a crank. After all, exemptions have been granted, in India, and elsewhere, for contributions to charity, insurance and provident funds, and for certain capital investments by companies. In a developing country, it is more important to encourage investment than charity. And clear social benefits arise when an individual uses his income not for personal consumption but for investments that increase the economy's productive capacity. Dr Chelliah recalls the famous passage in which Keynes described the economic system of Europe in the nineteenth century:

"Thus, this remarkable system depended for its growth on a double bluff or deception. On the one hand, the labouring classes accepted from ignorance or powerlessness, or were compelled, persuaded, or cajoled by custom, convention, authority, and the well established order of society, into accepting a situation in which they could call their own very little of the cake that they and nature and the capitalists were cooperating to produce. And, on the other hand, the capitalist classes were allowed to call the best part of the cake theirs, and were theoretically free to consume it, on the tacit underlying condition that they consumed very little of it in practice."

Under Dr Chelliah's system, the richer classes would be theoretically free to call the tax-exempt income their own, but they would not be able to consume it. Instead of relying on a "tacit underlying condition," he would "cajole" and "persuade" the richer classes to abstain from consumption through a well ordered scheme of taxation.

It is true that if partial exemption to savings were granted, income tax would be less effective in reducing inequalities. However, since the rates of income tax can be stepped up under Dr Chelliah's scheme, inequalities in the standards of consumption would be reduced. This is the best that could be done for the masses in the short run. To reduce inequalities and to prevent their perpetuation, Dr Chelliah suggests taxes on wealth and inheritance. But he rightly insists that if a nation wishes to avoid totalitarian government, it must rely on private enterprise, and it must therefore encourage the accumulation of wealth up to a point. Enterprising individuals cannot start and run large firms unless they can command substantial amounts of capital. The sooner that politicians and electors realize that a degree of inequality, far in excess of what idealist reformers will concede, is inevitable, the quicker shall we enjoy economic progress. If you don't want inequalities of wealth and at the same time you seek rapid economic progress, you had better emigrate to the USSR or to China, but even there you will not only find high, but actually growing, inequality of incomes—and you will have lost freedom.

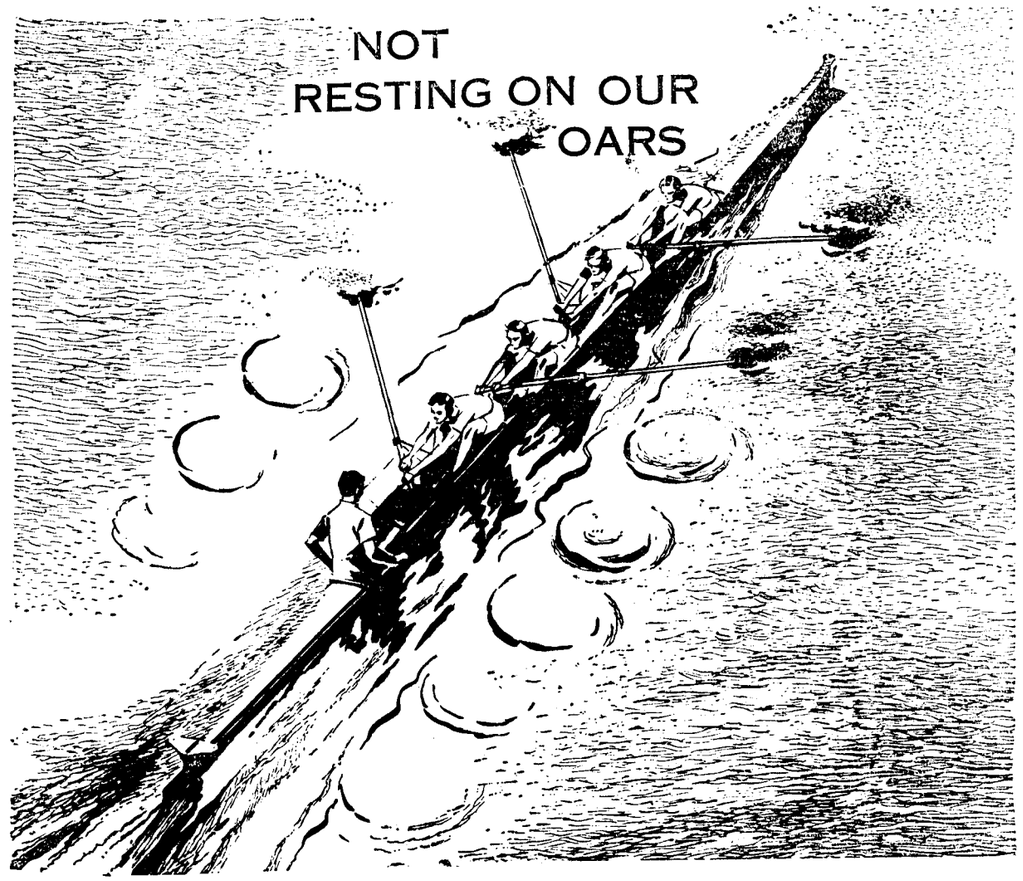


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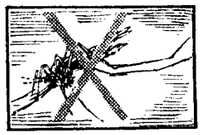
ITC-49



Memoirs of an Elephant—6

"See what I started"

These human beings, I tell you,
are strange creatures ; at least they are here
in Assam. As you know, one day
far back in 1889, I walked straight into the
forest and stuck my foot into that



sticky fluid—Oil. Nobody seems to credit me with the "discovery"

I remember the first oil well in Digboi was drilled in a clearing in the dense jungle. It was such a black spot that people were afraid to go there (I did not mind at all !).In the 188os there were virtually no inhabitants for miles around, the heavy smell of oil making it too unpleasant to settle in the area. But today, Digboi is one of the best towns in Assam.



In the early days the people who worked in the area were given a daily dose of quinine to keep away that terrible disease—Malaria. (No quinine for me, even in those days — I'm tough !). Today, things have changed for these human beings : Malaria carrying mosquitoes have ceased to exist in the Digboi area due to control measures.



Wherever these oilmen go they have a habit of changing the face of the place. They push back the jungle, make or improve roads and bridges, all to aid "communications" they say. (I don't like them, they give me sore feet—nothing like the jungle !)

Anyway, I have been seeing them around here for over 70 years now, since I first stepped into that pool of oil. I have been hearing the words "Assam Oil Company", "Oil Exploration know-how", "Accumulated experience", etc. .... These words all seem to go together.

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The European Scene

IS ERHARDISM EXPORTABLE?

From Our Special West European Correspondent

PARIS, November 14.

ADMIRATION for the "German miracle" has been world-wide and there has often been question of exporting it, that is of applying elsewhere the formula of the man the West Germans call, half sincerely half sarcastically, the Wunderkind (Miracle Boy), Ludwig Erhard. By his book on the subject and by his visits to many inflation-ridden countries, the brilliant professor has encouraged the belief that his formula was exportable. There was even brief interest in the possibility in India some time ago, and the current efforts of the Greek and Turkish Governments to renovate their economies in association with the Common Market are partly essays in applied Erhardism—they in fact follow consultations on the spot with the author of that doctrine. The most notable attempts to imitate the West German example were the drastic French reform of December 1958 and the equally severe Spanish reform of July 1959.

Both of these followed the German model fairly closely. Indeed West Germany did more than provide advice: she pledged a part of the fruits of her own reform to guarantee the success of her neighbours', by putting up some of the large "stand-by" loans required to safeguard those economies during the difficult and dangerous early phase of the reform. In her own case, these loans were provided by the USA. The availability of these sums is an essential part of the operation, which is why it is always necessary to recall the substantial American contribution to the German miracle. The stifling of inflation entails the adoption of a new value for the currency, and this new value has to be protected from speculation, and it can only be so if powerful financial backers abroad make it known that their funds are ready to support it. It means also raising many prices in the domestic market, in order to discourage consumption, but these price-rises have to be strictly limited to the "mechanical" effects of the devaluation, higher taxation, reduced subsidies and other international public actions. If they are allowed to snowball, the results of the reform can be lost in the psychological reactions of a population accustomed by experience to take any price-rise for a new burst of inflation. So large stand-by funds are needed to finance shock imports. Finally, the reform entails opening the domestic economy, long sealed by inflation, to the corrective currents of the international markets, and this adjustment, too, demands that the country have at its disposal large amounts of foreign aid.

If all goes well, these loans may never be used but the public knowledge that they are there, ready to be used in case of need, is an essential part of the reform. It was only in the first days of this month that France repaid the total of the guarantee credits she took from the IMF at the end of 1958: about $400 million. Much more than that was publicly placed at the disposal of Paris when she undertook her reform (several hundred million dollars were put up by private banks in the USA and West Germany, for instance), but was never drawn on—which does not mean that it was useless, for it served the vital function of showing that the French reform was soundly backed, so that speculators had no chance of winning by betting against it and the general public could have confidence that the new price line was going to be held. Similarly, when Spain took the Erhard medicine last year, she received guarantees totalling $418 million from the IMF, the US Government and private banks, the European Governments and the OEEC.

This is only one aspect of an Erhard-type reform, but it is a vital one. It emerges that before there can be any thought of applying this formula to an inflation-ridden economy, one must know where the international backing is to come from, and whether it can attain such massive proportions as to make speculation and distrust look ridiculous. Naturally, before a country whose currency commands no respect (for if it did, there would be no need for drastic reform) can get that sort of international backing, it must have its reform proposals approved by the foreign creditors: this was done by the American occupation authorities in Germany in 1948, by France's Common Market partners and by the governments that agreed to return to convertibility along with the franc, in 1958, and by Madrid's American and West European backers in 1959. Thus the Erhard operation is an international concert, and never a solo performance by an heroic people that pulls itself up by its bootstraps. These international aspects of the process are less often referred to. But granted that they are fulfilled, is Erhardism exportable?

The contrasting results of the French and Spanish reforms give contradictory answers. The French reaction to the Erhard treatment is little less impressive than the West German, considering that the economy has had concurrently to bear the burden of the Algerian war and of an atomic arms programme. In a shorter time than it took for the German experiment to be recognised as miraculous, France under this regime has been able to accept those two heavy charges while paying off all her short-term debts, increasing her reserves to more than her long-term debts (thus becoming internationally solvent again), vastly increasing her exports, maintaining full employment and facing all the difficulties the Common Market implied for perhaps the most protected industrial economy on the Continent.

Spanish experience to date is very different, and shows us that whatever the virtues of the Erhard formula, it does not constitute a recipe that can be used in various types of society with equal success. I described the way the formula was being applied in Spain in an article here on November 6 last year, and reviewed the progress of the treatment a year after its inception in an article on July 1 this year. It is now 17 months that Spain has been under this regime and though it is too early to say that it has failed, it is clear that there is not going to be any "Spanish miracle". All that has been achieved in Spain is a demonstration of the consequences of deflationary, sound-money doctrine: the inflationary bubble has been burst, the economy is stagnating and the country is poorer and idler than it was before. But Erhardism is not just a savage deflation such as had been practised on

numerous occasions before, and especially in 19th century Britain and the USA; it is a technique for starting a new wave of expansion after a return to sounder foundations. Although often wrapped up in the misleading language of pre-Keynesian financial orthodoxy, it is very much a 20th century policy: expansion and full employment are its objectives while sound money, and balanced trade and budgets, are the mere instruments.

The Spanish experiment in Erhardism has so far quite failed to reach those objectives. Thanks to the foreign backing made available to Madrid, the value of the peseta has been easily preserved at its devalued level, though plans to make it partially convertible like all other Western currencies have had to be postponed. The danger of higher prices, resulting from devaluation and taxation, leading to renewed inflation has been successfully avoided (this danger is known as the "take-off skid"). Admittedly, General Franco had to use characteristic methods, unknown in North Europe, to ensure this result, e.g. threatening to shoot shopkeepers who raised prices beyond the "mechanical" limits set by devaluation and tax rises. The initial deflation was managed in a fairly orderly way: unemployment, bankruptcies and austerity were serious without reaching disastrous proportions.

On the other hand, the subsequent expansion which is the whole point of the Erhard formula has failed to appear. The sclerotic totalitarian economy has shown none of the resilience required for the success of a policy that was conceived, after all, for use in a democracy—though a firmly governed and disciplined democracy such as the West Germany of 1948 or the France of de Gaulle. The theory of the operation is that once people are convinced that the value of the currency has been stabilised without the motors of the economy being paralysed, then lenders re-appear at home and investors come in from outside. This happened in West Germany and France, but in Spain after 20 years of Francoist bluff no one had any confidence in what seemed to be just another stratagem designed to keep the regime on its feet. Spanish industrialists refused to bet on the country's chances of expansion, and the crazy "corporate" system of government (which means in practice that dozens of official agencies are operating without any over-all co-ordination) was incapable of giving the lead with a rational investment programme. The upshot has been that the psychological deflation has been much more serious than the technical deflation.

Curious as it may seem, this would not have been grave if foreign investors had been more enthusiastic in backing the reform. Though their contribution in money terms is relatively small, the role of the foreigners is vital in this sort of operation because it is they who first declare the monetary reform to have succeeded and show the way for domestic lenders. Americans were investing in post-1948 Germany before the Germans themselves, and foreign capital was pouring into Paris last year months before Frenchmen had recovered from the shock of the Pinay shake-up or had begun to believe that it was going to work. On the contrary, in Spain foreign investors (after an initial outlay in petro-chemicals) have been decidedly cautious. They have no faith in the political future of Franco, but above all the freedom of movement for their capital that they demand, and can get elsewhere, could not be granted by a totalitarian economy. The foreign exchange regulations were indeed relaxed to enable foreigners to get their profits and capital out easily, and they were allowed to obtain majority-holdings in joint businesses. But they could not be allowed to run those businesses as though they were in a democracy. A regime that refuses workers the right to strike or even to form real trade unions must pose as their protector by refusing to let employers sack them, and thus the mobility of capital is greatly reduced inside Spain even if it can cross the border more easily than before.

In sum, Spain has got stuck at mid-point of an Erhard-type reform. It has managed the deflation but cannot find the means to initiate expansion on the new foundation. The fault is mainly that of an illiberal regime, which falsely imagined that the brilliant Doctor Erhard had discovered a magical formula that could be applied anywhere and could even come to the rescue of a foundering dictatorship.

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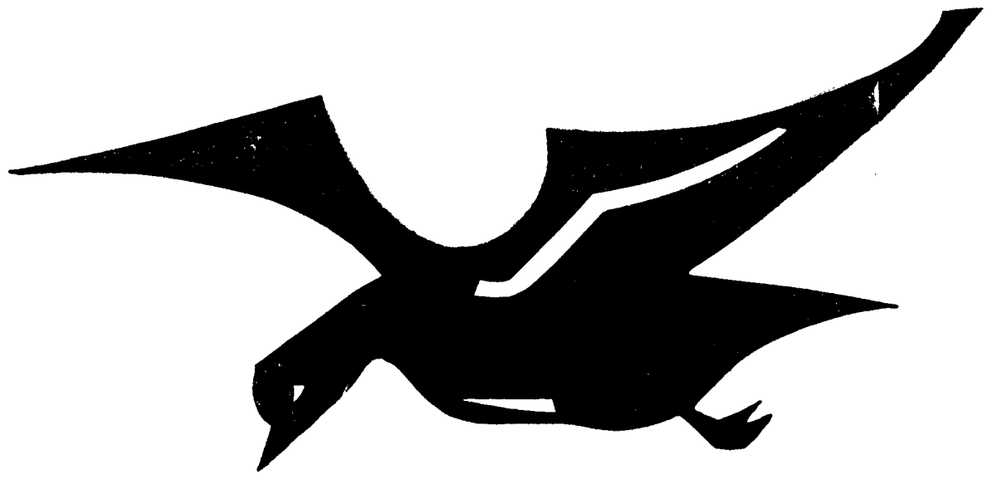
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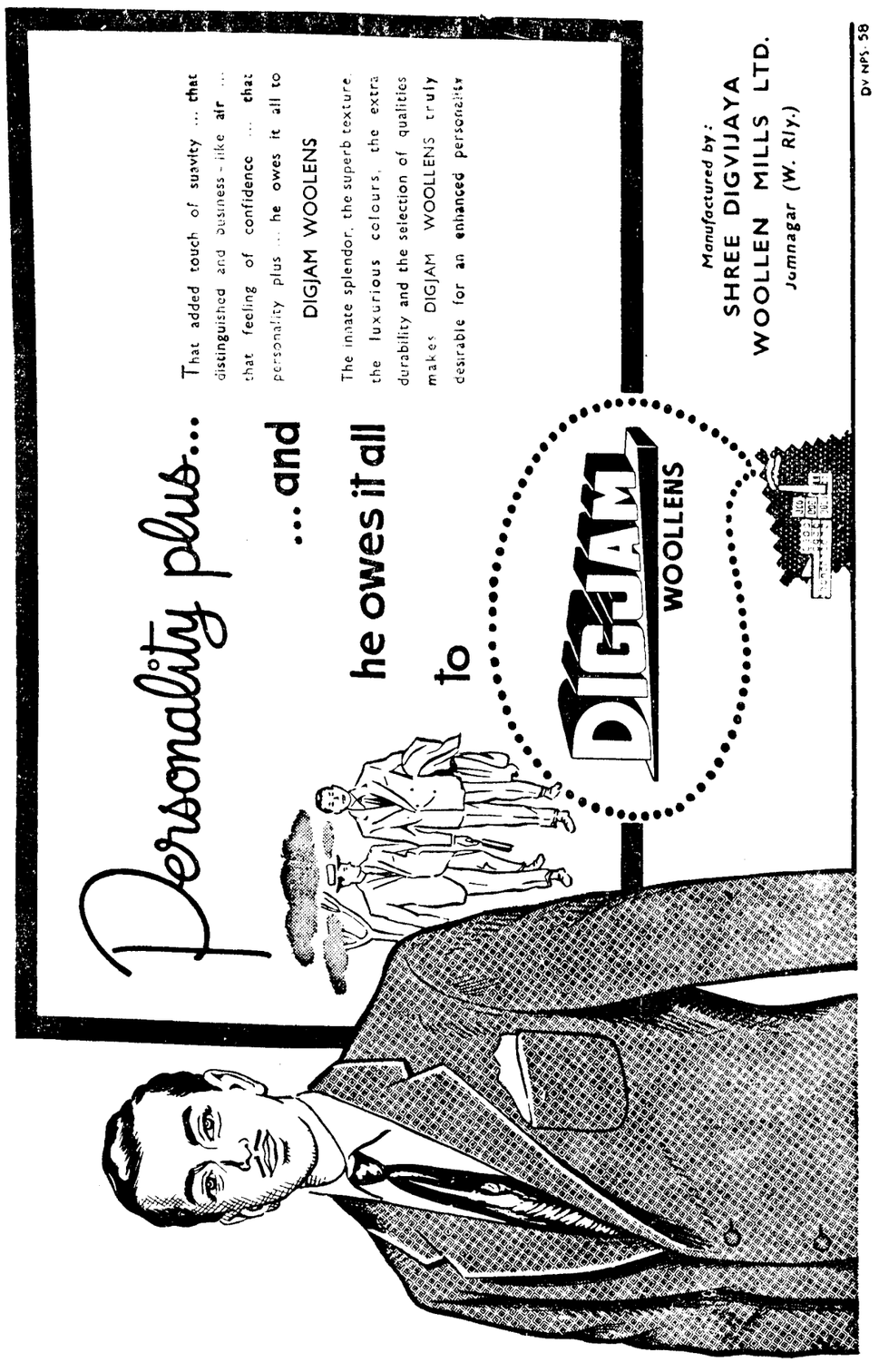
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Economic Report from the U.S.

CENTRAL AMERICAN BANK

By

GUY SIMS FITCH

WASHINGTON Nov. 8.

ANOTHER international institution to spur regional economic integration and advancement has received the support and financial backing of the U.S. Government. This is the Central American Bank for economic integration, projected lending agency to which the U.S. has just announced it will contribute $10 million. The announcement was made within the past week by the U.S. Department of State, following talks with representatives of Guatemala, Honduras, El Salvador and Nicaragua, the four Central American nations that are joining together to organize the new lending agency. In addition to the U.S. contribution, $16 million would be provided by these four founding nations, through subscriptions of $4 million each. According to present plans, half of the subscriptions are to be paid within 14 months of a formal agreement, which is expected to be signed soon. The remainder would be payable when called for by the Bank's Board of Governors.

The Central American capital would be paid in the national currencies of the members, with provision for its free convertibility and maintenance of its U.S. dollar value. This could make it easier for the Central American States to put up the required funds, and could enhance the potential effectiveness of the bank's operations. It remains to be seen whether other Central American nations — such as Costa Rica and Panama — now will join the new regional financing venture. If they do, the Bank's capitalization obviously would increase. Discussion of closer economic integration in the Central American area go back some years. The possibilities were envisioned as early as 1950. Actual plans were underway by 1958, with the encouragement of the U.S. In March 1959, U.S. President Eisenhower and President Lemus of El Salvador, who was in Washington on a state visit, issued a joint statement favouring study of a Central American Common Market. Last February, less than a year later, the four organizers of the Central American Bank signed a treaty of economic assistance, providing for the equalization of customs duties within five years.

At a meeting with Central American representatives at Bogota, Colombia, this past September, U.S. Under-Secretary of State Douglas Dillon reaffirmed U.S. interest in Central American economic questions. He called attention to the need for a financing institution, or bank, to help speed economic progress and bring economic integration closer to fruition. It was in line with the Dillon statement that the Central American representatives and U.S. Government officials met at the end of September and discussed in some detail the establishment of the new inter-American Development Bank, which also has indicated its readiness to help the Central American Bank. Behind the establishment of the Central American Bank is the recognition that economic integration will require a balanced economic development. This will mean diversification of the economies of the member countries, and the stimulation of capital investment, both local and foreign. These are aims which the U.S. traditionally has supported and encouraged.

To help achieve these ends, the Bank's activities would be directed toward financing productive projects that tend to make the economies of the member countries more complementary and to increase Central American trade. Its operations would extend to financing the development of industry, agriculture, and what is known as the economic infrastructure — those supporting elements, such as transportation and electric power, which are vital to healthy economic progress. In addition, in keeping with the concept of a Central American Customs Union, the Bank would support the region's trade objectives by helping enterprises improve their efficiency in supplying a regional common market. Emphasis in all this clearly would be on projects of a regional rather than a strictly national scope. If all goes well, the Bank may be in position to make its first loan soon after the start of the new year. As far as the U.S. contribution to the Bank is concerned, there is some thinking that it may come from such established U.S. aid agencies as the Development Loan Fund and the International Co-operation Administration. Part of it might be made available during the current fiscal year which ends next June 30, and part in the following fiscal year. In any case, the provision of U.S. funds will require legislative approval by the next session of the U.S. Congress, which will convene early next year.

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The U.S. Election

THE VERDICT ON THE AMERICAN 1960 GALLUP POLLS

By DR. GEORGE GALLUP

Director, American Institute of Public Opinion

PRINCETON, N.J., Nov. 14.

BESIDES resolving many political issues, each national election answers many questions for those who are trying to develop a scientific approach to opinion sampling.

Every field tends to move from art to science, and this has been true of public opinion research. Elections constitute a practical test of many aspects of the survey method which are developed by those engaged in this special field.

In every election, different factors or variables assume special importance. Some of those which sampling surveys had to deal with in the 1960 race were:

The Religious Issue: When the posibility first arose that President-elect Kennedy might be a 1960 contender, it was evident that the factor of religion might be a controlling one in the event he was the Democratic nominee.

As early as May, 1959, the Gallup Poll sought to determine just how much impact Kennedy's religion might have on his showing.

But unresolved was the question of whether Catholics and Protestants, in the secrecy of the voting booth, would vote as indicated in survey results.

The election supplies evidence that the survey techniques used were successful in measuring how the members of various religious faiths were voting. If this had not been the case, the final estimate of the popular vote would not have been as accurate as it was.

The Silent Vote: Many political observers and columnists claimed that surveys might be thrown off this year by the so-called 'silent vote' — that is, persons who would refuse to state their candidate preference, particularly because of the religious issue.

As a matter of fact Gallup Poll interviewers found few persons unwilling to give their preference — certainly no more than the small percentage which had been encountered in previous elections.

The Undecided Voter: One other aspect of the campaign which received a great deal of comment by political writers was the "undecided vote" — persons who had not made up their minds as to their choice.

While survey evidence indicated a larger than normal proportion of persons who did not feel very strongly about their choice, the actual proportion of persons who could not or would not state their preference — as of the day they were interviewed — was no higher than has been found in most elections.

The Gallup Poll's final pre-election estimate showed a total of only 3 per cent of likely voters undecided as of the Friday before the election.

Voting Turnout: A difficult problem in all elections is to obtain a sample which is representative of those voters who will get to the polls on Election day. To deal with this problem, a whole series of questions has been developed by the Gallup Poll in recent years to sort out a sample of likely voters.

The success of these procedures in screening out non-voters is demonstrated by the Gallup Poll's pre-election estimate of the total vote. In its final report, it was estimated that 65 per cent of the adults of the country would vote, and that this would represent a turnout of 65 to 70 million — the largest in the history of the country.

Election returns to date show that this was an accurate estimate of turnout.

Accuracy: Predicting group behaviour is always a hazardous occupation. No one can say with certainty that some unknown factor will not upset such estimates. Of course, the same is true in other fields. Even those airplanes which have been tested for years in actual flight, for example, occasionally do crash to earth, and sometimes for reasons unknown.

But proof that progress in opinion survey techniques is being made comes from the accuracy of Gallup Poll surveys in actual elections. In the six elections which preceded 1948, the average deviation between the Gallup Poll's survey estimates and election results was 3.7 percentage points.

In the six elections since 1948, the average deviation has been 1.6 percentage points. Here is the record going back to the 1950 election:

Gallup Poll	Election Result	Deviation
	1960 Presidential	
51% Kenn.	*50% Kenn.	1.0
	1958 Congressional	
57% Dem.	56.5% Dem.	0.5
	1956 Presidential	
59.5 Eisen.	57.8% Eisen.	1.7
	1954 Congressional	
51.5% Dem.	52.7% Dem.	1.2
	1952 Presidential	
51% Eisen.	55.4% Eisen.	4.4
	1950 Congressional	
51% Dem.	50.3% Dem.	0.7
	Average Deviation	1.6

*Incomplete returns.

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WORLDGRAM

India

India's Foreign Trade in Merchandise in September 1960: The provisional figures of India's foreign trade in merchandise by all routes — sea, air and land — on private and Government accounts during September 1960, according to information available in the Department of Commercial Intelligence and Statistics, Calcutta are given below:

Exports	Rs.	52.68 lakhs
Re-exports	Rs.	0.41 lakhs
Imports	Rs.	75.28 lakhs
Balance of trade	Rs.	—22.19 lakhs

These figures exclude overland trade with Nepal, Tibet, Sikkim and Bhutan. The import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment and of private merchandise under reference to customs for verification.

Table I below brings together the provisional figures for September, 1960, along with similar figures for August 1960, September 1959, and the revised figures for September 1959.

Table I: India's Foreign Trade During September 1960 August 1960 and September 1959

(In lakhs of rupees)

Foreign trade in merchandise	For the Month of			
	Sept. 1960	Aug. 1960	Sept. 1960	
			Provisional	Revised
Exports	52.68	56.03	60.11	57.72
Re-exports	0.41	1.01	16	17
Imports	75.28	82.73	69.33	73.75
Balance of trade in merchandise	—22.19	—25.69	—9.06	—15.86

The cumulative total for the six months ended September 1960, are shown along with the corresponding figures for 1959 in Table II below:

Table II: India's foreign trade during the six months April-September, 1960 and April-September 1959.

(In lakhs of rupees)

Foreign trade in merchandise	Cumulative totals for six months April to September		
	1960	1959	
		Provisional	Revised
Exports	295.65	301.14	293.52
Re-exports	5.79	2.29	4.12
Imports	483.91	414.62	468.01
Balance of trade in merchandise	—182.47	—111.19	—170.37

*

Central Revenue Collections for September, 1960: The revenue realised from items on which duty is levied and collected by the Central Government in the first six months of the financial year 1960-61 amounted to Rs. 366.65 crores. Of this, Rs. 74.68 crores were collected during September 1960. The corresponding figures for the six months of the financial year 1959-60 and for the month of September, 1959 were Rs. 328.49 crores and Rs. 77.86 crores respectively. Following are details of the revenue realised under various heads.

(In lakhs of rupees)

Revenue Heads	September		April September	
	1960	1959	1960-61	1959-60
1. Customs	13,74	14,04	77,95	74,21
2. Union Excise Duties excluding Coal Cess and Salt Cess	31,65	29,28	1,93,90	1,68,19
3. Corporation Tax	14,15	14,43	36,78	23,43
4. Income Tax	13,48	18,02	47,02	50,65
5. Estate Duty	14	19	82	97
6. Taxes on Wealth	27	52	1,47	1,58
7. Expenditure Tax	3	2	13	14
8. Gift Tax	6	4	23	20
9. Railway Passenger Fare Tax	N.A.	91	5,78*	6,33
10. Opium	80	41	2,62	1,79
Total	74,68	77,86	3,66,65	3,28,49

N.A. Not available. * Provisional upto August.

*

Goodyear Tyre Factory in Punjab: Corner Stone for the new Goodyear Tyre & Rubber Company factory at Ballabgarh, Punjab, India was set in place the other day by Mr. Manubhai Shah, Minister of Industries, Government of India. The ceremony was held at the 73-acre site of the new tyre and tube manufacturing factory at Ballabgarh, Punjab, 21 miles south of New Delhi. In addressing guests at the ceremony, Mr. R. E. O. Carey, Managing Director of Goodyear Tyre & Rubber Company of India Private Limited stated:

"This country's promising future indicates sound economic growth and the decision of Goodyear to locate this factory in India is a tribute to both the Indian Government and the business community which co-operated in bringing about this development." The new Goodyear factory, estimated to cost Rs. 60,000,000 ($12,000,000) will be equipped with modern tyre manufacturing equipment to produce passenger, truck and farm tyres for replacement and original equipment markets. Ballabgarh, Punjab, which offers excellent facilities for industry from the standpoint of water, labour and transportation, was chosen after a careful study of other areas, and by the desire of the Government to industrialise the northern part of India.

United States

New International Lending Agency Ready for Business: The International Development Association (I.D.A.) is organised and is now ready for business. I.D.A., originally proposed by the United States is an affiliate of the World Bank. It will provide financing to less developed member countries on more flexible terms than those of conventional loans. I.D.A. loans, for example, may be repayable wholly or partly in local currency, loans may be made free of interest or at a lower rate of interest, or they may incorporate some combination of these terms. Any member of the World Bank, it is reported, is eligible for membership in I.D.A. Thus far the following 22 countries have accepted membership: Australia, Canada, China, Germany, India, Iran, Italy, Jordan, Malaya, Norway, Pakistan, Phillipines, Spain, Sudan, Sweden, Thailand, Union of South Africa, U.A.R., U.K., U.S.A., Vietnam, Yugoslavia. Other countries of Africa, Asia, Europe and Latin America have completed various stages of the membership procedure. Subscriptions of the 22 present members represent the equivalent of

$726,720,000. If all members of the World Bank join the I.D.A., its initial subecription would total the equivalent of $1,000 million of which more than three quarters would be available on a fully convertible basis.

Yugoslavia

Development and Structure of Exports: Exports during January-September 1960, were valued at 118.9 billion dinars against 100.4 billion dinars during the same period last year having increased by 18.45 billion dinars. Appreciable changes occurred in the structure of exports by comparison with 1959, the chief trends noted being as follows: The rate of growth of industrial exports which rose by 14.1 per cent has been slowed down noticeably which also affected total earnings. Thus for instance exports in January-September last year were 14.7 billion dinars higher than in the corresponding period of 1958, while the export earnings obtained during January-September 1960 are only 10.9 billion dinars higher than in the same period of 1959. By contrast, farm exports which were 25 per cent lower in 1959 than in 1958, reveal a 39.1 per cent increase as compared to January-September last year. Thus while dropping by 7.7 billion dinars last year as compared to 1958, this year farm exports exceeded even the 1958 record level by 8.1 billion dinars. The favourable development of exports, particularly during the third and fourth quarter of the year was due among other reasons to the upward movement of export prices which owing to the export structure resulted in a sustained upward bias of the general export price indices notwithstanding certain fluctuations noted in May and June. Such a tendency of the general export price index was due primarily to the price fetched for maize, eggs, early fruit, vegetables and particularly sawn timber and fuelwood.

France

New Mail Sorting Machines in Paris Post Offices: Additional machines for sorting letters and packages of the type already installed in the main post office at Paris will be put into service shortly in other offices. These machines make it possible for 6 operators to sort 24,000 letters per hour to 300 different destinations. The package sorting machine require 4 operators who can sort 600 packages per hour to 100 different destinations. In comparison with similar types of machines designed and built in other countries, the French machines have the advantage that the operators can adjust the operating speed to a given volume of mail and are not restricted to the same rate of flow, regardless of whether the volume of mail is light or heavy.

U.A.R.

Big Increase in National Income Expected this Year: According to the final statistics embodied in the detailed report on the economic and social plan, the Southern Region's national income is expected to rise in the first year of the plan period from £E 1,377.5 million in 1959-60 to £E 1,501.9 in 1960-61, an increase of 9 per cent. This percentage exceeds the annual average of the total rate of increase expected in the five years, which is 40 per cent. The increase covers all sectors. In the public services sector it is expected to amount to approximately 8 per cent, rising from £E 1,224.2 million in 1959-60 to £E 1,320.1 million in 1960-61 reaching at the end of the fifth year a figure of £E 1,716.9 million. In the Government administrative sector the rate of increase is expected to amount to 18 per cent rising from £E 137.3 million to £E 165.4 million reaching a figure of £E 178.2 million at the close of the fifth year In the family income sector the rate of increase is expected to amount to 3 per cent rising from £E 16 million to £E 16.4 million.

Poland

Polish-made Sugar Refineries: The second sugar-refinery plant delivered to Iran by Poland is undergoing trial runs. This plant will process from 1,000 to 1,500 tons of sugar beet per day. The export of sugar refinery plants, which now comprises one of the most important items of complete industrial plants sold by Poland abroad, was begun several years ago by supplying to China two sugar-beet refineries, and later on a cane refinery processing 3,000 tons of sugar per day. Poland has just completed delivery of 2 plants to the Soviet Union, each of which would process 2,500 tons of sugar-beet a day. Several such plants are due to be delivered to the Soviet Union in the course of the coming year. Poland and Czechoslovakia jointly built a sugar refinery in Ceylon.

Indonesia

Exchange Rate Adjusted: There was a general reorganisation of import and export regulations towards the end of August. A week later the Bank of Indonesia fixed a new exchange rate of 562 rupiahs to the £ for goods that, though needed in the country, are not regarded as essential to its development.

Turkey

Single Rate for the Lira: The foreign exchange structure has been tidied up by establishing a single rate of 9 liras to the dollar for all transactions. Previously a good deal of business went through at the basic rate of 2.8 liras plus premium that varied according to the categories of goods involved.

Saudi Arabia

Oil Revenue Loss Assessed: The Saudi Director of Petroleum Affairs has pointed out that the annual loss of foreign exchange income to the country arising from the cuts in posted prices will be between $25 million and $30 million. He criticized the western oil companies for taking this step without consulting the producing countries concerned.

World Bank

Economic Development Institute: The sixth course of the Economic Development Institute of the World Bank is now in session in Washington D.C. and will continue until April 1961. The Institute was organised by the Bank in 1955 as a staff college for senior officials of member countries and territories to deal with problems of economic development. Twenty-three officials from 21 countries and one staff member of the world bank are taking part in this year's course. The work of the institute is based on the closely interwoven series of seminars in which all participants join. The curriculum is designed to provide a comprehensive approach to the problems of economic development, and to treat them from the point of view of officials with operating responsibility in their respective administrations. In general, the seminars deal with the preparation of development programme, the historical aspects of development, the structural relationships of the economy, public finance, money and banking, agricultural development, international trade and payments, studies of particular industries, and programme and project apparaisal. An important part of the course of study at the institute consists of organised visits to governmental agencies and to industrial, commercial, agricultural and financial institutions in the United States and other member countries.

NEWS IN BRIEF

INDIAN

The Government of India have decided to locate the proposed tele-printer factory at Madras. The Madras Government has agreed to allot a site near the industrial estate at Guindy, a suburb of Madras City.

*

Tobacco yields an income of about Rs. 49 crores to the growers and earns for the country foreign exchange of Rs. 15 crores per annum, says an official press release. Exports of this important commercial crop have been steadily going up and during the five-year period ending 1957, India exported an annual average of 85 million lbs. of unmanufactured tobacco.

*

The Demag Concern has received an order to expand the Bhadrawati steel works in the Indian State of Mysore from an annual crude steel capacity of about 30,000 tons to 130,000 tons.

*

The Government of India has accepted the Dhantiwada Reservoir Project in Gujerat for construction of a composite dam across the river Banas, near village Dantiwada in the Danesa Taluka of Banas-Kantha district of the State.

*

A joint organization of the Ministries of Food and Agriculture and Works, Housing and Supply will soon be set up for accelerating the construction of food storage accommodation in various parts of the country.

*

A number of agencies have been set up since Independence to provide credit facilities to industries in the private sector whose growth is considered important for the planned development of the country. Such assistance flows from the Industrial Finance Corporation, the Industrial Credit and Investment Corporation, the National Industrial Development Corporation and the Refinance Corporation for Industries.

*

The Government of India have constituted a National Cooperative Farming Advisory Board with Mr. S. K. Dey, Union Minister of Community Development and Co-operation as Chairman.

*

The Government of India has decided that the average retention price for steel payable to Tata Iron and Steel Company be increased by Rs. 4.85 per ton for the five-year period 1955-56 to 1959-60.

*

Yugoslavia will export to India 40,000 tons of railway tracks worth more than $4,000,000 by April next year. The first shipment of 2,000 tons has already left, the tracks are built by Yugoslavia's biggest iron and steel works at Zenica, Bosnia.

*

The Kerala Government is examining the possibility of establishing a low shaft furnace for the production of pig iron and steel with the low grade magnetic iron ore available in the State.

*

The Industrial Committee on plantations which met recently unanimously agreed to have separate wage boards for tea, coffee, and rubber.

*

The West German Government has lifted restrictions on the import of coir products, according to an announcement by the Coir Board.

FOREIGN

Steel production in Italy was 26.8 per cent higher in the first nine months of this year than in the same period last year. In the period January to September this year 6,106,419 tons were produced compared with 4,815,500 tons in the same period of 1959.

*

Middle East oil output during January to September last, rose to all-time record level for the first nine months of any year. At 193,705,000 metric tons it was more than 22m. tons or 12.9 per cent greater than in the same period of last year, the Petroleum Information Bureau announces.

*

The Soviet experts' report on the iron and steel works proposed to be set up in Ceylon has now been given to the Ceylon Government. It is understood that the project is planned to cost Rs. 150m. of which about 65 per cent would be provided by Russia under the agreement on economic and technical cooperation signed between the two countries in February 1958.

*

The plan for Sweden's first venture into petro-chemicals has now been finally worked out after protracted negotiations. It will be based on a steam cracker which Esso is building at Stenungsund, 27 miles north of Gothenburg, which will supply two plants to be built nearly for the manufacture of polythene and ethylene oxide.

*

Britain's gold and convertible currency reserves rose by £11m. in October. This was after repaying £30 m. to the International Monetary Fund—as the last instalment on the £200m. borrowed in September, 1956—and £5m. to settle European Payments Union bilateral debts.

*

In the 1959-60 coffee season, Mexico has produced 2,033,000 sacks of 60 kg. (132.3 lbs.). Exports account for 1,408,000 sacks valued at £26.3m.; 500,000 sacks have been consumed in the country leaving a surplus of 125,000 sacks.

*

Australia's earnings from wool exports dropped more than 10 per cent in the first three months of this financial year. Earnings fell from £A65.2m. to £A58.4m. The U.K. purchases at £A10.3 m. were only half those made by Japan.

*

Production in the machine tool industry in Britain is still running at a high level and orders on hand are equivalent to more than a year's work. But there are some signs in the last few weeks that the spectacular rise in new orders which began in the spring this year is beginning to level off due to slackening demand from the motor and appliance industries.

*

The U.S. Development Loan Fund has announced the signing of a $17.5m. loan agreement under which the U.S. will aid Vietnam in improving and expanding the water supply of the Saigon Metropolitan area. The four-year project will cost a total of $26.6m.

*

Shipments of tin from Malaya last month totalled 6,969 tons, compared with 6,247 tons in September, according to the Straits Trading Company. Of this total 2,693 tons were shipped to the Continent, 1,887 tons to the U.S. and 269¼ tons to the U.K. Total production in September amounted to 4,289 tons, compared with 4,390 tons in the previous month.

*

A coking plant with an output capacity of 250,000 tons of coke a year will be built in Northern Norway, near the State-owned steel plant A/S Norsk Jernverk, if the Storting (Parliament) approves a proposal recently put forward for the Norwegian Government.

THE BUSINESS WORLD

Credit Curbs Curtailed

By

CROESUS

AFTER having commented on the consequences of the credit squeeze and pleading for a less rigid attitude than hitherto on the part of the Reserve Bank of India last week, I am bound to welcome the relaxation of the recently imposed credit curbs by the Reserve Bank of India. Whether the Reserve Bank has taken this action in response to the representations of the bankers and the business interests or on its own is immaterial. The presumption at any rate is that the Reserve Bank has apparently been impressed with the fact that, instead of helping production, the dearer money policy, especially the impounding of 50 per cent of the additional deposits, has affected it adversely. Of course, even now there are two opinions about the advisability or the relevance of the continuation of these credit curbs, one school of thought holding that these have been subserving a useful purpose and are, therefore, necessary, and the other school contending that, far from achieving their objective, the credit squeeze measures have been impinging at points where even the authorities might not want them to impinge.

Evidently, having realised that some harm has been done — although this has not been admitted — and bearing also in mind the imminence of the busy season, the authorities have hastened to relax the rigour of their credit curbs.

"With a view to assisting them to meet credit requirements in the ensuing busy season," says a carefully worded press 'communique' issued by the Reserve Bank of India on November 11, 1960, "the Reserve Bank has relaxed the maintenance of additional statutory reserves with the Bank by the scheduled banks." The 'communique' also adds:

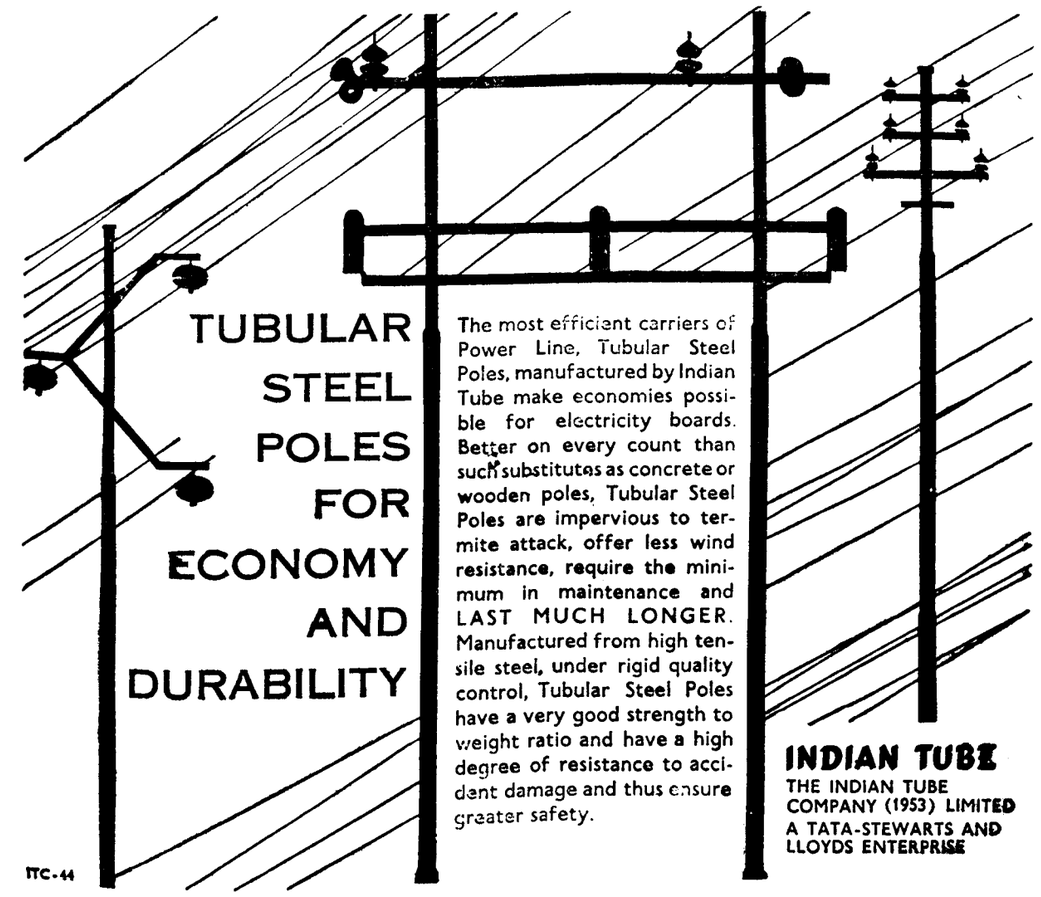
(1) The additional reserve requirement will be suspended in respect of increases in liabilities over the level as on November 11, 1960; no further impounding of deposits will thus, for the time being, take place:

(2) With effect from November 11, 1960, the additional reserve requirement will be reduced from the present level of 50 per cent to 25 per cent and this reduced requirement will be applied to increases in liabilities taking place since March 11, 1960; the deposits already impounded with the Reserve Bank will thus be reduced. The deposits rendered surplus as a result of these modifications will be released to banks."

Obviously, this press 'communique' has to be read with the instructions to individual banks that must have been issued by the Reserve Bank along with the 'communique', in order fully to appreciate the implications. For instance, it does not seem strictly correct, as some seem to believe, that there will be no further impounding of deposits after November 11, 1960, because it has been made clear, I am told, that "this requirement (the relaxation) shall not apply to that part of the demand and time liabilities as is in excess of the demand and time liabilities as on November 11, 1960." Does this mean that, after the total liabilities of a bank at any time fall below the level on November 11, 1960 and the deposits thereby rendered surplus are released to it, the bank will attract the additional reserve requirement again, if its total liabilities exceed the level as on November 11, 1960? In other words, does it mean that, if the total liabilities of a bank as on November 11, 1960 amounted to, say, Rs. 50 crores and later on improved to, say, Rs. 75 crores, there would be no additional impounding of the increased deposits consequent on this increase in deposits, but that, if the liabilities come down to, say, Rs. 40 crores and the Reserve Bank released the deposits thereby rendered surplus and, subsequently thereafter, the total liabilities again went up to over Rs. 50 crores, the bank in question would attract the additional reserve requirements rule? This is a point which, I am afraid, requires further clarification.

It is significant that, while relaxing the requirement regarding the maintenance of additional statutory reserves, the authorities have made it clear that the 25 per cent of the additional reserves that would continue to be impounded even after November 11, 1960, would refer to increases in liabilities over the position as on March 11, 1960, that is the time from when the additional reserve requirements first came to be enforced. Had the Reserve Bank not made this point specifically clear, it would perhaps have been open to the banks to demand a release of the entire amount of their additional deposits now remaining impounded with the Reserve Bank. In other words, the latest measure is only a relaxation and not a wholesale lifting of the requirement regarding the maintenance of additional statutory reserves.

Although it was the idea of the Reserve Bank to impound a maximum of 50 per cent of the additional total deposits of banks, banking circles have computed that the actual volume of deposits of the entire banking system so impounded has far exceeded this percentage, the relevant estimates varying from 70 to 80 per cent. This, I dare say, is an aspect that must have come as an eye-opener even to the authorities. The impounding would have been limited to 50 per cent only of the additional deposits, had the deposits of every bank shown only an increase. Clearly this could not have been the case. For, in actual practice, in the case of some banks, the deposits would have gone up, while, in the case of quite a few, the deposits would have fallen. On the basis of the net position, which is really what should guide the Reserve Bank, it is broadly conceivable that the percentage of the impounded additional deposits would far exceed the 50 per cent ceiling. It is further conceivable that the position.



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CAPITAL

Authorised Capital	Rs.	1,00,00,000
Subscribed Capital	Rs.	88,60,000
Paid-up Capital	Rs.	82,99,435
Reserve & other Funds	Rs.	85,01,884
Deposits(as on 30-6-1960)	Rs.	45,18,48,512

DEPOSITS

CURRENT ACCOUNT — SAVINGS BANK — FIXED, SHORT TERM DEPOSITS—3 YEAR CASH CERTIFICATES YIELDING 4·06% COMPOUND INTEREST

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MPS/GR-121

would vary from bank to bank, depending upon both the growth or fall pattern and the tempo of its deposits. Not unless a comprehensive analysis of the impact of the credit squeeze on each and every scheduled bank is available, therefore, can one accurately assess its precise effect on industry and trade. I guess the authorities have made such a study and discovered, possibly to their own surprise, that the impact of their policy has not been wholly according to their first reckoning. They must have found at least some instances where the policy has adversely affected the genuine and normal requirements of trade and industry. Anyway, it is to the credit of the authorities that, having realised the injurious consequences of their action, even if only on a section of the public, they have not been slow to move in the matter and remedy the position. Seeing this, I feel convinced that the Reserve Bank is really adopting a flexible policy in the matter of its credit regulation measures.

Be that as it may, it would appear that the immediate effect on the relaxation would be to render deposits to the extent of at least Rs. 13 - Rs. 15 crores surplus and make them available to the banks. Banking circles will certainly welcome this and there may, as a result, be a reversal of the downward trend in the volume of bank credit that has been in evidence since October, 1960. The extra funds thus released should come in handy to meet the rising demands necessitated by the rise in both industrial and agricultural output lately.

Business Notes

The Rouble

SIGNIFICANCE OF REVALUATION

AN ANNOUNCEMENT of great importance coming from Moscow on November 15, relates to the revaluation of the rouble, effective from January 1, 1961. It will be recalled that as long back as May last, Mr. Khrushchev had promised internal currency reform from the next calendar year, but the latest announcement goes a little beyond this purpose. The rouble has been revalued at 90 kopecks (100 kopecks=1 rouble) to the US dollar in place of the current official exchange rate of 4 roubles to the dollar. There has been a change in the gold content of the rouble. In 1950 the gold content of the rouble was formally fixed at 0.222,168 gram of pure gold, but last Tuesday's announcement has changed it to 0.987,412 gram of pure gold.

The revaluation of the rouble constitutes one of the most outstanding reforms undertaken by the Soviet Union in its economic policy, but its importance ought to be set in the correct perspective. Hitherto the exchange rate of the rouble had been fixed on an arbitrary basis, but it is now being placed on a cost-accounting basis. This reform is being undertaken in anticipation of the fact that in about five years' time the Soviet Union's trade will swell into such a big volume that any arbitrary basis for the fixation of prices will raise great perplexities. The major significance of this reform lies in the rationalisation of the basis of fixation of the value of currency rather than in any other claims which have been put forth—for local consumption—about the revaluation of the rouble establishing the economic victory of the Soviet Union.

Immediately after the decision on revaluation was announced, Mr. Poskonov, the Soviet Vice-Minister of Finance, explained in an article published in "Izvestia" that the change in the gold content of the rouble (and, therefore, its revaluation) would enable convenient and advantageous modifications to be made in the trade relations between the Soviet Union and other Communist countries. The implication is that the revalued rouble will be used for settlement of external accounts as between the countries of the Communist world. In so far as the non-Communist world is concerned, the rouble is not used as a currency for payments and after revaluation too external payments to which the Soviet Union is a party will continue to be made in currencies other than the rouble. Foreign trade with the non-Communist world is unlikely to be affected by rouble revaluation.

Oil

ESSO STANDARD EASTERN

A MAJOR organisational change has been announced this week in the case of the Standard Vacuum Oil Company, one of the three leading oil companies in the private sector. The joint ownership of Standard Vacuum Oil Company by Standard Oil Company (New Jersey) and Socony Mobil Oil Company (each owning 50 per cent of the capital stock) was terminated at New York on November 14 resulting in the division of the international petroleum interests between the two. This split, however, is not likely to have any fundamental alteration in India in regard to either the employees or the customers, dealers, suppliers or others having business dealings in Stanvac, including the Government of India.

It is believed that the division will be in the interest of the new Company (which will be re-named Esso Standard Eastern in place of Stanvac) because every proposal which was hitherto sent by the management in India, was considered by the Board of Directors of the two companies, which sometimes resulted in delay in case of conflicting opinion on any issue. Now, the operations of the Company are likely to have a smooth sailing with only one management to deal with.

The organisational change has been accompanied, through sheer coincidence, by the announcement that the Standard Vacuum Oil Company has decided to surrender duty protection on all products covered by the refinery agreement. Duty protection on gasoline was surrendered by the Company three years ago. The present step is likely to result in a saving of Rs. 1.12 crores to the country. It may be stated that protection in duty was granted to Stanvac under the agreement under which the Stanvac oil refinery at Bombay was put up.

Banking

TRENDS IN PROFITABILITY

HOW HAS the profitability of the scheduled banks fared during the last few years? Annual balance sheets of these banks should, of course, provide an answer. But another, and indeed, more direct way would be to trace the trend of the margin between the interest rates that are paid on deposits and earned on advances. The table below, reproduced from the October 1960 issue

of the Reserve Bank of India Bulletin, shows the actual earnings and rates of interest charged on advances as well as actual figures in respect of payments on deposits and the rates of interest paid thereon during the last three years. It is clear that the rates of interest paid on deposits went on rising reaching a significantly high annual average rate of 2.73 per cent during the half-year to December 1958. In the next half year the rate dropped considerably and another fall was witnessed during the half year to June 1960, when it reached an annual average rate of 2.07 per cent. The fall was attributed to the revision of the Inter-Bank Agreement in September 1959 by which the ceiling on interest rates was reduced by ½ per cent. The actual amount paid on inter-bank borrowings therefore increased but at the same time it proved advantageous because it was at lower rates than the rates paid on borrowings from the other sources like the Reserve Bank and the State Bank of India.

On the other hand, during the same period, the rate of interest earned on advances has been rising progressively. The average rate of interest earned during the first half of 1960 touched the highest level at 5.78 per cent. It was for the first time since June 1957 that the rate of interest earned during the first half of the year was higher than the rate for the second half year of the preceding year. Simultaneously the earnings from the bills discounted also increased; the amount of earnings from inland bills was higher than the earnings from foreign bills which showed a sharp rise in the half year to June 1960. Thus, with the higher average rate earned on advances and the lower average rate paid on deposits, the margin between the two rates has increased. During the half year to June 1960, the margin was 3.71 per cent which is the highest differential since 1957. The larger margin between the two rates, if other things remain the same cannot fail to be reflected in the over all earnings.

Margin Between Advances and Deposit Rate

Half year ending	Deposits		Advances		Margin
	Interest Paid (Rs. crores)	Rate of interest %	Interest earned (Rs. crores)	Rate of interest %	%
June, 1957	9.92	1.75	19.16	5.19	3.44
Dec., 1957	13.44	2.10	21.19	5.69	3.59
June, 1958	15.71	2.23	22.33	5.50	3.27
Dec., 1958	17.21	2.73	21.50	5.69	2.96
June, 1959	17.51	2.18	23.97	5.58	3.39
Dec., 1959	19.16	2.19	23.64	5.71	3.51
June, 1960	19.00	2.07	26.67	5.78	3.71

Electricity

CALCUTTA ELECTRICITY EXPANSION PROGRAMME

SIR HARRY BURN, K.B.E., F.C.A., Chairman of the Calcutta Electricity Supply Corporation Ltd., stressed, at the annual general meeting, the significance of the expansion schemes taken in hand by the Company. He added that during the previous decade and a half the demand on the system of the Company had more than doubled, so that the present figure was around 390 MW. This expansion of the Company's generation, transmission and distribution capacity has involved an investment of the order of £24 million. Now again, he pointed out, the Company has to expand, one reason being that the State Government of Bengal had expressed its preference to buy electricity from the Company rather than buy bulk quantities from the Damodar Valley Corporation. An agreement has, therefore, been negotiated by the Company with the Damodar Valley Corporation providing for an initial supply of 45 MW to be increased from year to year as might be required by the Company. It is anticipated that by the end of this year the D.C.V. will be in a position to supply the Company to the extent of 100 MW. The Company will, therefore, face no shortages on this score. In response to this higher demand the Chairman forecast the capital expenditure on transmission and distribution services during the next four years in the vicinity of £1.25 million.

The Chairman also stressed that he attached considerable importance to the training of young Indian engineers for employment in the Company. Under the technical training scheme which has been in operation for nearly the last 14 years, the Company has chosen young Indian graduates for a short period of training in the works here. Thereafter they are sent to the U.K. for further training and are placed on the permanent staff. In addition to this, the Company has an arrangement of sending some members of the permanent staff for further training to the U.K. These training schemes have positively added to the efficiency of the Company's staff.

Oilseeds

A HIGHER TARGET WANTED

THE VIEW that the target for the production of oilseeds at 95 lakh tons now laid down for the Third Five-Year Plan is insufficient even to meet the growing domestic demand, let alone the demand for exports, was expressed by Mr. Ramdas Kilachand, President of the Bombay Oilseeds and Oil Exchange Ltd., at the last annual general meeting of the Exchange. His thesis was that the demand for oilseeds in the country would rise to as much as 106 lakh tons by 1965-66, taking into account the fact of the increase of our population at a rate of about 2 per cent per annum which is higher than what was assumed five years back and that side by side, our standard of living also has been rising, involving the increased consumption of many articles of daily necessity. Accordingly, he urged an upward revision of the target to 110 lakh tons, and, in doing so, he suggested that this should be done in such a way as to leave a "comfortable surplus" for exports. This anxiety for maintaining our exports and earning valuable foreign exchange is understandable.

It is in this context that the B.O.O.E. President's observations regarding the export policy of the Government becomes relevant. Mr. Ramdas took strong exception to the failure of the Government of India in announcing a long-term policy. Time and again, he reminded the authorities, the Exchange had urged the Union Government that the export policy regarding oilseeds and oils should be on a long-term basis. Short-term policies have many disadvantages to the trade, he pointed out. For one thing, foreign buyers take full advantage of the country's short-term policies in respect to oilseeds, by artificially reducing prices for our export commodities. Traders in the overseas countries also quote high prices in the case of our imports. Thus, the country's foreign trade is hit both ways. Moreover, traders experience avoidable shipping difficulties when the shipping period is short. Incidentally, Mr. Ramdas mentioned, while on this point, that the abolition of the rebate system could greatly solve the shipping problem faced by the traders. For increasing exports of oils and oilseeds, Mr. Ramdas had also some suggestions to make, some of which have, in fact, been made by him many times ere now. However, for our purposes, mention may be made of the following more important among them:

(i) The Government should give the same incentives to exporters of groundnut oil as to exporters of Vanaspati; (ii) they might permit imports of copra and palm oil also to exporters of groundnut oil by fixing a specific ratio between the two; (iii) they could extend the shipping period of all H.P.S. groundnut quotas from the end of December, 1960 till the end of June, 1961.



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PERFORMANCE
.....Not only promises

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Today, on the eve of the Third Five Year Plan, we of Dalmia Cement (Bharat) Ltd. believe that almost 23 years of useful service to the Nation is something to talk about. Here are a few facts about our "achievements" and our contribution towards raising the standard of living of our people during the past few years.

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UNDER SECRETARY 25 NOV 1960 PUBLIC DEPARTMENT

FROM THE CAPITAL'S CORRIDORS

TWO RICE DEALS IN THE OFFING ?

INDIA may enter into two rice deals in the near future—one with Burma and another with the United Arab Republic.

A Burmese Trade Delegation is touring this country at present to make some on-the-spot purchases of light machinery, electrical goods, textiles, coal, jute goods, dry prawns, yarn and pulp. This delegation had preliminary discussions with the Government of India on November 11 and 12 and indicated that Burma was interested in selling rice to this country in exchange for the above-mentioned commodities. How much rice Burma will sell to India will be known when the Burmese delegation has made an assessment of the value of goods to be imported from here. Indications are that about 2 million tons of rice will be made available to India by Burma during the next five years. The deal is likely to be finalised in about ten days' time when the Burmese delegation returns to New Delhi for the final round of talks.

A representative of the Misr Forward Trade is expected here shortly to start negotiations in respect of a new Indo-UAR rice deal. Early this year, the United Arab Republic sold one lakh tons of rice to this country in exchange for Indian tea, jute manufactures, textiles and engineering goods. The entire quantity of rice has already been supplied.

MANUFACTURE OF TYPEWRITERS

Royal Mc Bee International Inc., a U.S. firm, has submitted a proposal to the Government of India to set up a typewriters manufacturing factory, with a production capacity of 24,000 units per year, in this country. The project will cost $15 lakhs, of which 60 per cent will be supplied by the U.S. firm and 40 per cent will be raised in India. A new company will be floated under the name Royal Mc Bee (India) Private Limited.

The capital contribution of the parent company will cover all the foreign exchange cost involved on account of the import of tools, jigs and equipment and on account of payment of salaries and other expenses of the foreign technicians associated with the project.

The project will be completed in three stages. The following is the phased programme:

Phase	Duration of the phase	No. of typewriters to be made	Indigenous content (CKD pack value of $90)
1	1 year	6,000	40-50%
2	1 year	18,000	70-80%
3	1 year	24,000	80-100%

A New Delhi firm, Rai & Sons (Private) Ltd., has also applied for a licence to set up a wholly Indian-owned unit to manufacture English and Hindi standard typewriters. This unit will have a production capacity of 10,000 typewriters per annum on double-shift working.

The capital requirements of this project will be met from the existing funds of the firm, contribution from its directors and by raising of loans from the Industrial Finance Corporation. Messrs. Kovo Praha, Czechoslovakia, a sister concern of Skoda, will provide the technical know-how and prepare plans and designs for the Indian company. They will also make available the services of six specialists to render help in the execution of the project. For all this assistance they will be paid a total sum Rs. 4 lakhs.

This project also will be completed in three stages. The following is its phased programme.

Phase	Duration of the phase	No. of typewriters to be made (Two shift working)	Indigenous content (in terms of CKD pack value)
1	18 months	5,000	60%
2	9 months	7,000	80%
3	9 months	10,000	100%

Two more applications for the issue of licences for the manufacture of typewriters have been received by the Government. The details of these, however, are not yet known.

There are four companies at present manufacturing standard and portable typewriters in this country. The names of their foreign collaborators, their licensed capacity and current output is as follows :

Name of the Company	Name of the foreign collaborator	Licensed capacity/ annum (Single shift)	Production	
			1959	1960 (upto June)
1. Remington Rand (India), Calcutta	This is a foreign firm	15,000 (Standard Typewriters)	15,229	4,721
2. Rayala Corporation Ltd., Madras	Atvidaberg Industries, Stockholm, Sweden.	6,000 (Standard Typewriters)	3,145	1,902
3. Godrej & Boyce Co., Bombay	Veb Optima Erfurt, of G.D.R. (Agreement concluded recently)	12,000 (Standard Typewriters)	3,063	1,536
4. Blackwoods (India) Ltd., Calcutta	This is an Indian firm	12,000 (Portable Typewriters)	—	48

The demand for standard typewriters in India has been assessed as about 45,000 numbers and 1,00,000 numbers per annum at the end of the Second and Third Five-Year Plan periods respectively. The total licensed capacity for these is 33,000 numbers. Their production in 1958, 1959 and during the six months to June this year was 15,846, 21,347 and 8,159 numbers respectively.

TRAINING OF PRECISION MECHANICS

Primarily with Swiss assistance, but with additional aid from the United Nations Special Fund, a Central Scientific Instruments Organisation is proposed to be set up in India. The Swiss Foundation for Technical Assistance has worked out this scheme to provide training to Indians in the manufacture of precision instruments and their handling. The Swiss Foundation will provide equipment costing about one million Swiss francs and make available to the Institute a Principal and several other experts. It is a five-year scheme costing the Swiss Foundation four to five million francs.

The Institute will provide:

(1) Practical and theoretical training to apprentices recruited from all parts of India with sufficient educational background for a period of three years to become precision mechanics. The apprentices would, as a rule, be of the age of 18 to 19 when they begin their training at the Institute.

(2) Specialised training to instrument manufacturing craftsmen already working in the industry. This training will be given, as the Institute progresses, in special courses, the length of which will be determined by the administration of the Institute.

(3) Carefully selected instruments of proven reliability would be produced in the training workshop, as far as the training programme permits. Other job orders would also be executed if they fit into the training programme.

(4) The Swiss personnel of the Institute shall also, within the scope of its activities and insofar as the teaching of the trainees permits, render consultative and advisory services to units of the Indian instrument industry.

At the end of the training period, there shall be a rigid trade test on the basis of which certificates will be awarded.

In some cases the Swiss Foundation will provide training in Switzerland to specially talented Indian technicians. It may also offer scholarships for advanced and vocational training in Switzerland to Indian trainees.

An allocation of $8,50,000, it is expected, will be made towards this Institute by the United Nations Special Fund to provide research facilities.

PRODUCTION OF WOOLLENS AFFECTED

Production of woollen cloth and yarn in some of the leading woollen mills in the country is being severely curtailed because of raw material shortage. The manufacturers say that because of the delay in issuing licences for the import of wool tops, they have insufficient stocks to keep going until new supplies arrive from abroad.

The management of the Raymond Woollen Mills (Bombay), it is learnt, has served a notice on its 300 employees that the third shift at the mills will be closed from November 15. Working on the other two shifts will also be affected. The Oriental Carpet Manufacturers (Amritsar) has also announced that the company's worsted spinning unit would close down from this date.

It is reported that Cawnpore Woollen Mills (Kanpur) and the New Egerton Mills (Dhariwal) also anticipate severe curtailment in their production. Smaller units have also been affected.

The final basis for the issue of licences for wool tops imports has not yet been established by the Government. "Ad hoc" licences have been issued against "essentiality certificates" granted by the Textile Commissioner.

FERTILIZERS OUTPUT

The Deputy Minister for Commerce and Industry, Mr. Satish Chandra, told the Lok Sabha on Monday that there had been some improvement last month in the production at the Sindri Fertilizer factory. Arrangements, he said, had been made for regular supply of coals in the required quantities and qualities to make proper blends for manufacture of coke.

The Government of India has set up a committee, consisting of the Commerce and Industry Secretary, Mr. S. Ranganathan, as Chairman, and Mr. K. B. Lall, Mr. L. K. Jha, Mr. K. R. Damle, Mr. E. P. Moon and Mr. B. C. Mukerjee as members, to examine and recommend applications for setting up fertilizer manufacturing units in the private sector. The Committee recently examined five applications for putting up a fertilizer plant at Vizagapatam and has asked the applicants to furnish some more details and to indicate whether they, as an alternative, are prepared to establish a project in any another State.

INDIA EXPLOSIVES' EXPANSION PLAN

Messrs. India Explosives Limited propose to expand their production as follows:

Name of product	Present annual capacity	Expansion envisaged	Annual capacity after expansion
1. Safety Fuse	5.6 million coils	4.4 million coils	10 million coils
2. Military Fuse	—	0.1 million coils	0.10 million coils—
3. Military Power	—	36 short tons	36 short tons
4. Fuse Powder	—	sufficient capacity to cover production of 10 million coils of safety fuse.	

A scheme for this expansion programme has been submitted to the Government for approval.

The Company is already engaged in the manufacture of blasting explosives. The Government of India is holding 20 per cent equity capital in this concern. The balance 80 per cent is held by Imperial Chemical Industries (India) Private Ltd., a subsidiary of Imperial Chemical Industries Ltd., of the United Kingdom.

The capital requirements of the expansion scheme are Rs. 53 lakhs. This sum is available from the existing resources of the company.

STEEL RETENTION PRICES

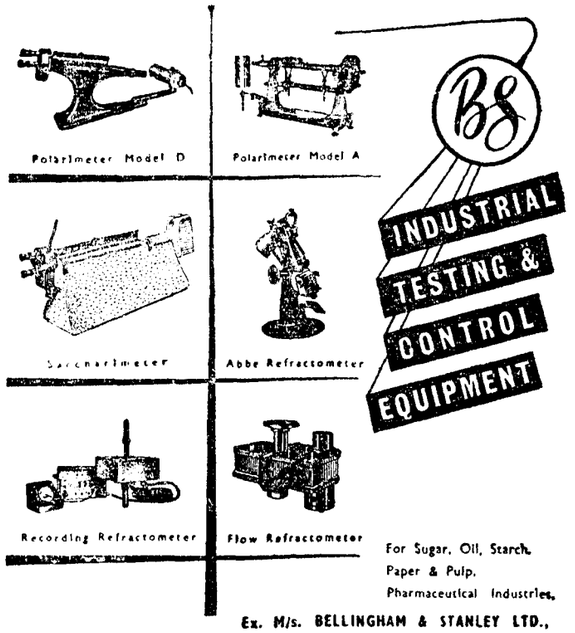
The Government of India has decided that the average retention price for steel payable to the Tata Iron and Steel Company and the Indian Iron and Steel Company be increased by Rs. 4.85 per ton for the 5-year period 1955-56 to 1959-60. This will be the final adjustment under the escalator clause for the 5-year price period ending March 31, 1960.

The increase will enable the Tata Iron and Steel Company to increase the contribution to its Development Fund by Rs. 2.22 per ton, i.e., to the level of Rs. 52.22 per ton for the period 1955-56 to 1959-60, and the Indian Iron and Steel Company to maintain its contribution of Rs. 7 per ton for the same period.

The present retention price of steel, including excise duty, payable to the Tata Iron and Steel Company and the Indian Iron and Steel Company is Rs. 470 per ton.

PETROL AND DIESEL CONSUMPTION

The Oil Advisory Committee, which met here last week, has recommended that immediate steps should be taken to remove the imbalance in the consumption of petrol and diesel by way of adopting technological and chemical devices in the processes of consumption and supply. It has suggested that a committee, consisting of the representatives of Ministries of Finance, Commerce and Industry, Transport and Communications and Steel, Mines and Fuel and the oil producing and refining companies in India, should be set up to collect definite



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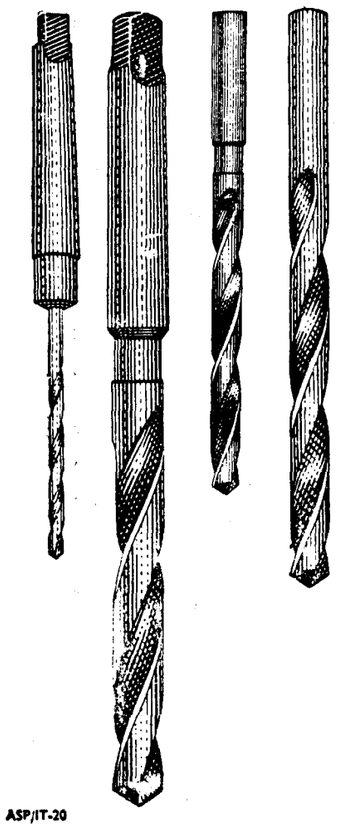
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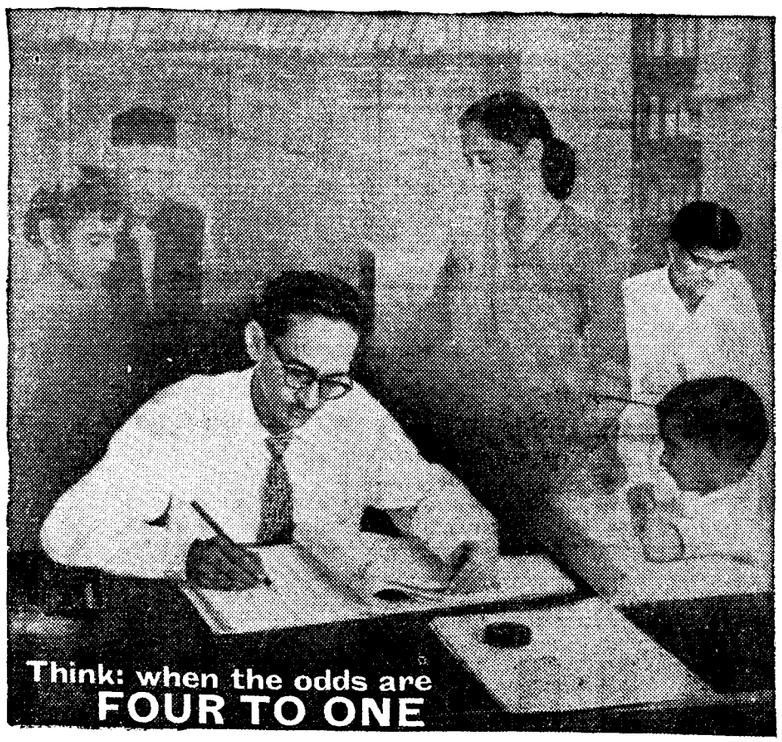


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data from which a mixture of motor spirit and diesel could be adopted and enforced in the country.

DEVELOPMENT OF INTERMEDIATE PORTS

The main recommendations of the Intermediate Ports Development Committee have been adopted by the National Harbour Board. A special meeting of the Board was held here last week.

The Intermediate Ports Development Committee had recommended some first priority works for the ports of Paradip, Kakinada, Masulipatam, Tuticorin, Neendakara, Beypore, Kozhikode, Mangalore, Karwar, Redi, Ratnagari, Veraval, Porbandar, Okha, Skka, and Bedi to be completed at a cost of Rs. 611.48 lakhs. It had also suggested some second priority works, costing Rs. 422.00 lakhs, for the ports of Paradip, Kakinada, Masulipatam, Cuddalore, Nagapattinam, Tuticorin, Beypore, Kozhikode, Karwar, Ratnagari, Broach, Bhavnagar, Veraval, Porbandar, Okha and Bedi, and third priority works, costing Rs. 42.50 lakhs, for the ports of Cuddalore, Nagapattinam and Bhavnagar. The development of Tuticorin and Mangalore as all-weather deep-draft ports was urged by the Committee on first priority basis. In the second priority category for development as all-weather deep-draft ports were mentioned Paradip and Porbandar.

The Board has pleaded for developing Tuticorin and Mangalore as deep-draft all-weather ports. It has pointed out that today Tuticorin is already handling about 9,00,000 tons of cargo which is expected to rise to about 1.5 million tons in the Fourth Plan. Mangalore is expected to handle a traffic of 2 million tons of iron ore in addition to general cargo of about 0.6 million tons with the development of the port and the construction of Mangalore-Hassan line. The Board has recommended that the allocation of Rs. 15 lakhs for Ratnagiri port be increased to Rs. 35 lakhs so as to make a beginning for the development of the port (at Mirya Bay site) as an all-weather port. The Board has also suggested that the traffic potential of Porbandar should be reviewed and if this review showed that the traffic was likely to rise to 5.0 lakh tons in the Third Plan period, its development as an all-weather port should be considered.

INDIA AND THE COMMON MARKET

The Economist Intelligence Unit, in a study entitled "The Commonwealth and Europe", has assessed the economic consequences of British participation in the European Common Market. The following extracts from this study would be read with interest in this country.

The study says: "With its external finances in so precarious a position (this is the conclusion drawn in the study after elaborate calculations about India's exports and imports in the Third Plan period and the quantum of foreign aid required to implement the Third Plan), India is understandably nervous about the effect on its trade of current plans for economic integration in Europe. The EFTA (European Free Trade Association) arouses no concern, but it is feared that Indian exports will suffer by the creation of the EEC (European Economic Community), particularly through competition from French African produce, and that European capital which might have come to India will now go elsewhere. These fears are probably groundless. India can put up a stronger political claim to financial assistance from foreign Governments than almost any other underdeveloped country, and the small inflow of private capital is unlikely to be much influenced by changes in Europe. It appears too that very little of India's existing export trade will be damaged by the common external tariff of the Community, even though over two-fifths of identifiable exports to the EEC will be subject to tariff changes.

"Among the more important of India's exports to the Six hides and skins, manganese ore, raw wool, coir yarn, and raw cotton, will enter duty-free and there are many items in the enormous range of minor Indian exports of raw materials—iron ore, mica, shellac, hemp and a miscellany of vegetable and animal products—which will also continue to do so. Sales of jute and cotton textiles to the Six are very small and are unlikely to be much affected by the change in tariff levels though they could be wiped out by unfavourable quota treatment. Foodstuffs are inevitably more vulnerable. Coffee sales are safeguarded against French African competition by the excellent quality of the Indian product, but some Indian common tea, though not the higher-grade leaf, might be displaced by tea from the Belgian Congo. If, on the other hand, the EEC could be persuaded to reduce internal taxation on tea, the market might grow sufficiently to permit a substantial increase in Indian sales. India's small tobacco exports to the Six are again protected from French African competition by their superior quality, while French Africa does not compete on any significiant scale in such items as pepper, cashew nuts, castor and linseed oil. On the whole, then, the effect of the EEC on India's trade is likely to be slight.

"The effect of a merger of the UK tariff with that of the Six would also be negligible so far as raw material exports to Britain are concerned. The loss of Commonwealth Preference on tea and tobacco would be no great matter since it is shared with India's chief competitors, but a duty fixed at the EEC level on tea imported into Britain would damage India's trade by raising the price of tea and so depressing consumption. It seems unlikely, however, that Britain would in practice be asked to take such a step; the two markets could be kept separate in this instance.

"Manufactures present a more difficult problem. Few Indian goods, other than jute textiles, are sufficiently competitive to maintain their footing in the UK market if they had to sell across a tariff on equal terms with the Chinese and the Japanese and meet duty-free competition from the Continent. If trade were not to be damaged fairly severely by a merger between Britain and the Six, India would have to have a duty-free quota for grey cloth sold to the UK, and liberal quota treatment on the Continent for jute mannufactures to offset the loss of trade with Britain in other goods. UK participation in a wider European association on these terms would probably mean that any Indian losses would be neutralized; but the structure of India's exports is such that it is unlikely to secure much positive gain from more rapid economic expansion in Europe. Nor has it much to give in return for European concessions; Commonwealth Preference on Indian imports is strictly limited.

"In the context of India's current problems and policies, the effects of European economic integration fade into insignificance. Only when India begins, as it eventually must, to come to grips with the task of increasing export earnings will European trade policies impinge sharply on Indian development. Since, in the long run, India will have to rely much more on exports of manufactures, it is not so much the details of European tariffs that matter to it as the general trend of policy."

The study expresses the hope that the advanced countries can be persuaded to resign themselves to losing much of their share in world trade in cheap, simple manufactures to Asian industries and to letting more Asian goods into their own home markets.

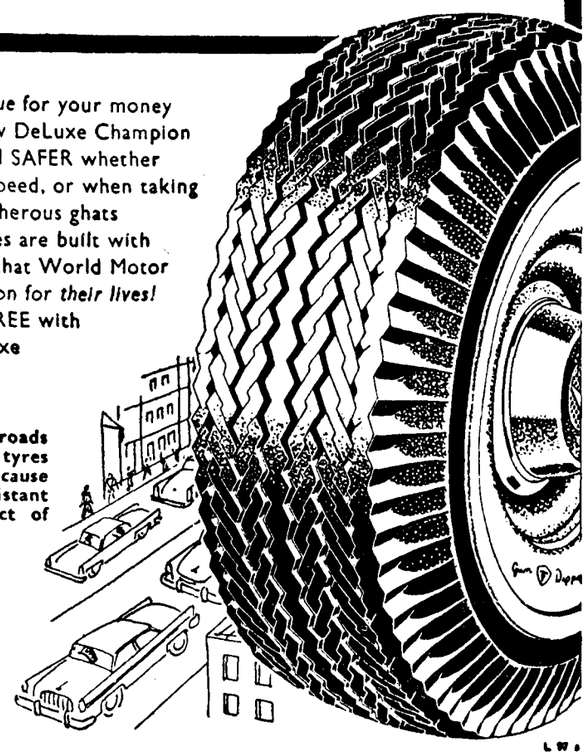
BRIEFS

The Swedish firm SKF, known for manufacturing ball-bearings, is entering into collaboration with Tatas to set up a ball-bearings producing unit in this country. Sixty per cent of the share capital of the new company which will handle this manufacturing programme will be held by the Swedish firm and the rest by Indians.

*

The West German Government, it is learnt, has lifted all restrictions on the import of coir products into that country.

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COMPANY AFFAIRS

AHMEDABAD ELECTRICITY PLANS FOR EXPANSION

During the year to March 31, 1960, the Ahmedabad Electricity Company Ltd. indicated rise in sales by little over 1 per cent over the previous year. During the last two years, however, the increases had been recorded to a larger extent as indicated in the table below:—

Year ended 31st March	Million Kwh.	Percentage increase on previous year
1958	630.6	14.9%
1959	689.9	9.4%
1960	698.2	1.2%

During the year 10,082 new consumer were connected bringing the total to 71,983 on 31st March, 1960, which includes 121 large high tension consumers and the North Gujarat Grid. The total generating capacity of the Company's Sabarmati Power Station reached 157,500 Kw. The station peak increased during the year to 140,800 Kw. After a reduction of 8.1 MW in October-November 1959 to 21.25 MW, the Grid Demand has slowly increased again and in March 1960, the maximum demand recorded was 25.6MW. During September, 1960, it was 28 MW.

To meet the ever increasing demand for power in the City of Ahmedabad and its environment, the State Electricity Board has permitted the Company to expand its generating capacity by another 30 MW. The company has taken in hand the expansion of its present power station and against the orders placed on Messrs. British Thomson-Houston Export Ltd., Messrs Babcock and Wilcox and Messrs. Strachan and Henshaw Ltd., some material has already arrived from Messrs. Strachan and Henshaw Ltd. It is hoped to commission the first 30 MW. set covered by these orders in March, 1962. On 30th June, 1960, the Company signed an arrangement with the Development Loan Fund authorities for $3.9 million. This will cover the foreign exchange component of the new plant. To meet the capital cost of the first 30 MW set in the recent extensions, the Company issued 30,000 5½% Debentures of Rs. 1,000 each at par. Out of the proceeds the Company redeemed the Second Debentures, totalling Rs. 2 crores on 14th June, 1960.

The gross profit for the year amounts to Rs. 78.4 lakhs in accordance with the provisions of the Electricity (Supply) Act, 1948. A credit to Employees' Retiring Gratuities Reserve of Rs 5.68 lakhs has also been charged against profits of the year. An ad interim dividend of Rs 2.50 nP. per share for the half year to September 30, 1959 absorbed Rs. 21.87 lakhs. Now the directors have proposed the payment of Rs. 4.50 nP. as dividend making 7 per cent for the whole year up to March 31, 1960.

ZANDU PHARMACEUTICAL

While the output and sales of pharmaceuticals produced by the Company has been increasing every year the Directors of Zandu Pharmaceutical Works Ltd. have pointed out that due to acute competition there has been a significant increase in the expenses on propaganda. The Company nevertheless has been making reasonable amount of profit. During the year to March 31, 1960 the Company made a profit of Rs. 1.58 lakhs. The Directors have recommended the payable of a dividend at the rate of Rs. 10 per share subject to deduction of income-tax on ordinary shares and Rs. 6 per share subject to deduction of income-tax on preference shares.

The Company has already applied to the Government of India for the manufacture of Tranquin Tablets and Trichovag Cones and it has also now placed Cortisone, Phenimate Tablets and Injections before the public and the public has responded very enthusiastically. The Company is also making preparations for the manufacture of Antibiotic Ointments like Pencillin Ointment and other Ophthalmic Ointments.

AMALGAMATED AND PENCH VALLEY COAL

Raisings and despatches were low during the year to March 31, 1960, owing to a number of reasons, amongst them being the inadequate supply of wagons and the delays experienced in obtaining permits from the Mines Department for depillaring. These difficulties were overcome towards the end of the year which resulted in increased Raisings and Despatches which trend, coupled with the price increase introduced in November 1959, is expected to lead to improved results during the year ending 31st March, 1961.

The Pench Valley Coal Company Limited recorded a profit of Rs. 4.07 lakhs. After making adjustments of taxation etc. there was a sum of Rs. 1.72 lakhs for distribution. The Directors have recommended the payment of a dividend at the rate of 10 per cent subject to deduction of income-tax.

In the case of the Amalgamated Coalfield Ltd. profit during the year was Rs. 4.66 lakhs. After making provisions for taxation and development rebate reserve, etc., the Directors have recommended the payment of a dividend at the rate of 10 per cent subject to deduction of tax.

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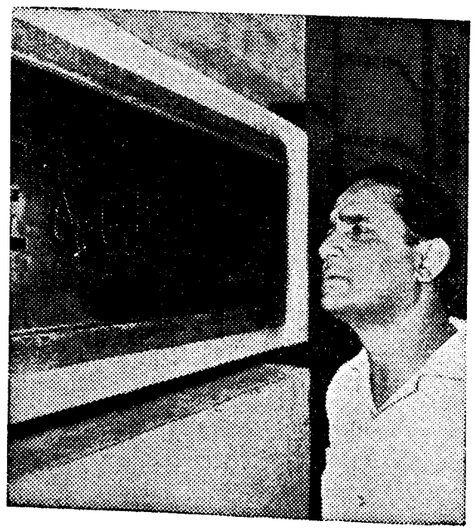
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COMMODITY NEWS AND NOTES

IRON ORE PRODUCTION

The productionof iron ore during September, 1960 was 835,000 metric tons, according to the Indian Bureau of Mines. This brings the total output during January-September 1960 to 7,967,000 metric tons which was higher by 39 per cent when compared to the output of 5,719,000 metric tons during the corresponding period of the preceding year. Orissa was the chief producing State with an output of 269,000 metric tons followed by Bihar with 226,000 metric tons. Madhya Pradesh and Mysore recorded an output of 153,000 metric tons and 146,000 metric tons respectively while the output from Maharashtra was 23,000 metric tons. During the month despatches of iron ore for consumption in the iron and steel plants totalled 528,000 metric tons while the despatches for export were 121,000 metric tons.

TYPES AND GRADES OF UNMANUFACTURED TOBACCO

Tobacco yields an income of about Rs. 49 crores to the growers and earns for the country foreign exchange of Rs. 15 crores per annum. Exports of this important commercial crop have been steadily going up and during the five-year period ending 1957, India exported an annual average of 85 million pounds of unmanufactured tobacco. This was nearly double the pre-war average of 47.5 million pounds. The Directorate of Marketing and Inspection of the Union Ministry of Food and Agriculture has published a monograph on types and grades of unmanufactured tobacco exported from India in 1957 to provide precise information on the nature of requirements of different importing countries as a step in boosting up tobacco exports. Besides giving information on the exports of different types of grades, the monograph provides detailed information on the exports of different types of grades, the monograph provides detailed information about the forms in which manufactured tobacco is exported to various countries.

PATTERN OF PRODUCTION AND CONSUMPTION OF PETROLEUM PRODUCTS IN INDIA

The Oil Advisory Committee, which met recently recommended that immediate steps should be taken to remove the imbalance in the consumption of petrol and diesel by way of adopting technological and chemical devices in the processes of consumption and supply. The appointment of a committee consisting of the representatives of Ministries of Finance, Commerce & Industry, Transport & Communications and Steel, Mines & Fuel and the oil producing and refining companies in India for the purpose was suggested. The report of the Steering Committee appointed by the Oil Advisory Committee at its last meeting was considered. It was also suggested that the Steering Committee should review the pattern of production and consumption of petroleum products in the country on a continuing basis. Mr K. D. Malaviya, Union Minister for Mines and Oil, who presided over the meeting, advised the committee to take an optimistic view of the consumption pattern of petroleum products in view of the speedy pace of industrialisation that was taking place in the country. He also advised them to take a long range view of various other connected problems and find a solution in a co-ordinated way.

TRANSFERABLE SPECIFIC DELIVERY CONTRACTS IN JUTE AND JUTE GOODS

The Government of India have effected amendments to the bye-laws relating to transferable specific delivery contracts in jute and jute goods with a view to enabling the East India Jute and Hessian Exchange Ltd., Calcutta to curb speculation in such contracts. These amendments, which have been announced in a notification issued in the Gazette of India Extraordinary, have been made, as under the existing bye-laws of the Exchange, the Board has not got adequate powers to take effective steps to curb speculation. These amendments, inter alia, empower the Board of the Exchange to regulate trading in any delivery or deliveries in transferable specific delivery contracts in jute and jute goods; to evolve a scheme of registration of such contracts and the pucca delivery contracts issued thereagainst; to restrict the number of transfers of pucca delivery contracts; to impose special margins on transferable specific delivery contracts; and to fix maximum and minimum prices and to vary them from time to time. All the above powers, as also the power to close out outstanding transferable specific delivery contracts in jute goods, would also be exercisable by the Forward Markets Commission if it considers that the interests of the trade or the public interest so require.

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Company Meeting

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

INCREASED SALES TO ALL CLASSES OF CONSUMER

DEMAND CONTINUES TO EXPAND

Sir Harry Burn's Review

The Sixty-Third Annual General Meeting of The Calcutta Electric Supply Corporation Limited was held on November 10 in London.

Sir Harry Burn, K.B.E., F.C.A., the chairman, presided.

The following is his review, which had been circulated with the report and accounts:—

Industry continues to expand throughout the whole of the licensed area, and housing development proceeds in Calcutta and its suburbs to remedy the shortage of dwelling space for all classes of the population.

The demand for energy grows, and I am able to report increased sales to all classes of consumers during the year ended March 31, 1960. The total energy sold increased by 140 million units to 1,817 million units. The major portion of the increase in demand came from industry.

Energy sold for power purposes refers principally to industrial demand, which accounted for 90 per cent of these sales. The balance covers public water works and domestic power, the latter being mostly for air-conditioning and refrigeration. All the principal classes of industrial consumer recorded higher consumption than in any previous years. The jute industry, our largest consumer, increased their demands by 18 million units to 430 million units. Further progress in modernization and rationalization of jute mill machinery has helped to improve trading conditions for this industry, whose exports were the highest for 10 years. Next in importance are rolling mills and engineering work-shops, whose consumption increased by 32 million units to 243 million units. Expansion will continue when supplies of steel improve. Of the remainder of our industrial consumers the most important are cotton mills, chemical works and paper mills.

Further expansion took place in the demand for low tension industrial power, sales increasing by 14 million units to 114 million units and the number of consumers again increasing by over 1,000 to more than 15,500. Public water works and sewage pumping stations consumed 90 million units, an increase of 8 million units. Half of this increase was from the Calcutta Corporation, which is expanding its water supplies, and the remainder was from the State Government's Sonarpur-Arapanch Drainage Scheme. There was again a large increase in domestic power sales, which rose by 5 million units to 61 million units. The larger demand is mostly due to air-conditioning units, which are being manufactured locally.

Sales of energy for lights and fans rose by 16 million units to 243 million units. There has been an appreciable increase in residential buildings in our area of supply and greater use of fans resulting from improvements in the standards of living of many middle-class families.

Public lighting sales increased by one million units, which was almost entirely due to additional street lighting by the Calcutta Corporation.

The only consumer for traction purposes is the Calcutta Tramways Co. Ltd. Their consumption, which rose by 3 million units to 46 million units, shows some recovery in their operations, which were disrupted by labour troubles during the previous year. Provided that their operating conditions remain stable, consumption during the current year should reach that for the year ended March 31, 1958, of more than 49 million units.

There are seven distributing undertakings taking bulk supplies from the Company. Five of these undertakings are owned by the State Electricity Board, which was thus responsible for over 92 per cent of the total sales of 66½ million units and almost entirely for the increase of 3½ million units during the year.

Two-thirds of the sales under special contracts were at our special tariff to owners of large office and residential buildings, public institutions, cinemas, and hotels. Sales to these consumers increased by 5 million units to 61 million units during the year. The remaining consumers under special contracts are the Central and State Governments, the Calcutta Corporation, and the Calcutta Port Commissioners; consumption improved in each case.

Revenue Account

The effect of the increase in the demand for energy is shown in the revenue account, where it will be seen that the receipts from sales of current have risen by over £700,000 to approximately £9,000,000. Interest received amounts to £43,727, an increase of £24,858 over the previous year, and is attributable to the return on Treasury bill investments and interest on bank deposits. As a corollary to the higher demand on the system the cost of generation and distribution increased by £534,000 to £4,560,000, and of this expenditure the cost of coal, including handling and ash disposal charges, amounted to £2,826,000, an increase of £373,000 for the year. This major item of outlay represents 80 per cent of the total operating cost of generation. The cost of power purchased from the Damodar Valley Corporation shows a slight increase of £11,000. Increases in wages and costs in respect of materials are commensurate with the expansion of the Company's system.

The depreciation charge has risen by £29,000 to the figure of £929,000. The wealth tax, to which I made reference in last year's review, was not in fact abolished until April 1, 1960, and has thus entailed a charge of £99,700 in the revenue account. This final instalment has been calculated with reference to the values of the Company's assets at March 31, 1959, in accordance with the Indian Wealth Tax Act. The net revenue after taking into account the depreciation charge has increased by £200,000. Sales of energy for the current year show a satisfactory expansion and conform with our forecasts of future demands.

I will now deal with the net revenue account. As regards the Indian tax position I am glad to say that settlement has been reached in respect of the appeals which were pending a year ago and to which I made a reference in last year's review. The charges for United Kingdom and Indian taxation adjust the position up to March 31, 1960, but no relief is available in the tax element of the preference dividend for the year.

The clear profit for the year falls short of the reasonable return to which the Company is entitled by the sum of £67,353, and this has been made good by a transfer from special reserve.

It will be convenient here to explain how the special reserve, which stood at the figure of £961,113 on March 31, 1959, has been dealt with in this year's accounts. In order to meet an anticipated shortfall between the clear profit and reasonable return the State Government was asked to approve of an appropriation from this reserve for this purpose. In acceding to this request Government directed that the reserve should be allocated in accordance with the provisions of Clause II (1) of the Sixth Schedule of the Electricity (Supply) Act, 1948. Effect has been given to this decision relating the appropriations required to the reasonable returns of the periods of account concerned, i.e., the calendar years 1949 to 1952. Tariffs and dividends control reserve and consumers' benefit account receive allocations of £349,404 and £349,403, respectively, and a balance of £262,306 remains in the reserve which is available for meeting shortfalls between clear profit and reasonable return.

After providing for the shortfall disclosed in the accounts the reserve stands at £194,953, which amount, together with the tariffs and dividends control reserve, is to be set off against any future shortfalls of clear profit.

The allocation to the consumers' benefit account has been given effect to through the net revenue account as it is an appropriation which is not in the nature of a reserve and is in fact a charge related to the reasonable returns of the accounting periods to which I have made reference.

The allocation for the contingency reserve fund has been made as required by the Act and it is proposed to make the customary contribution to the retiring gratuity fund. Provision has been made for debenture interest and sinking fund charges. In view of the continued expansion of the company's operations it is essential to conserve our finances to meet the consequent capital expenditure. The board, therefore, have deemed it advisable to appropriate a sum of £575,000 to special appropriations for plant expansion and replacements. Dividends on the preference stock amounting to £65,075 have been paid and it is proposed to pay a final dividend of 4 per cent (actual) on the ordinary stock making 7½ per cent (actual) for the year. The net earnings for the year have enabled the Company further to strengthen its internal finances and also permit of an increase in the final dividend on the ordinary stock. The balance left to be carried forward on net revenue account is £108,138.

The balance-sheet shows an improvement in the cash position in the form of treasury bills and deposits with bankers. This accumulation of funds is in part being applied in payment of Indian tax now falling due on settlement of the appeals against which deposits are held with our bankers in Calcutta. Dividend payments are also covered and funds have been made available to meet commitments in respect of plant and other expenditure in the United Kingdom.

Capital Expenditure

Capital expenditure during the year amounted to £1,160,000 and was almost entirely for our transmission and distribution systems. By far the greater part of the expenditure was on mains and service connections. As a provision for capital expenditure during the year and pending at March 31, 1960 (£595,000) there was available the sum set aside for depreciation of £929,000 and the allocation to special appropriations for plant expansion and replacement amounting to £575,000 thus making a total provision of £1,504,000. During the period January 1, 1951, to March 31, 1960, capital expenditure totalled £11,925,000 and the depreciation provisions, together with reserves and special appropriations during that period, amounted to £12,140,000. These figures follow on those given in the 1959 review and demonstrate what has been accomplished during recent years, within the limits permitted by the reasonable return on the capital base, to provide internal finance for the expansion of the Company's undertaking.

The forecast of capital expenditure over the next four years based on the anticipated increase in demand indicates an annual outlay of not less than £1¼ million on our transmission and distribution systems.

In February of this year Sir William Lamond visited Calcutta and was there for a period of three weeks. During his visit he met the chairman of the State Electricity Board and the chairman of the Damodar Valley Corporation to discuss the Company's future power requirements. He also had the pleasure of meeting Dr. Roy, the Chief Minister, and discussed with him questions of interest to the Company. Dr. Roy and the chairmen of the State Board and the Damodar Valley Corporation are fully acquainted with our problems. He also took advantage of the opportunity to meet the leaders of commerce and industry in Calcutta. He found, as usual, that our officers and staff continue to devote great care and attention in promoting the interests of the Company and maintaining efficiency.

I attach importance to the training of young Indian engineers for employment in our Company. Under our technical training scheme, which has been in operation for nearly 14 years, young Indian graduates are chosen by a selection committee in Calcutta for a short period of training in our undertaking. Thereafter they are brought to the United Kingdom for further training and on their return to Calcutta they are taken on to the permanent staff. In addition to this scheme we have a phased programme for bringing to the United Kingdom various members of our permanent staff for further training and for refresher courses. We are grateful to the Electricity Council, the area boards and the various manufacturing companies who provide the facilities.

Power Situation

I should like in this review to include a note of explanation with regard to the future supply of power within the Company's licensed area. In the decade and a half that has elapsed since the end of the War the demand on the system has increased from about

150 MW sent out in 1946 to the present figure of 390 MW. To cater for this growth has entailed constant expansion of the Company's generation, transmission and distribution capacity involving an investment during the period of some £24m. This expansion has proceeded in accordance with a co-ordinated plan of development designed to bring additional plant into commission before the load outstripped the capacity of existing plant and included 110 MW of new generating plant at New Cossipore and 60 MW at Mulajore; in addition certain modifications at our Southern Station increased its capacity. These additions, which added some 180 MW of generating capacity at a cost of over £10 million would, it was anticipated, have sufficed to satisfy the demand in the area until the year 1955-56 by which date our plan of development provided for the construction of yet another station adjacent to our existing Southern Station. The arrangements for the design and construction of this station were in an advanced stage when we were informed by the West Bengal Government that they would prefer us instead of take a bulk supply from the Damodar Valley Corporation which it was then considered would have a surplus of power available for export to Calcutta. The Company were naturally prepared to defer to Government's wishes in this regard and, as stockholders will be aware from my reviews of previous years, an agreement was negotiated with the Damodar Valley Corporation providing for an initial supply of 45 MW to be increased from year to year as might be required on the tendering by the Company of appropriate notice. Supply from the Damodar Valley Corporation was connected in April, 1957, and, although that Corporation has not thus far been able to supply the Company with all the power it has required, we have been able by keeping certain of our older and less economic plant in commission to meet all demands made on us without load shedding. It is anticipated that by the end of this year the Damodar Valley Corporation will have brought into service additional plant which will enable them to increase their supply to the Company to 100 MW.

The Company's understanding of the arrangement with the Damodar Valley Corporation has been that the latter would be responsible for meeting all the Company's requirements of power in excess of that provided by its own capacity and, in fact, at the beginning of last year a supplemental agreement was completed with the Damodar Valley Corporation to govern supplies in excess of 100 MW. The Company has, however, now been advised by the West Bengal Government that it is not their policy that the Company's off-take from the Damodar Valley Corporation shall exceed 100 MW and that its import requirements in excess of that figure will be provided through the agency of the West Bengal State Electricity Board, first from the latter's new station at Durgapur and thereafter from a super-station which they propose to build at Bandel on the west bank of the river above Calcutta. The Company has been given to understand that under this arrangement the State Board will be able to afford it a supply of 40 MW by June, 1963, rising to 60 MW in June, 1964, and that shortly thereafter all the Company's requirements can be met. I need hardly say that the State Board will have the Company's full co-operation in bringing this plan to the earliest possible fruition and in this connection negotiations are already in train for the siting of the necessary supply points & c.

Meantime, the demand on the Company's system continues to grow at a rate of some 7½ per cent per annum compound, and it is feared that some restriction of supply to the public may occur before the State Board's supply is fully available. Should any such restriction become necessary it will, needless to say, be kept to the absolute minimum, and will be done under direction of Government acting under the powers conferred on it by the Indian Electricity Act, 1910.

With regard now to any possible expansion of the Company's own generating capacity, Government's policy, as communicated to the Company some years ago, was that, although the Company would not be permitted to increase its capacity, we should be allowed to replace certain obsolete plant in our Old Cossipore Station by the addition of one further 50 MW set at New Cossipore. It was, however, only this year that we could see our way clear to doing this and, in collaboration with our consultants, a plan was worked out to put in this machine and at the same time keep 30 MW of plant at the Old Station in commission for peak load operation. On putting this plan to Government, however, we have very recently been advised that , having regard to their own plans, they no longer consider this to be necessary and in consequence we have had to abandon this project.

Throughout this Company's long existence our earnest endeavour has always been to make available the necessary supply of power to run the wheels of industry and transport and meet the ever increasing domestic requirements of our area; thus contributing towards the prosperity, comfort and happiness of those who dwell and earn their livelihood in the city of Calcutta, its suburbs and in the industrial areas and municipalities which lie adjacent to the city. We have so far accomplished our aim and have at no time had to restrict supply. Having set out the power position in the light of a growing demand, we will continue to travel hopefully and, within the means at our disposal, do all that is possible for those whom we serve.

Tribute to Staff

I desire to express our thanks to the staff in Calcutta. The growth of the Company's operations and the work entailed in the implementation of the same bears witness to the interest and zeal taken in the Company's affairs by members of the staff and employees. Mr Henderson, our agent in Calcutta, has carried out his responsible duties ably and efficiently. To him and all members of our organization we express our high appreciation of the sound and loyal services rendered during the year. I also wish to record the board's appreciation of the able manner in which Mr Colley has discharged his responsible duties as secretary.

The reports and accounts were adopted.

(The above statement is not a report of the proceedings of the Annual General Meeting referred to.)

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Working Funds as on 30-6-1960 ..	**Rs.**	**7,47,95,066**

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
July 1959 ..	121.0	98.0	115.6	120.2	108.5	109.3	109.2	116.8
August „ ..	127.1	98.3	115.5	119.4	109.2	109.5	109.5	117.1
September „ ..	120.6	99.7	116.3	122.6	111.3	109.8	110.0	117.2
July 1960 ..	124.0	109.6	119.5	137.2	130.4	119.4	121.0	124.7
August „ ..	123.9	106.7	119.5	137.0	130.1	121.0	122.3	125.0
September „ ..	123.9	104.5	119.6	138.8	129.7	121.5	122.7	125.3
1-10-1960 ..	122.9	105.5	119.5	142.2	129.7	121.6	122.7	125.4
8-10-1960 ..	122.1	105.5	119.6	145.3	129.4	122.4	123.4	125.6
15-10-1960 ..	121.5	105.5	119.1	150.2	130.1	126.1	126.6	127.0
22-10-1960 ..	121.4	105.5	120.0	147.5	130.6	124.0	125.0	126.1

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	188*
1959 November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174*
August	402	421	—	160	410	484*	515	—	470	—	—	174*
September	399	418	—	161	—	485	520	—	472	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 4-11-1960 High	Low	Average	28-10-1960 High	Low	Average	21-10-1960 High	Low	Average	14-10-1960 High	Low	Average
Gold (per 10 grams) ..	116.00	114.80	115.36	115.95	114.40	115.06	114.20	113.15	113.66	114.95	113.20	114.23
Silver (per kilogram) ..	195.60	193.75	194.80	193.90	192.60	193.14	193.20	191.25	192.03	192.00	190.10	191.34

RESERVE BANK OF INDIA
ISSUE DEPARTMENT
(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	454,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333,63	1,750,77
Average of Fridays										
August 1959 ..	1,670,76	23,63	1,694,39	117,76	163,01	280,77	16.57	134,95	1,278,68	1,694,39
September „ ..	1,658,75	24,40	1,683,16	117,76	163,01	280,77	16.68	136,13	1,266,26	1,683,16
October „ ..	1,674,25	19,70	1,693,95	117,76	163,01	280,77	16.57	135,67	1,277,51	1,693,95
August 1960 ..	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
September „	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.30	131,80	1,437,70	1,810,26
October „ ..	1,806,43	16,56	1,823,00	117,76	123,01	240,77	13.21	130,37	1,451,87	1,823,00
Week-Ending										
14-10-1960 ..	1,808,64	14,39	1,823,03	117,76	123,01	240,77	13.21	130,43	1,451,84	1,823,03
21-10-1960 ..	1,812,02	10,45	1,822,47	117,76	123,01	240,77	13.21	129,81	1,451,89	1,822,47
28-10-1960 ..	1,794,18	29,18	1,823,36	117,76	123,01	240,77	13.20	130,60	1,451,99	1,823,36
4-11-1960 ..	1,808,30	13,78	1,822,08	117,76	123,01	240,77	13.21	129,28	1,452,03	1,822,08

BANKING DEPARTMENT
(Rs. Lakhs)

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,79	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245.02	18,91	5,69	64,77	4,89	85,34	51.82	13,60
1957-58* ..	54,61	11,28	81,90	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,81	25,57	28,23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
Aug. 1959 ..	57,38	37,65	84,17	155,45	334,65	63,80	488,44	23,70	3,88	15,23	21,44	74,08	340,57	9,55
Sept. „ ..	61,55	20,48	78,06	120,78	280,88	65,03	430,91	24,51	4,30	20,60	17,35	76,50	278,28	9,36
Oct. „ ..	58,32	18,90	76,83	118,73	272,78	69,69	427,47	19,82	27,98	22,48	20,23	84,61	242,36	9,99
Aug. 1960 ..	60,44	23,00	118,40	120,40	322,25	76,19	483,44	19,92	23,55	21,65	37,69	117,00	251,73	11,90
Sept. „ ..	67,44	30,26	108,27	92,64	298,59	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85	12,03
Oct. „ ..	56,65	28,05	104,94	89,43	279,07	85,39	449,45	16,64	14,98	18,33	29,93	125,78	231,40	12,40
Week-Ending														
14-10-1960 ..	52,68	43,80	110,16	88,25	294,89	83,54	463,43	14,48	17,20	17,84	26,24	128,58	246,78	12,30
21-10-1960 ..	53,22	32,90	103,41	90,46	279,99	88,02	453,01	10,53	6,98	17,93	25,89	130,91	248,42	12,35
28-10-1960 ..	65,36	24,25	100,56	93,06	283,22	93,14	461,36	29,26	11,96	19,74	28,40	115,87	243,46	12,67
4-11-1960 ..	74,52	10,20	103,80	92,31	280,84	87,70	453,55	13,87	7,67	18,27	34,96	122,75	243,28	12,74

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

Labour Statistics

EMPLOYMENT TRENDS: 1951 - 58

Average Daily Number of Workers Employed

	1951	1952	1953	1954	1955	1956†	1957**	1958**
1. Mining Labour* (in '000s)								
Coal	352.0	348.6	341.2	341.0	348.0	352.4	370.2	382.2
Iron Ore	20.2	26.4	30.4	30.8	34.2	37.3	40.3	43.2
Copper	3.7	3.9	3.7	4.1	4.1	4.1	4.5	4.4
Manganese Ore	55.5	74.8	110.9	84.8	89.9	109.9	110.2	86.9
Mica	52.2	41.0	34.9	27.3	30.6	34.0	35.3	33.5
Petroleum	3.4	3.5	3.6	3.4	3.2	3.1	N.A.	N.A.
2. Factory Employment (in 000s)								
(a) Government and Local Fund Factories								
Textiles	2.7	3.8	3.6	4.4	5.1	5.2	9.0	11.3
Printing, publishing and allied industries	20.2	19.5	17.8	21.0	22.5	23.8	27.2	30.3
Manufacture of machinery (except electrical machinery	21.8	11.7	13.2	14.2	14.9	16.8	21.3	21.6
Electrical machinery, apparatus, appliances and supplies	9.7	8.7	6.9	7.9	9.0	8.9	10.3	10.5
Transport Equipment	126.5	150.5	151.5	159.4	159.2	165.8	209.9	224.8
Electricity, gas and steam	7.7	8.7	10.1	10.5	12.4	13.5	18.9	19.4
Rest	48.6	123.3	125.0	124.7	123.7	127.0	132.1	134.4
Total of (a)	**237.3**	**326.3**	**328.1**	**342.2**	**346.7**	**361.0**	**428.8**	**452.3**
(b) Other Factories								
(Excluding Govt. and Local Fund Factories)								
Gins and presses	89.4	84.8	88.0	93.3	102.8	109.5	149.7	147.7
Food except beverages	334.8	311.1	305.2	315.7	334.9	351.4	472.0	487.0
Tobacco	122.3	110.7	116.3	130.6	134.1	147.6	173.9	191.4
Textiles	1042.3	1038.6	1018.9	1022.9	1038.2	1219.2	1190.7	1129.5
Chemicals and chemical products	73.9	68.7	69.6	72.8	80.2	80.4	94.4	96.2
Non-metallic mineral products	109.8	102.3	95.7	93.7	99.1	103.8	143.2	155.0
Basic metal industries	95.2	90.4	83.4	86.7	95.3	102.3	114.0	123.0
Manufacture of machinery (except electrical machinery)	75.8	70.8	67.2	71.0	81.5	97.4	116.1	124.6
Transport equipment	57.8	53.1	53.5	52.6	55.2	62.7	72.4	75.9
Rest	292.7	310.7	301.1	308.4	322.2	330.7	411.9	430.3
Total of (b)	**2299.3**	**2241.2**	**2199.9**	**2247.6**	**2343.7**	**2521.3**	**2938.3**	**2960.7**
All Factories (Total of 2)	**2536.5**	**2567.5**	**2528.0**	**2589.8**	**2690.4**	**2882.3**	**3367.1**	**3413.0**

* Figures cover all the States and territories of the Indian Union except Jammu and Kashmir.

† Statistics given under the "Factory Employment" for the year 1956 relates to re-organised States excluding Kerala, Mysore, Rajasthan, Jammu and Kashmir and includes only Delhi among the Centrally administered territories.

** Statistics given under "Factory Employment" for the years 1957 and 1958 include estimated employment also in factories not submitting returns. The figure relate to all re-organised States and Union Territories except Mysore, Jammu and Kashmir and Manipur.

Source: Labour Bureau, Ministry of Labour and Employment.



LOOK FOR THIS TRADE MARK

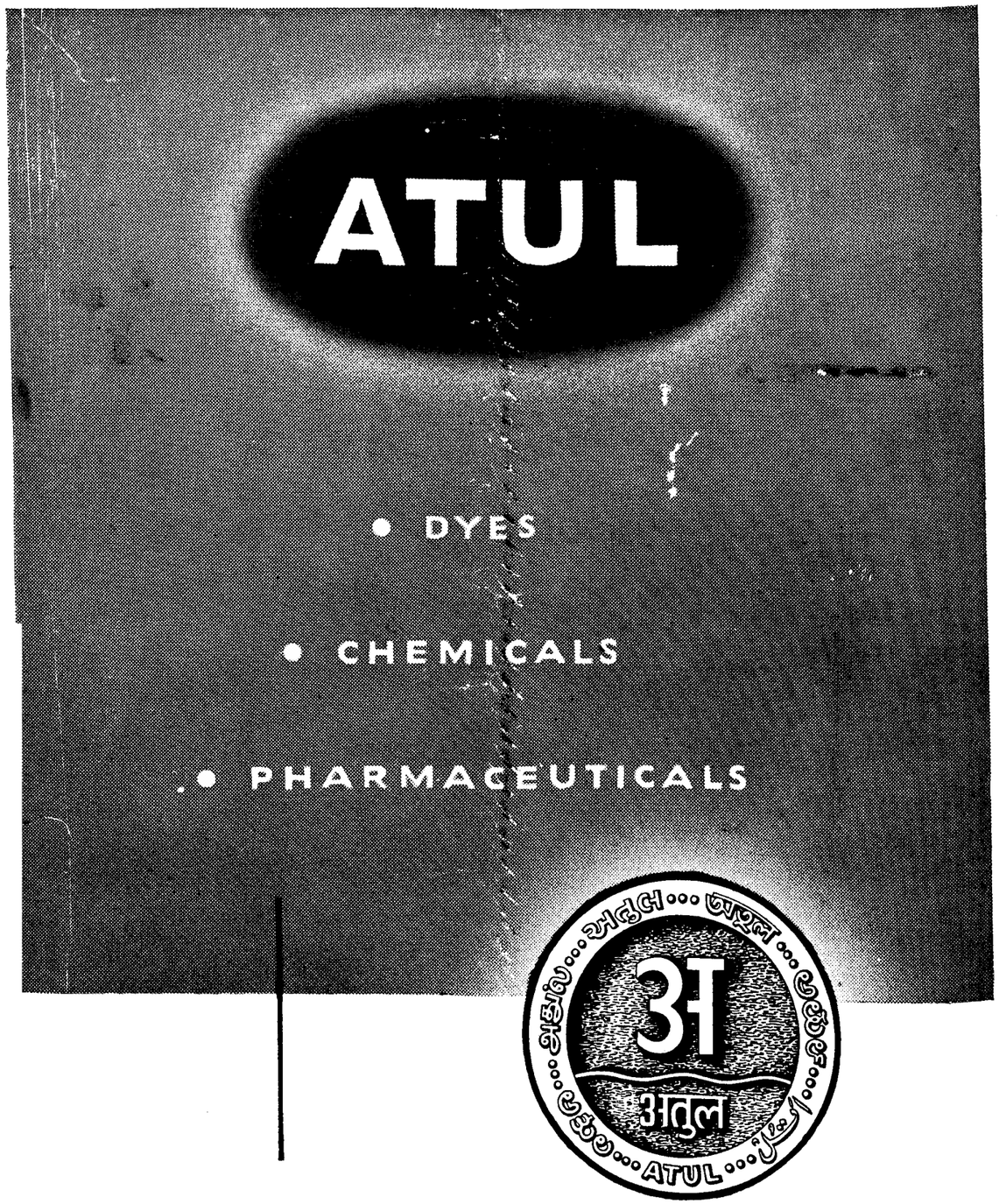


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UNDER SECRETARY TO GOVERNMENT
1 DEC 1960
PUBLIC DEPARTMENT

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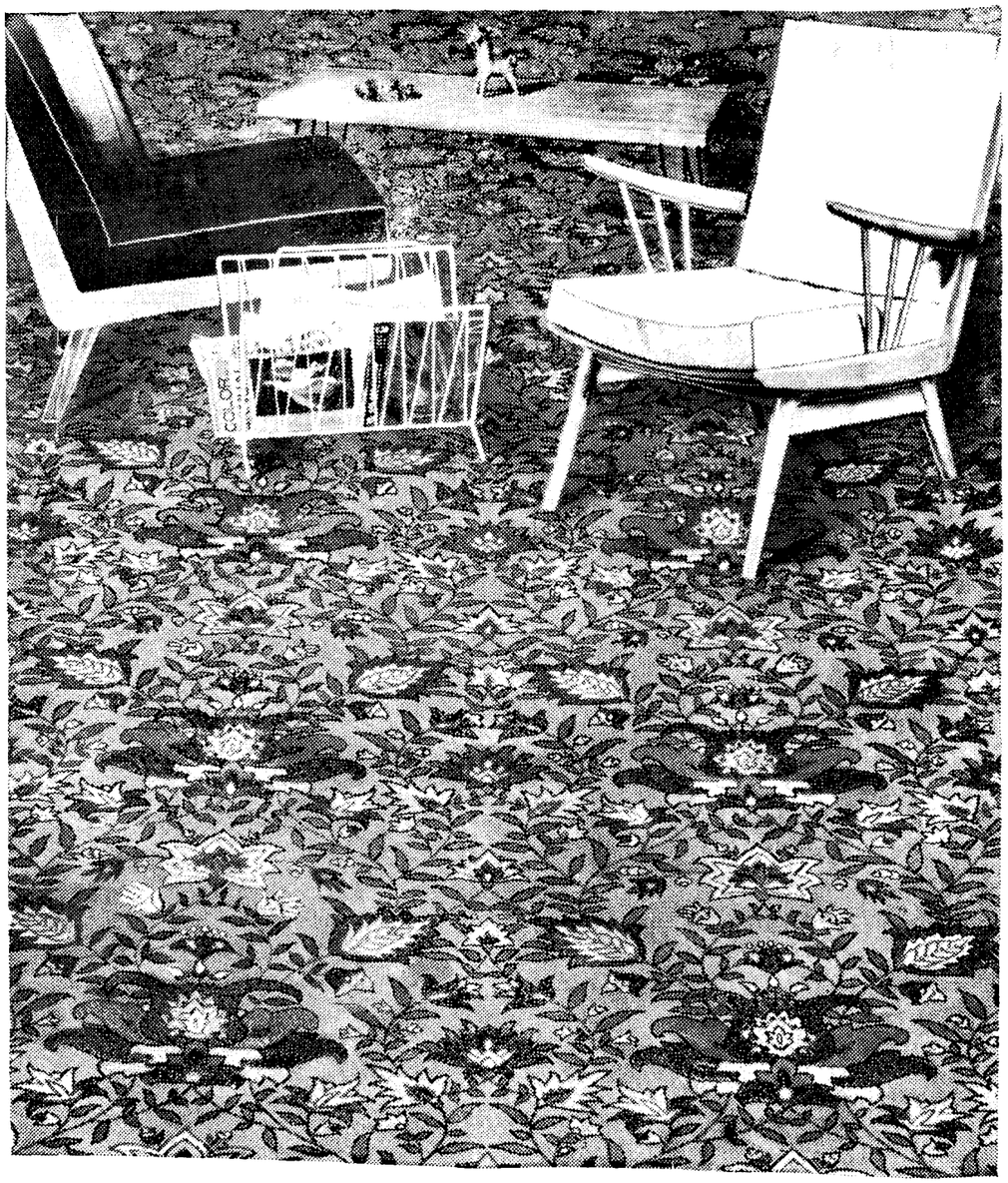
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The Eastern Economist

NOVEMBER 25, 1960.

Coal: Right Wheel?

THERE is no need to beat about the bush. There has been a dramatic change in the implementation of the Government of India's coal policy, whatever the appearances of consistency claimed by its exponents. It is equally clear that what has taken place is not a conversion with a sudden blinding light to the efficiency of the private sector in matters of production, but a recognition of the failures of the public sector, because it was very ill-equipped in coal to fulfil the large targets which, mistakenly, were imposed on it by the Planning Commission. The current decision which is to recognise that the public sector cannot operate in most of the 'contiguous' areas which belong to the private companies, but which were reserved, looks enlightened only because of past obscurantism. The question is being asked how the Government of India could have entertained so wild an illusion that the public sector, incapable of exploiting its own areas, could undertake economically the exploitation of areas adjacent to private collieries far more effectively placed for expansion. Even if the National Coal Development Corporation had adequate additional resources—both foreign exchange and rupees—to deploy, it would be outrageous to deploy them in areas where the private sector could operate much more cheaply. The waste of the nation's resources cannot be justified merely on the ground that some ideological advantages might be obtained by the creation of an agency not wedded to private profit.

The revision of policy in the direction of giving private sector larger incentives and larger opportunities for operating contiguous areas, hitherto reserved, is all to the good. Whether it provides incentives, without adequate revision of prices, is still in doubt. But at least there is a marked demonstration that the Government of India, under the imperative pressure of facts, is flexible. It is true this flexibility in respect of coal has been displayed very late in the day. It may be assumed, however, that now in a Category A industry, the tenor of public policy is not necessarily to keep expansion predominently in the public sector. If this is so it is not a small victory that good sense has won. And there is some doubt whether it goes beyond coal. Mr K. D. Malaviya, has not yet admitted in the petroleum industry, where no expansion of private sector refineries have been sanctioned, that the private sector can do better than he can. At the present time, in coal, the Government of India has a policy which is ostensibly different from its policy in petroleum. It is time that in petroleum no less than in coal, the principle was accepted that a choice of agency should not be dominated by ideological shibboleths which have brought coal to its present sorry state.

While there is cause for congratulation on the pragmatism shown in the case of coal, it will be foolish to suppose that some deep change in psychology has overtaken the Government. There are too many signs to show that the concession has been extracted by the force of events and not by the power of reason or by the intense pressure of public feeling. It is being increasingly recognised that political forces have decreed the change because the Government of India cannot face the charge that, by denying private operators the opportunity to expand and restricting production, it has in fact kept its own steel blast furnaces idle and injured production in other industries, such as Sindri, which depends on higher grades of coal. The promise—Mr K. D. Malaviya has perhaps made some improper use of it—of discoveries of metallurgical coal has done nothing to alter the hard fact that the Ministry of Fuel is quite incapable of satisfying the country that it has not injured production in more fields than one. The current policy is thus merely a defensive operation of the public sector, bowing to public indignation before all faith in public sectorism disappears.

Because the current policy is not a true change of heart in the Ministry of Fuel, uncertainty continues to prevail in regard to the extent to which private operators are to be allowed specifically to exploit their "contiguous" areas. There has been some ground for the feeling that the Government of India is making the minimum concessions necessary to save its face, and is not primarily concerned with formulating a coal policy which, over a long period, will provide to both the maximum freedom to produce. If this is so, obviously the current revision of policy does not go far enough. It is time for the Prime Minister to make a policy declaration in which the freedom of operation of both sectors is guaranteed, the sole object being the attainment of as much production as possible in the shortest possible time.

Rice Prices: Right About Turn?

THE recent fall in rice prices all over India has been welcomed as a sign of good augury in the last year of the Second Five-Year Plan which might carry over into the Third. And not without reason, for prices since the turn of the current month have registered a level not touched at this time during the past three years. Rice prices started falling gradually in September last in anticipation of a good kharif crop. With the arrival of the new crop in market, the downtrend

gathered momentum in October when the rice prices index fell by 5 points to 109. The next two weeks have witnessed an impressive fall with the index going down further to 105.4. In a short period of six weeks, therefore, the rice prices index has receded by nearly 9 points, a fall not matched by any decline during the same period in the last many years. This should suggest that, apart from the seasonal decline, there has come about this year a secular downtrend in rice prices.

Looking at the picture from another angle also one is inclined to reach a similar conclusion. The amplitude of variations in rice prices during the past four years has been of the order of 21 points. This year so far it has been 13 points. The seasonal fall upto December-end, if the behaviour of prices during the past two years is any indication, should alone bring down the index further by over 8 points. But with the supply position more comfortable than during these two years, owing to an impressive 1.2 million tons stock with the Centre and another 1.2 million tons expected from the United States and Burma under the agreements signed recently, and the prospects for the rabi crop being quite encouraging—these factors alone should make the stockists hesitant to hoard — the fall in rice prices index may be even more. The lowest level of prices is likely to be reached sometime early next year when the rabi crop is marketed.

Howsoever welcome this break in rice prices may be, it cannot be viewed with complacency. The long-term interests of the economy demand that the decline in prices should be gradual while any undue rise in prices should be checked. The latter contingency may not arise for sometime thanks to the comfortable supply position. Attention in the near future has to be directed towards the former eventuality. Any precipitate fall in rice prices this year has to be obviated lest it should upset the current crop pattern, leading to diversion of land next year from foodgrains cultivation to growing of cash crops.

This aim can be achieved in various ways: firstly, through making the movement of the commodity between the surplus and the deficit States freer; secondly, by relaxing curbs on bank credit against rice so that the trade may be able to lift arrivals and stock them; thirdly, by planning a judicious policy of procurement by the State Governments directly. Rice being the staple food of the majority of Indians and the United States being not in a position to authorise any large-scale exports of this commodity under P.L. 480, as is the case with wheat, we have to, in years of poor crops, depend on imports on current account. *The Eastern Economist*, in the circumstances, is of the opinion that the sharp fall in rice prices should be checked by measures which fall in the first and the third categories. While freer movement of the commodity between the surplus and the deficit States would iron out the wide disparities in rice prices prevailing in the different parts of the country, direct procurement by the State Governments would help in building up a valuable buffer stock which can be made use of in periods of scarcity for keeping prices under control. Relaxation of restrictions on bank credit against rice should be resorted to only in case of extreme emergency, which would arise if the price index of the commodity falls to around 92, the lowest level touched during the current Plan period.

With a radical change on the food front brought about by fairly good crops in 1958-59, 1959-60 and during the current agricultural year and impressive wheat imports planned under U.S. Public Law 480, there is also need now to assure the farmer of minimum prices for his produce. The Government will do well to finalise its agricultural products support prices scheme. To successively increase farm output, the scheme can be drawn up on the French pattern which is fixing of three types of prices—"target prices" fixed three to five years in advance, "indicative prices" revising the target prices from year to year in the light of production and consumption trends and "campaign prices" announced before the sowing season.

Debate on the Companies Bill

THE Lok Sabha debate on the Companies (Amendment) Bill, with its enlarged version of amendments at the hands of the Joint Committee could not but be inadequate. Only the major amendments, including a vital one incorporated by the Joint Committee, were taken up in the course of a preliminary three-day discussion. But some other issues also coloured the debate. Mention cannot be omitted of the favourite controversy over company contributions to the funds of political parties. Here at least there was no threat of the use of non-conventional weapons in attack and counter-attack. But there were interesting exchanges.

Mr. Lal Bahadur Shastri has promised a fresh amendment to provide for completion of allotment of shares within three months of the closing of the subscription list in cases where the company floating the capital seeks inclusion in the lists of shares quotations of recognised stock exchanges. This is in response to the grievance, based on recent experience, that inordinate delays occur in the return of money to applicants who fail to get share allotments, especially where the issue is heavily oversubscribed.

Apparently, some M.P.s entertain a grouse that enforcement of the regulatory provision of the Companies Act is not as stringent and deterrent as they would desire it to be. It seems a matter of little consequence to them that the Deparment of Compnay Law Administration has to strike a reasonable balance between firm administration of the law and avoidance of vindictiveness. Their plea was that a statutory body should be especially set up for this purpose. Mr. Lal Bahadur Shastri put in a vigorous and merited defence on behalf of the Department of Company Law Administration and the judicious manner in which it was discharging its complicated but delicate assignment.

Much controversy centred round the novel provision about the special audit of the accounts of certain specified companies. The Joint Committee has incorporated this seemingly inocuous amendment in the Bill. Its scope goes much wider than the ostensible purpose of subjecting unsound companies to a re-audit. It cannot be overlooked that the existing Companies Act contains copious safeguards to protect the interests of minority shareholders against such a contingency. In terms of this new clause, a special auditor is to be appointed in three sets of circumstances — where a company fails to follow sound business principles or practices, where its affairs are conducted in such a manner as may cause serious injury or damage to the trade, industry or business which it operates and when its financial position is likely to endanger its solvency. In the last two contingencies lies the real danger of unwarranted, even if well-meant, intervention by authority.

What criteria are to be applied to determine that these contingencies attract intervention? If in spite of existing statutory provisions and the vigilance of the Department of Company Law Administration, cases of mismanagement prevail, the proper remedy is to encourage organization of shareholders and more well-informed public opinion on company matters. It is likely that the projected amendment may endanger, due to misplaced or misinformed suspicion, the reputation and credit of companies conducted on normal practices. It is a queer provision to permit appointment of the company's auditor as a special auditor for re-audit. Is he expected to display a dual personality — not without the risk of exposing himself to legal risk?

The restriction on inter-corporate investment is another provision with a powerful element of controversy. A ceiling equivalent to 30 per cent of the subscribed capital of the investing company has been imposed for inter-company investment. Not more than 10 per cent of the investment can be made in any one company and not more than 20 per cent investment can be made in companies belonging to the same group of business as the investing company. The underlying purpose of this restriction, which is to prevent acquisition of control of substantial shareholding in another company, is fully secured by the last two provisions. No justification has been made out for the imposition of the ceiling of 30 per cent. The private sector is facing increasing difficulties to find equity finance while its obligations in this respect are bound to grow progressively. The cushion of life funds is diminishing in size. The contemplated ceiling on corporate investment will deprive the private sector of funds which are seeking employment in the absence of actual or potential use in the company's business.

There will be ample time to give detailed consideration to these and other amendments, for instance, principles for the determination of the remuneration of company promoters to which Mr. Shastri made a brief reference in his reply. Will the second reading of the Bill, which should provide opportunities for a detailed discussion, bring some relief?

The Chambal Project

AMIDST colourful ceremonies and great and genuine rejoicings, the Prime Minister inaugurated the Gandhi Sagar Dam and the adjoining power house on Saturday last. Similar scenes accompanied the inauguration of the Kotah Barrage on the following day. This expression of enthusiasm by the people of Rajasthan and Madhya Pradesh at the completion of the first stage of the Chambal Multi-Purpose Project is a witness to their increasing association with the country's silent economic revolution.

The Chambal project, one of the biggest multi-purpose projects taken in hand during the post-independence period, is unique for more reasons than one. In the first instance, the total cost incurred and the foreign exchange consumed in the construction of the project have been, perhaps, the lowest on record so far. This was achieved primarily by skilful utilisation of the available man-power resources in combination with most judicious use of machinery which mostly has to be imported. In particular, the decision to use stone and sand in place of costly concrete brought about additional economies to a significant extent. The credit for such frugal planning and execution goes to Indian engineers who by themselves managed the entire construction work.

Another admirable aspect of this scheme is that it was sponsored by the two adjoining States of Rajasthan and Madhya Pradesh and was executed in an atmosphere of complete co-operation — a phenomenon which is rare where intra-regional interests are concerned. At one stage, when the construction of the reservoir necessitated the transfer of a stretch of Rajasthan territory to Madhya Pradesh, the Rajasthan Government readily agreed to the proposal in a spirit of genuine partnership. The project should create confidence in inter-State co-operation. It stands in sharp contrast to the rancour and misunderstanding witnessed among some other States during the last few years.

The full benefit of the Chambal Project will accrue only when all the three phases are completed. In the first phase now inaugurated, the Gandhi Sagar Dam and the accompanying hydel station with an installed capacity of 80,000 kw have been completed. The planners have been wise in completing in the first phase the major part of the proposed canal system. This technical readjustment of the phased creation of power and irrigation facilities based on different sets of priorities is meant to avoid wastes witnessed in previous big multi-purpose projects. Now irrigation and power facilities will be ready for utilisation as soon as the Project matures through the remaining phases. In the second phase which has now been taken in hand will be completed the Pratap Sagar Dam, some 20 miles down stream of the Gandhi Sagar. Its power house will generate about 90,000 kW of energy. Irrigation facilities for additional 3 lakh acres of land will also be provided in the second phase. In the third and the last phase the Kotah dam and its power house with a generating capacity of 45,000 kW will be constructed.

To arid and industrially backward Rajasthan, the Chambal Project means more than what Bhakra-Nangal means to Punjab or Hirakud to Orissa. The irrigation of 14 lakh acres of now absolutely waste land will provide a high level of secure production. Power facilities will naturally initiate a process of industrialisation which will bring in its wake prosperity to the region. The State Governments are already committed to the supply of the Chambal power to heavy industries like zinc smelter at Udaipur, calcium carbide and nylon plants at Kotah and mechanical and electrical workshops at Jaipur. The availability of power will also provide opportunities for the exploitation of mineral resources of the region which till now remained poorly explored. These industrial undertakings combined with the increased agricultural potential will necessarily result in large income-generation and creation of employment opportunities. The Chambal Project therefore, promises to change some desert tracts into a granary and several backward areas into dynamic industrial pockets.

A DELHI DIARY

THE CONGO MENACE

RISING high above the painful routine, almost drudgery, of Parliament — not excluding the Foreign Affairs debate, the dullest ever — came the adjournment motion on Thursday in respect of the attack on Indian army officers in the Congo. Excitement in Parliament is not nearly as passionate as feeling amongst keen observers elsewhere. What on earth has India let herself in for in the Congo? Have we, as Do-Gooders, over-stepped the mark to the point of injuring not merely our prestige and influence, but maiming our own citizens? These questions are being anxiously asked and the view is being expressed that we have made a major error by trying to be so helpful in settling international affairs elsewhere. It is about time, most people think, that we recognised that neither Mr. Rajeshwar Dayal nor Brigadier Rikhye is safe personally in his present assignment. It is pretty feeble asking the United Nations to guarantee their safety because these are the officers who are supposed to guarantee the safety of almost everybody else — incidentally, the prestige of the United Nations as well. The time, it seems, has come to call a spade a spade!

I cannot remember any occasion on which the Government of India, on international affairs, has looked so helpless as in this case. The long debate on the United Nations' resolution and the performance of our delegation there seemed deliberately designed to avoid the head-on challenge from the People's Republic of China. In fact, when the subject for debate was first put down, it was not Foreign Affairs, but Foreign Affairs with particular reference to the United Nations. It is stated that Mr. V. K. Krishna Menon, the Defence Minister, was responsible for the post-script. I do not know whether this is true, and it does not matter any way because Parliament refused absolutely to be distracted. Acharya Kriplani reflected the feeling of the House when in the middle of the Prime Minister's speech he interjected: "Why not come down to China and Pakistan?" He elaborated this by saying that we should devote more attention to the home front instead of meandering in New York and dwelling on the Congo. This is a true reflection of public opinion and, for the first time, I think the Prime Minister is completely at sea in regard to true opinion in the country. When in an angry interchange with Acharya Kriplani, there were some questions about what opinion in the country was on our China policy, the Prime Minister said he knew the public opinion "better". I am ready to wager a hundred rupees on a bet that a poll would show that China is exercising the minds of many people in Acharya Kriplani's direction, and not in that of the Prime Minister. However, at the present time, the question is not what the people think, but what Parliament did.

THE MEASUREMENT OF BOREDOM

I am constantly reminded of Lord Kelvin's great dictum that we know nothing about a subject unless we can contrive to measure something about, preferably, its hard core. A distinguished statistician has been sitting through the Parliament with a visual apparatus wherewith to measure boredom. He tells me that he has never known a debate in which boredom was statistically as high as in the Foreign Affairs debate this week. His unit of measurement is the "yawn". He added together the number of yawns in one particular speech — that of Mr. Krishna Menon. I am told the figure was sixty-three yawns in an hour — an all-time record! I am sorry to say that the Prime Minister encountered many yawns also, though Mr. Krishna Menon holds the record, as I believe he still holds the record for his marathon performance at the United Nations. But let me pass on to a more entertaining subject.

THE GERMAN FILM FESTIVAL

I spoke last week of the arrival of West Germany in the economic field. This week we have been treated in Delhi to the arrival of West Germany in a massive cultural impact described as the Film Festival. There has been a different picture at the Rivoli each day of the week beginning with 'The Royal Game' in a gala premiere on Tuesday. The Minister of Information, Dr. B. V. Keskar, introduced three of the German filmstars present—two actresses and an actor who appeared in a turban, did an excellent 'Namaste' and one brief salutation in Hindi. Their speeches met with great applause. How do they all speak English so well? Has this been the result of the American impact or the recognition of the new business value of the world's greatest international language? All the films being exhibited have their words spoken in English. One of the great weaknesses of Continental films has thus been removed.

It is doubtful whether a better opening film could have been chosen to show the liberal trend in German culture than "The Royal Game." It is the story of an Austrian lawyer, Dr. Werner Von Basil—had he a real counterpart? — fighting the Nazis in occupation of Austria. The hero's part is splendidly played by Curd Jurgens. He is driven half insane by isolation in the Hotel Metropol, but manages to retain a portion of his sanity by imaginary chess games which he has never previously played. By the manner in which the German occupation is derided in a German film, shows how deliberately West Germany is putting Nazism in its lowly historical place. Apart from the splendid acting of the entire cast in this film, one had the feeling that choice of the film was happy in that it showed Germany willing to admit one of her major errors, still inscribed deep in living memory. Perhaps we in India will learn also to show ourselves as we are or were. We are too anxious to show India only at its best. One hopes, with Dr. William Melchers, the German Ambassador, "that the German Film Weeks in India shall, in their turn, contribute to enliven collaboration in the field of film-making, promote an exchange of films between our respective countries and help in bringing about a fruitful exchange of ideas between the peoples of India and Germany."

GENTLEMEN: THE QUEEN

The Queen's visit has already become top news. There is great excitement about the Benaras brocade piece which has been shipped posthaste to Buckingham Palace to be made into an evening gown, which Dame Rumour reports, will be worn by the Queen at the President's Banquet. Meanwhile, the annual winter cleaning—it takes place in winter and not during spring in India—has been advanced and, I gather, somewhat accelerated in intensity and in tempo. Eastern and Western Courts, for reasons not entirely clear to me, received first preference. But I noticed—such is the force of monarchy still—that special attention was being given to the statue of King George V near India Gate. It is only to be expected that the Queen will devote some minute attention to this excellent representation of her grandfather. I see also that she is to spend with the Maharajah of Jaipur an interesting day in the Shooting Lodge at Sawai Madhopur. Are the tigers being suitably trained for the occasion, or are we leaving everything to the mercies of chance? I happen to have some inside information in regard to VIP shoots, but it would not be tactful for me at this critical point, when Indo-British relations are in the balance, to divulge all I know!

THE WEEK'S NOTES

Japan

VICTORY FOR LIBERAL DEMOCRATS

THE PEOPLE of Japan have returned to power the ruling Liberal Democratic Party under Mr. Ikeda. The total number of seats won by the Liberal Democrats has been 296 as against 283 in the last Diet. The Socialists have also improved their strength from 122 seats in the dissolved House to 145 seats in the new House. The newly formed Democratic Socialist Party, however, cut a sorry figure as it secured only 17 seats instead of 40 seats in the outgoing Parliament. This election has made one fact abundantly clear and it is that the political issues are perfectly clear in the minds of the electorate. Any party like the Democratic Socialist Party which wishes to charter a path in-between the two groups is bound to fail.

It was not obligatory to hold the new elections till 1962. But Mr. Kishi, under pressure of widespread unrest in the country, had promised fresh elections to ascertain the confidence of the people. The present elections were preceded by hectic developments including the assassination of the Socialist leader Mr. Asanuma. At one time it was believed that the lunatic attempt on the life of Mr. Asanuma would result in heavy deflection from the Liberal Democrats to the Socialists. In fact it has turned out to be true to a certain extent but the party seems to have gained at the expense of the newly formed Democratic Socialist Party and not at the expense of the Liberal Democrats.

The elections in Japan were fought on the issue of neutrality versus close association with the United States of America. The Socialists advocated neutrality in the international affairs and the people of Japan have refused to place faith in their philosophy. In fact, the results of this election have exhibited the faith of the people of Japan in a policy which encourages complete co-operation with the West in the international affairs and, incidentally, it also affirms the faith of the people of Japan in the Japan-U.S. Security Treaty.

The widespread prosperity in the Japanese economy in the recent past is also one of the reasons for the defeat of the Socialists. In a market where the wages of the workers have been steadily rising, Socialists could not incite the workers against the ruling party. In other words, the economic boom in Japan came to the succour of Mr Ikeda and his party. It also shows the firm belief of the people of Japan that their fate is intimately linked with the West without whose co-operation they could not face their powerful neighbour.

Laos

COALITION WITH PATHET LAO

HAVING OPENLY accused the United States for meddling with the affairs of his country by backing the insurrection of the right-wing General Phoumi Nosavan, the Prime Minister of Laos, Prince Souvanna Phouma, has agreed to admit Pathet Lao representatives to his Government and to accept aid from Communist China and North Vietnam. The development is scarcely surprising for it was with great difficulty that the Laotian Prime Minister had been able to maintain an equilibrium between the pro-Communist forces in the North and pro-West elements in the South-East, by declaring that he would restore peace to his strife-torn country by following a policy of neutrality between the two power blocs. General Phoumi's revolt has obviously tilted this precarious balance and in a way compelled Prince Souvanna Phouma to lean on Pathet Lao in order to maintain his position.

There can be little doubt that the entry of Pathet Lao representatives into the Central Government will considerably help the Communist forces to dig themselves deep in the body-politic of Laos. To counteract any further growth in the red influence in Laos, should Thailand and South Vietnam Governments associate themselves with the rightist forces in Laos, or should they step in directly—which in view of their utterances in the recent past is not unlikely—there is every danger of the situation deteriorating. The consequences of this can be well imagined.

Prince Souvanna Phouma has been rightly following the policy of neutrality between the two power blocs and if he is to steer clear his country of Communist domination, his hands must be strengthened. The United States should realise that its support to General Phoumi, as alleged by the Laotian Prime Minister, will only defeat the purpose it has in view. There is obviously need for some rethinking in the USA about its Indo-China policy. Canada and Britain are understood to have been counselling the United States to support a country's legitimate Government. It will do well to heed this advice specially when such a Government, as in Laos, is capable of maintaining stability in the country and that too by retaining it in what is called the "Free World".

Orissa

DISSOLUTION OF COALITION

THE ORISSA COALITION MINISTRY is proposed to be dissolved after the Budget Session of the State legislature. This decision has been taken by the Utkal Pradesh Congress Committee after considering the report of a special Sub-Committee which was appointed to report on the continuance of the present Ministry. If this decision of the Pradesh Congress Committee is implemented, all the important groups in the State would get about eight months for approaching the electorate and seeking a clear verdict in the next General Election, since President's rule is likely to prevail after the present Ministry's dissolution. This vital decision has one encouraging feature for the Congress Party in that it has helped the Ministerial Group and the dissidents in Orissa to patch up their differences. Till the next Budget Session at least, Dr. H. K. Mahatab will continue as Chief Minister and he would not press for his resignation which he had proposed earlier.

Will similar procedure apply to other States as well? It may be stated that the decision to form the Coalition in Orissa was taken under the directive of the Congress High Command. Under almost similar circumstances, the Congress Party in Kerala had to join hands with the Socialist Party and the Muslim League in order to over-throw the Communists. Will the High Command advise the Kerala Pradesh Congress Party also to adopt the same line? It is obvious that it will not do so. By sheer logic it follows that the decision of the Orissa Pradesh Congress Committee is in contradiction with the all-India policy dictated by the High Command. Perhaps this decision would be reversed before the Budget Session.

What are the chances of a non-Congress Government in Orissa after the dissolution of the Coalition Ministry? It must be conceded that it is not necessary to promulgate the President's rule if all the opposition groups join together to form a non-Congress Government, since they possess a clear majority of 76 out of a total of 140. This, however, seems to be highly theoretical and from the indications now available, it is obvious that such a Government could not continue for long because of the pressures of the smaller splinter groups. If the High Command goes by the recommendations of the Sub-Committee and allows the coalition to cease to function, the President's rule seems almost certain. In that case, the Congress Party can take credit for a policy, which takes into account the local situation and shows flexibility in the interest of ensuring stable Governments in the States.

Agriculture

A USEFUL PUBLICATION

CERTAIN RAPID changes have been witnessed in the field of Indian agriculture during the previous decade as in every other field of the Indian economy. To keep track of this changing picture many economists must be looking for developments from month to month. In this respect "Agricultural Situation in India," published every month by the Ministry of Food and Agriculture, Government of India, is quite a handy publication. Its Annual Number issued recently presents a factual and integrated picture from all angles for the year 1959-60.

Indian agriculture, as revealed by the Index of Agricultural Production appended to the publication, has tended to show a secular uptrend during the Second Plan period and the average annual rate of growth has been recorded around 4 per cent. This uptrend has, however, been interspersed by certain troughs, as it was in 1959-60. If the index (base: 1949-50 = 100) in 1956-57 was 124 against 116.8 a year before, it also dropped to 114.6 a year later. Similarly, if 1958-59 was a year of record agricultural output with index touching the 132.3 mark, it is no wonder that the year under review, 1959-60, is a year of comparative discouragement.

The publication contains comprehensive notes on recent developments in respect of Land Reforms in India, Problems and Prospects of Ceilings on Landholdings etc., which can be read with interest.



The World Abroad

PUG'S EYE VIEW OF THE WORLD

By

ODYSSEUS

ON RETURNING to my office in Delhi one day in the hot weather of 1947, I found a telephone message asking me to ring up Lord Ismay, who was then Chief of Staff to the last British Viceroy. I called his number, gave my name, was put through without delay, and asked him what he wanted. "Your secretary must have made some mistake, I did not 'phone you. But," I heard Ismay continue with the utmost bonhomie, "as I've never met you, this seems an admirable opportunity to put that right. Are you free for a drink this evening?"

As anyone who has a "Who's Who" within reach can see for himself, Ismay occupied positions of ever increasing responsibility and importance until his retirement from the Secretary Generalship of the North Atlantic Treaty Organization in 1957 at the age of seventy. Born in 1887, he was educated at Charterhouse and Sandhurst, and launched out on his long career by joining the 21st Cavalry (Frontier Force) at Risalpur in the old Northwest Frontier Province. Thus began his connection with India, a country which he learned to love, and to which he rendered great services as a key member of Lord Mountbatten's staff in the last days of the raj. In the 1914/18 war he served throughout in Somaliland. Thereafter, he passed through the Staff College at Quetta, served at Army Headquarters in Simla, was Military Secretary in 1931/33 when Lord Willingdon was Viceroy, and eventually succeeded Lord Hankey as Secretary to the Committee of Imperial Defence in 1938. He was chief of staff to Winston Churchill from 1940 to 1946. After serving with Mountbatten in India, he became Secretary of State for Commonwealth Relations 1951/52, before going on to NATO in 1952. Yet, as is illustrated by the chance through which my acquaintance with him began, Ismay, despite rarified atmosphere in which he moved, remained the most approachable and friendly person. Far from being on his dignity at being called to the telephone by an obscure special correspondent, he answered the phone cheerfully, in person, and seized the opportunity of adding one more to his contacts with the press. He gave me valuable guidance on several subsequent occasions, which helped me to avoid publishing nonsenses and him to get accurate reports into print.

Ismay's Memoirs do not suggest that he is what is called (usually scornfully today—heaven knows why!) an intellectual. But every page does reveal unconsciously the characteristics that enabled him to make invaluable contributions in all the key positions that he occupied: a shrewd natural intelligence, a lust for hard work, a conscious desire to smooth out the inevitable conflicts between personalities that spring up wherever two or three are gathered togther in a common task, struggling under great burdens and responsibilities. Again and again these pages ("Memoirs of Lord Ismay." Heinemann. London. 1960. 42sh) testify to Ismay's ability to turn a blind eye to the weaknesses of those with whom he had to deal and his quickness to appreciate their good qualities. People like being liked. Appreciation brings out their best qualities. Lucky was the chief who had such an intelligent and tireless repairs and maintenance expert to diminish the friction of the wheels of administration and to keep the machine going when breakdowns occurred. This does not mean that Ismay lacked firmness or the courage of his conviction when he deemed it necessary to dig his toes in. (It is the determined jut of his jaw which has led him to be called "Pug" by his friends). There comes a moment when temperamental colleagues and chiefs must be brought into contact with unpleasant realities and Ismay never flinched. That also was part of his secret: his enthusiasm and loyalty were without limit, but by keeping his self-respect intact, he held the respect of others.

War memoirs are two a naya paisa nowadays. I happen to have read those of Churchill, Eisenhower, Alanbrooke, and Montgomery. As H. R. Trevor-Roper has pointed out, Churchill's show the working of the machinery from the top. They are the version of the man who drove the machine. In them, we see the master mind at work, but we do not see the processes behind the decisions, nor the strains which their impacts created. Alanbrooke's diaries bring the process to life. But for them, we might think Churchill's achievement less than it was: that he had only to think and command for the job to be done. Alanbrooke reveals the human predicaments and pressures which animated the machinery and our respect for Churchill is increased.

ALANBROOKE, MONTGOMERY AND ISMAY

While Churchill commanded, and Alanbrooke advised, Ismay was the Prime Minister's staff officer, the head of the bureaucracy that carried out the strategy of war. It is Ismay's merit that he strove to wipe the grit out of the machinery and to keep it oiled. I do not seek to denigrate the tremendous achievements of Alanbrooke and Montgomery (in their very different roles), and I readily concede that their memoirs are important contributions to history, but I confess that I find that their constantly protruding egotisms make their books tiresome to read. Alanbrooke and Montgomery too often create the impression that they were the sole embodiments of perfect wisdom, and that they were surrounded by a pack of maddening children, who had to be cajoled into their places, if the war was to be won.

Ismay's memoirs cover a great deal of the same ground as those of Eisenhower (not to be included among the egomaniacs), Alanbrooke, and Montgomery. It is Ismay's merit that he helps to set these great events in calmer perspective. Even the critical Mr. Trevor-Roper is forced to concede that Ismay is lucid: the summaries of both sides of great quarrels—the pros and cons of Munich, the debates between British and Americans over the timing and placing of the attack on the European mainland, and the failure to grasp the USSR's post-war ambitions to ensure supremacy in post-war Europe—are masterpieces of compression, fairness, and clarity.

Nowhere is Ismay's gift of clarity and compression better displayed than in the chapter to which readers in India will certainly turn first—"The Last Days of the Raj." Here, in 36 pages, he gives a bird's eye view (or should I say a "Pug's eye view"?) of the ground covered in detail in the 370 pages of Alan Campbell-Johnson's "Mission with Mountbatten", managing, in addition, a sketch of the events from the Montagu Declaration of 1917 up to Mountbatten's arrival in March, 1947, without which much of the significance of the last viceroy's task—as the culminating point in a long sequence—cannot be fully grasped. I am not suggesting

that Ismay supersedes Campbell-Johnson's book. He sets it in valuable perspective.

LESSONS FOR INDIA

What lessons have Ismay's memoirs for India? The mazes of the bureaucratic machine in New Delhi, on the one hand, and the clashes of personalities—political and service—struggling to make the machine work, on the other, have often been the subject of scorn and satire. Ismay's memoirs serve to remind us that the bureaucracy of New Delhi is a pigmy compared with the sprawling congeries of Whitehall and the stupendous web that spreads from the Pentagon, downwards, sideways, and upwards, in Washington D.C. It was the failure to devise means to control, and to make the best use of these vast, but necessary, machines, and to create a harmonious team spirit between politicians, generals, admirals, airmen, and civil servants, which led to the bitter personal vendettas, the blood baths, and the Himalayan blunders of World War I. (And it emerges clearly from these pages that a similar—and fortunate—failure in co-ordination and harmony in Nazi Germany was one of the biggest single factors contributing to Hitler's downfall).

The reasons for the failures in the administrative machine, and in human relationships, were exhaustively studied in the UK between the wars, under the chairmanship of the late Lord Hankey, who was the guiding influence in setting up the Committee of Imperial Defence.

Publishers' blurbs are not always to be trusted, but Messrs. Heinemann's blurb for these memoirs is, for once, justified in its statement that "The waging of total war in a democracy is a complex business: committees and conferences have to do their work, temperaments have to be reconciled, and methods of implementing decisions arrived at. It is this vital aspect of the war that Lord Ismay's book illuminates, and it is likely to become the definitive work on the English machinery of war direction since the beginning of this century." To this I would add that the waging of (comparatively total) peace in a democracy is just as complex, and I cannot help thinking that it might be worth Mr. Nehru's while to appoint some retired veteran—such as Mr. V. P. Menon, now far from the heat and dust of political and administrative battles—as Officer on Special Duty to study, quietly and carefully, the chapters in which Ismay outlines Hankey's work, and his own role in succession to Hankey, in order to draft a pilot scheme setting out what is necessary. This could be followed up by a study tour in London, and in NATO headquarters, to see to what extent the British wartime machinery has been modified in the UK and adapted in the North Atlantic Treaty Organisation, over which Ismay presided for five critical years.

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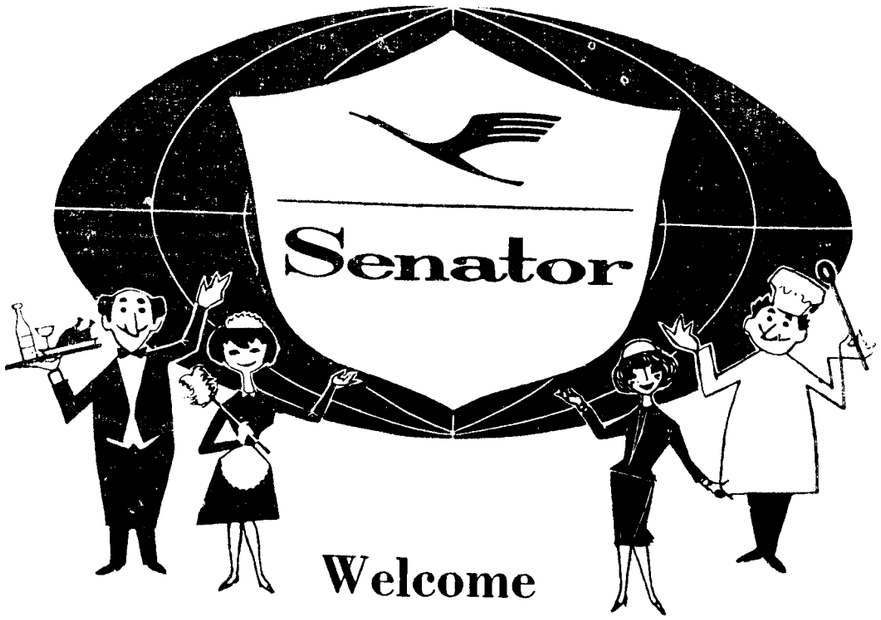
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PROMOTING INDO-GERMAN RELATIONS.

The European Scene

GATT ON TRADE AND DEVELOPMENT

From Our Special West European Correspondent

PARIS, November 19.

GATT has just published its report on "World Trade in 1959", which was an altogether exceptional year for the developing countries because, taken as a group, they managed in that twelve months to wipe out their trade deficit. Yet they achieved this apparently satisfactory financial results only because (a) they were still practising the drastic import restrictions imposed previously, while (b) their exports benefited from the sharp expansion in world trade that followed on the recession of 1958. The value of world trade had contracted by 4.5 per cent in 1958, but in 1959 the recovery from the mild slump caused an increase of 6 per cent. Part of this increase consisted of bigger imports of raw materials by the industrial powers, and so the developing nations saw their export earnings rise while import outlays remained limited. Thus their total trade deficit, which in each of the years 1957 and 1958 had been about $2,600 million, disappeared. Naturally, from the point of view of development, this was a bad result because it meant that the supply of equipment from the West to the industrialising nations had had to be reduced, even to achieve balanced trade in a year that was favourable to raw material exports.

The year 1959 being exceptional, the GATT report does well to set it in the context of the longer period 1953-1958 — the year 1953 being chosen as the beginning of an epoch because the Korean war ended then. What emerges in this survey of the longer period is this: there is a secular trend toward more active world trade, but this is benefiting above all the industrialised nations because most of the increased trade takes place between themselves while the developing countries see their export earnings expanding much more slowly (a) than the export earnings of the rich countries and (b) than their own import bills. Thus the trade figures confirm that the gap between the rich and the poor is constantly widening despite the aid furnished by the first to the second.

The GATT experts in this month's publication show this trend separately for West Europe and North America. They take West Europe first because this region is much more important for the exporters of raw materials and the importers of industrial equipment: in 1953, the base year, West Europe's exports overseas were more than twice North America's. Those exports continued to grow throughout the period 1953-58 until in the latter year they were 150 per cent of 1953. Yet West Europe's imports of raw materials grew much more slowly: in 1958 they were only 112 per cent of the 1953 figure. North America registered very sharp increases in exports in 1956 and 1957 but suffered a contraction of 15 per cent in 1958, the year of the recession. Still, at the end of the period the value of North American exports was 141 per cent of 1953. Yet imports of raw materials into North America hardly grew at all: in 1958 they were less than 102 per cent of 1953. (These figures are value statements, but the trend is the same whether we measure trade in volume or price.)

The proportion of imports of manufactures that developing countries could pay for with exports fell in this period from 90 per cent to 64 per cent. This growing deficit was mitigated by $4,500 million worth of gifts and public and private long-term loans furnished by the rich countries. Over the same period, the export price of manufactures rose by 7 per cent, while raw material prices fell by 5.5 per cent. As a result, the national income of the rich countries increased by $2,800 million (at 1953 prices), while the purchasing power of the developing countries fell by $1,700 million. It is no surprise then that while incomes and living standards rose remarkably in the West, in this period, the per capita revenues of the inhabitants of the poorer countries rose, in the nine years 1950-58, only from $103 a year to $119.

This trend is not new, and has been referred to here often before. But the GATT report not only brings our information on it up to date but shows something that is new: the increasing share of responsibility of West Europe in this situation, as compared with the role of the USA. West Europe as a region has usually been more important in world trade than the USA, because less richly endowed with raw materials and more closely connected, thanks in part to imperialism, with the developing countries. Yet in the last decade West Europe has been rapidly increasing its role, compared with the USA, as an importer of raw materials, and as a supplier of manufactures, and at the same time it is in West Europe that intra-regional trade has been expanding fastest and living standards rising most quickly. The technological revolution — which means that industry consumes less raw material per unit of output, and totally replaces certain natural raw materials with artificial products — has been proceeding more spectacularly in West Europe than anywhere else. Since West Europe has traditionally been the biggest buyer of raw materials, this is one of the main causes of the discomfiture of the developing economies. The GATT report puts the world trade problem in a nutshell when it says: "The low-income countries cannot increase their output and revenues without substantially increasing their imports from the industrialised countries, whereas the industrialised countries can increase their output and revenues while reducing their imports from the primary producers".

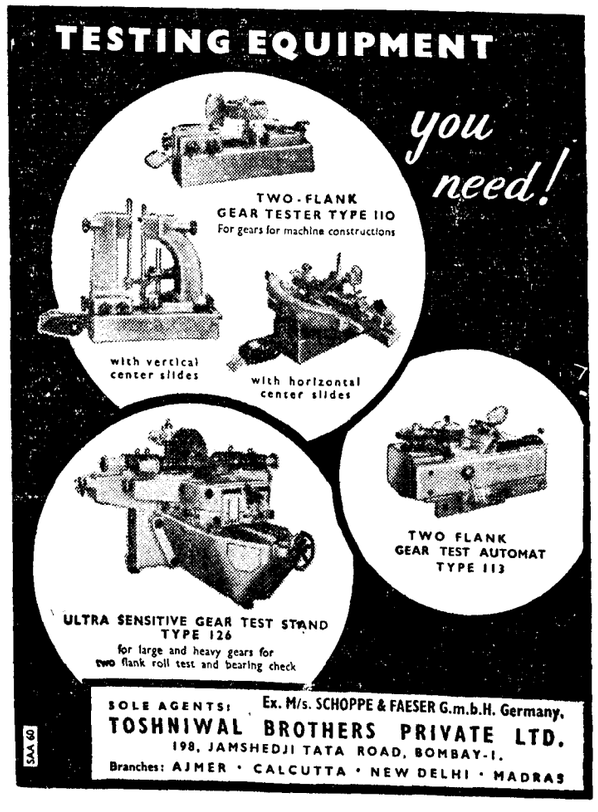
The obligations that this situation lays on the industrialised nations are very inadequately realised in West Europe. For example, in the current issue of a European economic journal, I find a long discussion of techniques of export credit insurance, where it is clearly stated that what European exporters who grant credit to developing countries want to be insured against is not so much "the dangers of expropriation, nationalisation, political disturbance and wars". It is, "much more importantly, purely economic upsets such as blockade of payments and transfers, or the decline in currency values; these upsets, in developing countries whose economic equilibrium is often uncertain, may be due to internal causes or to disturbances in the world economy (e.g. fluctuations in raw material prices)." In other words, what European exporters want to be insured against is precisely the consequence of the situation described by GATT — because it is as a result of their unbalanced trade with the rich coun-

tries that the developing nations are obliged to cut imports, block payments, devalue and even, occasionally, default. To seek to boost European exports to these clients only makes matters worse if nothing is done to increase their own export earnings. While to insure credits granted to those same clients is about as rational as my taking out an insurance policy on your life when I am starving you to death.

You might say that the individual European exporter is not responsible for this situation, and so he is acting rationally when he tries to protect himself, individually, against its dangers. But in reality the business of export credit insurance is almost everywhere handled by the State, from the British Export Credit Guarantee Department to the West German Hermes Committee. So we are entitled to accuse West European governments of irrationality, or at least of tinkering with a minor aspect of a situation while doing nothing to face the main facts. They are promoting ways of increasing exports to clients who cannot afford to buy those exports out of their revenues, and they are consenting to insure export credits when, on the GATT analysis, they are fundamentally insecure and uninsurable. If the facts about trade between the poor and the rich countries were properly understood, it would be plain that the only sound way to guarantee the credits that the second give the first is to expand the export earnings of the developing countries.

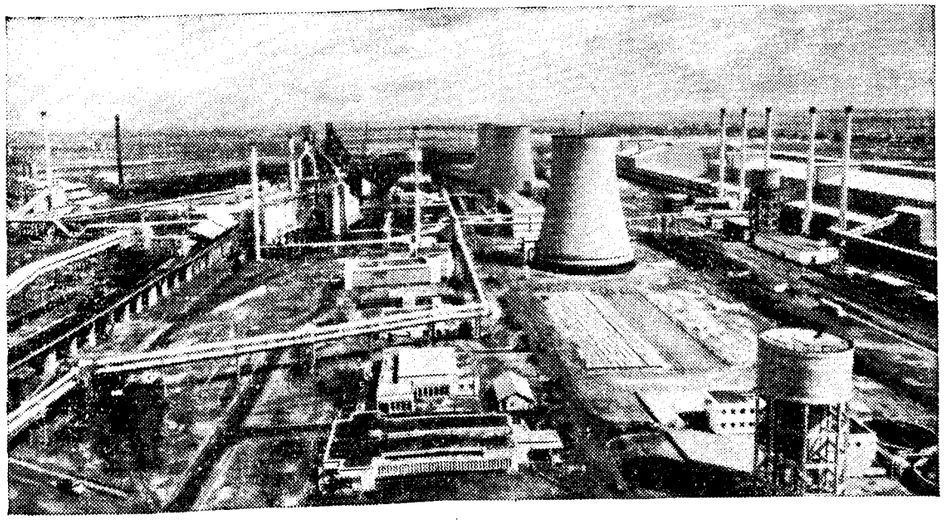
This point is, of course, realised by many observers. Thus Herry Walter Scheel, who is a Liberal deputy in the Bundestag and presides the commission concerned with the Common Market's relations with the African territories, wrote lately: "It would be much more sensible to buy the products of developing countries, or not to prevent the sale of those products by means of fiscal and administrative obstacles, than to give them gifts as a sop for the business they cannot put through. Credits and outright gifts are not enough to keep developing countries out of the Soviet orbit if nothing is done meanwhile to absorb their exports into the trading nexus of the free world. In every part of the world where a developing country has been unable to sell its harvests, the Russians or their satellites have stepped in with long-term contracts". As means to ensure the absorption of primary produce by the industrialised West, Herr Scheel urged long-term contracts between Western industries and the developing nations, and steps to stabilise commodity prices, this latter question being "decisive" because of the deterioration in terms of trade referred to in the GATT report. He suggested that, even without putting up any cash to subsidise raw material production, the Western nations could make a useful contribution by building adequate storage space for those materials on their own soil.

Herr Scheel considers that there is too little co-ordination (if any) between Western importing firms and export houses, dealing with developing economies. If they would co-ordinate their activities (i.e. "marry" an order for raw materials with a sale of manufactures) many deals could be concluded which at present cannot be put through. To this end, he suggested that Western governments agree with the governments of developing nations to set up mixed study groups that would examine the scope for reciprocal exchanges. Although it sounds like a relapse to something near barter, this idea seems reasonable, as at least taking account of the main fact in world trade today, the growing incapacity of developing nations to match their imports of vitally necessary manufactures with the volume of raw materials that West Europe consents to buy from them.



TOWARDS ACHIEVEMENT

In three brief years a wilderness of swamp and paddy fields has been transformed into the giant steelworks at Durgapur. This remarkable achievement has been made possible by ISCON—a consortium of thirteen leading British firms who are responsible together for the construction of the steelworks. When completed, the steelworks will have capacity for one million ingot tons of steel and a wide range of end products for the industrial markets of India.

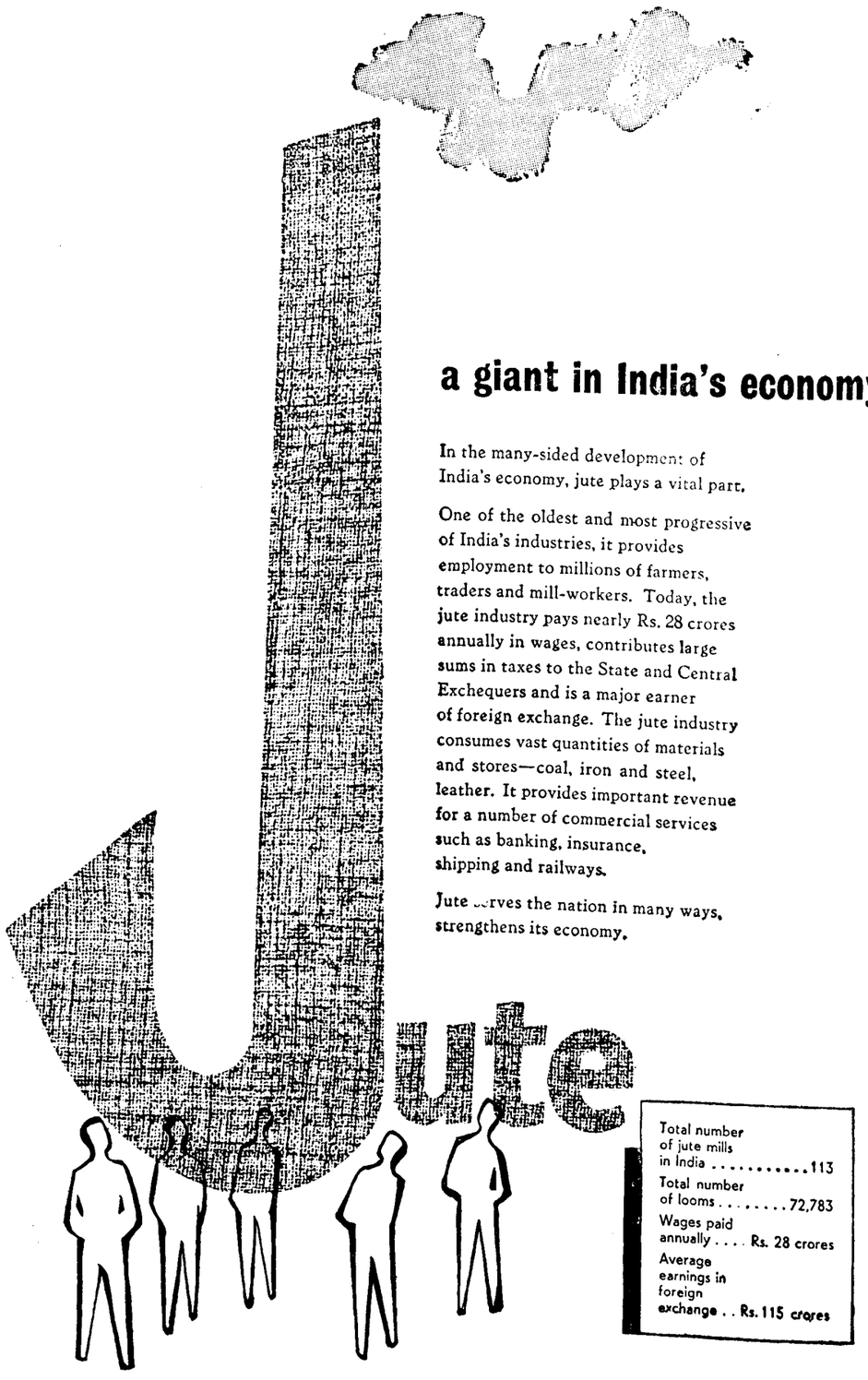


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Our West German Letter

GERMAN BOOM AND GERMAN AID

From Our West German Correspondent

BONN, November 21.

A SHORT time ago, the Minister of Economics, Prof. Erhard received a delegation of five Indian journalists and your correspondent had been requested by the Ministry to attend this meeting. A very interesting question was put to Prof. Erhard. "Is it true," he was asked by a colleague, "that West Germany prefers to give aid to developing countries in Africa?" The Minister remained silent for a moment and then said smilingly: "I love all my children." I think it is correct to say that he really tries very hard to secure as much aid as possible to all developing countries whether in Asia, Africa or South America. But it appears that this attitude is not accepted generally by various Government departments and influential circles. The Speaker of the West German Parliament, Dr. Eugen Gerstenmaier, a powerful personality, went twice, in 1959 and again this year to Africa, accompanied by the famous author Klaus Mehnert who had been till then mostly concerned with Asian affairs ("Asien, Moskau und Wir"—"Asia, Moscow and We"). African delegations are visiting the Bundesrepublik quite often and an "African Week" was recently held here in the capital, with Prof. Erhard and Dr. Gerstenmaier as speakers. When talking to various kinds of Government officials one really gets the impression that the newly created African countries are at present closer to the German heart. Asian developing nations, in their opinion, should better be looked after by U.S.A. and U.K., India as member of the Commonwealth especially by the latter. Should such strange and short-sighted views spread, it would be a great pity. They overlook, at least, the potentialities of the Indian and other Asian markets.

The subject of "Entwicklungshilfe" as it is called in German, meaning aid for developing countries, is still very much in the news and will obviously remain in the foreground of very lively discussions inside and outside the Parliament. It has now become a rather peculiar aspect. Prof. Erhard is very solicitous about the continuous boom in Germany which might show in the course of time inflationary tendencies. He would, therefore, like to reduce to a certain extent the export but to increase the import. In the previous "West German Letter" it had been mentioned that the industry is objecting to any such planned measures. In the last issue of the Weekly Survey, published by the "Institute of German Industry" (affiliated to the Federation of German Industries, it is pointed out that both, exports and imports, have increased considerably. But it is all too often overlooked that this vigorous expansion is leading to decreasing, not to increasing export surpluses. In 1958 observers might have been inclined to think of a purely temporary development when—for the first time since 1955—imports of the Federal Republic rose more than exports. Meanwhile, it has become increasingly clear that West Germany is an attractive market for foreign suppliers. During the first three quarters in 1960 the export surplus shrank from DM 3700 million in 1959 to DM 3400 million. This is a trend, the Survey says, strongly supporting industry's theory that it would be wrong to interfere artificially with foreign trade just now. The arguments of the Survey are not too convincing as the decrease of only DM 300 million might be a temporary one. At any rate, the German industry is now prepared to contribute a loan of DM 1500 million to the aid for developing countries. This loan, to be signed by companies and businessmen all over the country, will carry an interest of 5 per cent. It will be redeemable in 15 years, with redemption to begin 5 years after the date of floating. The loan is seen as a vote of thanks from German business to the fathers of the Marshall Plan so instrumental to German post-war recovery. According to the Institute of German Industry, the loan will also substantially ease the pressure on the budget of the United States who are urging a higher German share in foreign aid programmes because of their balance of payments troubles.

While this report is flying to India, two perhaps not all too welcome guests from the United States, Finance Minister Robert Anderson and the Under-Secretary of State in the State Department, Dillon, will arrive in Bonn. President Eisenhower in a letter to Dr. Adenauer had announced this visit. There is a possibility that the American Government will renew the demand for a German contribution towards the maintenance of American troops on German soil. During the last 8 years the costs for the maintenance of American troops in Germany have risen from $244 million to $679 million in the last financial year. These expenses are greater than in any other country where American troops are stationed. It is also assumed that the U.S. Government will ask the Bundesrepublik for considerable aid to go to developing countries.

The German Federal States which offered aid for the same purpose to the extent of DM 500 million have been asked by the Central Government to increase this amount to DM 700 million. In fact, these sums are to be paid from tax surpluses, just caused by the general boom. But there is one Chief Minister who is pleading for a special tax, the yield of which should be used as additional aid. This Chief Minister of Schleswig-Holstein, Kai Uwe von Hassel, has been born in Tanganyika and has accompanied Dr. Gerstenmaier on his last trip to Africa....

In the context of aid, one should perhaps mention the speech of the Indian Ambassador Tyabji with which he inaugurated the Third Indian Cultural Week at Berlin. He quoted a World Bank report on India which, as he told the audience, had troubled his mind. In this report the Government of India was asked to do something to accommodate the millions of refugees who have crowded in the city of Calcutta. "I asked myself", the Ambassador said, "where are these millions of dollars to come from? From the poor oppressed peasantry of India? From where?" He then referred to the Berlin problem: "It is not a question of how many calories of food a man eats in West Berlin, and how many a man eats in East Berlin. As I was telling to the Burgermeister, to an Indian it seems that both eat too much!" This was, at least, an original way of making although an indirect appeal to Germans for aid ....

* * * *

If the motor car industry is the weather-glass for the economic situation of a country, one can notice a slight downward trend of the mercury. When your correspondent returned from India to Germany some time ago, he had been warned that he had to wait for a couple of months till he would be able to get a car. Prepared to be put on the waiting list, he entered the Bonn branch of a famous car factory where he was told

that he could pick up the car "tomorrow". Not only has the British Motor Corporation, England's largest car manufacturer, reduced the working hours of its 43,000 employees, not only have the State-owned French Renault works given notice to 3,000 workers, but also in the Bundesrepublik the well-known firm of Borgward in Bremen is going to dismiss 3,450 workers out of 22,000 employees. The reason for this measure of the German firm might be that people are switching over from small cars as produced by Borgward to bigger cars. But it also seems that most firms have now-a-days difficulties in exporting cars to the same extent as hitherto. In the United States, for instance, two producers brought out along with their "cruisers" middle-sized (so-called compact) cars which definitely reduced the German export to that country. The General Manager of the "Volkswagen-Werk", Prof. Heinz Nordhoff, explained the other day to economic journalists that in spite of belonging to the EWG (Europaeische Wirtschaftsgemeinschaft of the SIX), France and Italy make it almost impossible to sell German cars in either of the two countries. The customs duties have been reduced according to the treaty of the SIX, but other charges make this advantage almost illusory. As soon as the organisation of EFTA (European Free Trade Association of the SEVEN) comes more and more into force the exports to these countries also will decline. On the other hand, Germany has become the largest car importer in Europe. In 1959 Germany imported twice the number of cars as England, France and Italy put together. But still, Prof. Nordhoff who just celebrated the sending off his four millionth People's Car from the conveyor belt is on the whole optimistic. He mentioned that in U.S.A. every third person owns a car, in Sweden every seventh, in France and England every tenth, but in Germany only every thirteenth. Why should Germany in some years, 1963 till 1965, not reach the level of the last two mentioned countries, he asked at the above-mentioned meeting. The slow switch over from export to the home market will bring the problem of proper roads into the foreground. The net of highways will have to be enlarged and the streets in cities and towns as well will have to be made more suitable for the ever increasing traffic. This problem has to be solved within a short time as, according to statistics, the German car owner is driving on average 25,000km the year while his French neighbour is content with 8,000km. Facing all these difficulties, the German Ford Works in Cologne are equally optimistic. They have just started to erect a new factory and are negotiating with the municipality of the city of Hamm in Westphalia to buy an estate for building a third factory.

* * * *

In some respect West Germany seems to be less progressive than India. While India can be proud to have three ladies as Deputy Ministers, the highest post a German woman has so far achieved, was Secretary of State in a Ministry. But in another field German women have proved to be extremely successful — as entrepreneurs or managers of undertakings in the private sector. A few days ago, the annual meeting of the "Vereinigung von Unternehmerinnen") Association of female entrepreneurs) took place in Berlin. In the Bundesrepublik not less than 6 lakhs of these very active ladies are registered, which means that the head of every fifth undertaking is a lady; indeed an astonishing fact which just now became known. This also means that 3 million employees have a female boss. The model for this admirable association was the French "Femmes Chef d'Enterprise". It is pointed out by their German sisters that the purpose of the union is not to show a new perhaps "suffragettish" achievement of the skirt but to improve the position of women in the industrial fields where they generally had occupied, and still occupy, subordinate jobs. As there is a considerable lack of engineers in the Bundesrepublik, the Association has now suggested that more girls should be admitted to technical colleges. In its memorial it is emphasized that in Russia 40 per cent and in U.S.A. 20 per cent of technical students are girls while the percentage in West Germany is only 3.9 per cent. The Association considers at present this demand as one of their main aims in order to remove the prejudice against female engineers. The President of this remarkable union is Mrs Kaete Ahlmann who since many years is the head of steelworks with 3,000 employees. She took over the management when her husband died. The loss of the husband had been in numerous cases the reason that suddenly wives had to face the responsibility for more or less large enterprises. One finds ladies today managing textile factories, department stores, breweries, tree-nurseries, restaurants, etc. Two other ladies deserve a special mentioning, Kaete Kruse and Margarete Steiff. They started many years ago, first at home, to make dolls for their children. From these small beginnings they have developed in the course of time huge factories which export now-a-days their products all over the world.

* * * *

Next February Chancellor Adenauer (then in his 86th year) will meet, as announced, President Kennedy (43) in Washington. People are guessing (or joking) here how the two will get on. Will good old Konrad pat young John on the back telling him: "My dear boy, if you want some advice, don't hesitate to ask me?" Or will young John pat good old Konrad on the back telling him: "Listen Grandpa, our generation is now before the footlights. If you want to know something about our ideas, don't hesitate to ask me?" However, this meeting will pass. Adenauer is, according to a public opinion survey of the EMNID Institute, the most admired man. The question read: Whom amongst the living men do you admire most? Two thousand people had been asked this question and every fourth decided in favour of Adenauer. Last year Albert Schweitzer was topping the list. This time he is No. 2, Berlin's Mayor Brandt No. 3 and the former President Heuss No. 4.

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The venerable father and the young monk set out together, conversing as they went. They wandered down the principal streets, and wound their way through alleys and lanes, and even to the outskirts of the town and the village beyond, until they found themselves back at the monastery again.

Then enquired the young monk, "Father, when shall we begin to preach?"

And the father looked kindly down upon his son and said, "My child, we have been preaching; we were preaching while we were walking. We have been seen....looked at; our behaviour has been remarked, and so we have delivered a morning sermon. AH! MY SON, IT IS OF NO USE THAT WE WALK ANYWHERE TO PREACH UNLESS WE PREACH AS WE WALK".

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Economic Report from the U.S.

BALANCE OF PAYMENTS DEFICIT

By GUY SIMS FITCH

NEW YORK, Nov. 20.

IF there is one pressing economic problem which the experts—private businessmen here or government officials in Washington—cannot ignore, it is the continuing deficit in the international balance of payments of the United States. This problem received a major airing at last week's National Foreign Trade Convention here, and loomed large in the final declaration which was approved by the private traders and businessmen attending the Convention's concluding session November 16. What makes the deficit particularly troublesome is the fact that it has persisted despite a marked 1960 improvement in the US trading position.

Basically, it is because the balance of payments takes into account all of a nation's international transactions. And in the case of the United States, the outflow of capital in the form of government aid to other lands, private foreign investment, tourism and other similar remittances, far outweighs the surplus earned by US exports. It is in these areas, that some recourse for the burdensome balance of payments deficit must be sought. Here, the thinking of the private businessmen in the national foreign trade council parallels that of the US government. Significantly, they reject resort to actions that would restrict imports or otherwise impede the flow of goods, services and capital—a flow that is vital to economic growth around the world. Rather, they favour moves that would on the one hand enhance further the US export potential, and on the other hand cut down on US outlay's abroad wherever this would be possible without impairing US economic assistance or international security obligations.

As another example, it proposes greater efforts to promote tourism to the United States, in the expectation that this would bring more money into the country and thus offset to some degree the large amounts of money leaving the country with the record number of Americans travelling abroad. Going further, the declaration notes that other industrialized countries, themselves major beneficiaries U.S. Assistance in earlier post-war years, are now in sufficiently strong economic and financial position to take up a larger share of the world's economic development and security efforts from their own resources. Also, with foreign gold and dollar reserves rising as US reserves fall, other countries appear to be in position to make further substantial reductions in their barriers against US goods.

Interestingly enough, this is the very course which the US government has been following. Just this past week—coincidentally, on the same day the national foreign trade convention approved its final declaration —President Eisenhower announced from his vacation headquarters at Augusta, Georgia, several important steps aimed ultimately at saving an estimated $1,000 million a year in US expenditures abroad. Included, generally speaking, would a $500 million reduction in US defence outlays in other countries. Another $330 million would be gained by emphasizing the purchase of American rather than foreign goods under US aid programme. And some $170 million would be saved through various economies in the foreign operation of a number of US Government agencies. These moves are expected to take place gradually and to be so executed as to have little, if any adverse effect on the overall security, economic assistance and development programmes of the free nations.

An even more important point, however, is that in taking these steps the United States is safeguarding its position as the world's leading supplier of capital and as a strong partner in the world's economic growth and security—a position which is essential to the well-being of all free nations.

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Authorised Capital	Rs. 1,00,00,000
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Reserve & other Funds	Rs. 85,01,884
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ESTD-1907

WORLDGRAM

India

Income-tax Exemption Certificates No Longer Necessary: The Government of India have made an important change in the existing administrative procedure regarding the issue of Exemption and Tax Clearance Certificates under Section 46A of the Income Tax Act to Indian nationals proceeding abroad. Under Section 46A persons of Indian domicile who, in the opinion of the Income-Tax authority, are not likely to return to India have to obtain tax clearance certificates before their departure. Airways and shipping companies are responsible for ensuring that the persons carried by them are in possession of such certificates. In order to help the carriers to identify the Indian nationals liable to produce tax clearance certificates, the practice hitherto has been to require all Indian nationals proceeding abroad temporarily to obtain exemption certificates from the Income-Tax Department.

As the result of the experience of the past several years, Government have now decided to abolish the requirement that exemption certificates should be produced by every Indian national proceeding abroad. It is only in a case when the income-tax authority concerned declares that a particular person is not likely to return to India that the clearance certificate will be required from him. In such a case the person concerned will be intimated of this requirement by the Income-Tax authority and his name will also be communicated to the collectors of customs at the various sea and air-ports, and through them to the carriers. Except in such an exceptional case, it will not be necessary for an Indian national proceeding abroad to obtain a certificate under Section 46A of the Income-Tax Act. The new procedure will come into effect from the 1st of December 1960. The new procedure applies only to Indian nationals, but as regards persons of non-Indian domicile, the existing procedure will continue to apply.

*

Prototype Production Centre in Madras: A four-member delegation from France has arrived to discuss further details about the establishment of a Prototype Production-cum-Training Centre for precision instruments at the Industrial Estate in Guindy, Madras. The Prototype Production-cum-Training Centre in Guindy will be the fourth of its kind to be set up in India. In Okhla near Delhi, a centre is being set up with assistance from West Germany. The Rajkot centre has been undertaken in collaboration with the United States Technical Co-operation Mission, while the centre in Howrah is being organised with assistance from Japan.

*

Sale of Imported Russian Oil: Slow progress of sales in the initial stages of the imported oil from Soviet Russia might not be consdered unusual as it was inherent in the situation of a rate competition, stated Mr. K. D. Malaviya, Union Minister for Mines and Oil, in a written reply to a question by Mr. Osman Ali Khan and 22 others in the Lok Sabha recently.

The Indian Oil Company's plan was to sell oil in bulk to Government users and other public consumers only, in the initial stages of its development. The shipment arrived slightly earlier than expected. As a result of heavy under-cutting of prices of the private oil companies to the bulk buyers; and certain amount of hesitation and the inability of public consumers at the State level to understand the long-term implication of this competition raised by the private oil companies, the progress of sales of product of the Indian Oil Company was retarded to some extent.

Among the steps taken by the Indian Oil Company to accelerate its sales are:

(i) rate contract has been entered into with D.G.S. & D. for supply to Government indentors.

(ii) a contract has been finalised for bulk sales to one of the existing marketing companies.

(iii) sales to State undertakings, private bodies and co-operatives are being organised, and it is also proposed to open retail outlets.

Mr. Malaviya further informed the House that as a result of mutual agreement the quantity of import had been increased and consequently the shipping programme and receiving arrangements had had to be readjusted resulting in slowing down of imports for a short time.

United States

Rise in Population: It is reported that the United States population in the past ten years has increased by more than 28 million persons. As on April 1, when the 1960 census count was made final, there were 179,323,175 Americans. In 1950 the total was 151,325,798.

U.S.S.R.

Kerosene and Diesel Fuel from High-Paraffin Oil: A new method of producing naval masut and motor fuel from the residual product of the refining of high-paraffin oil (direct refinement masut) has been developed at the Omsk Oil Refinery in Siberia. It will enable the manufacture of additional tens of thousands of tons of fuel, inasmuch as previously only petrol was seperated out during the manufacture of these products from high-paraffin oil, while kerosene and diesel fuel remained. Under the new method, direct refinement masut is combined in a definite proportion with gas oil fractions. The resinous substances in gas oil fractions neutralized the paraffin, as it were, lowering its crystallisation point to a below-zero temperature (centigrade). Thus, direct refinement masut remains liquid even under fairly low temperatures, which makes it possible to use it for the manufacture of naval masut and motor fuel. In the course of this process, kerosene and diesel fuel can now be extracted from oil, whereas previously they were left for the liquefaction of masut.

*

Machine to Remove Cotton Stems: A 'pressing and rooting out' machine has been designed at the harvester combine works in Syzrani on the Volga for removing cotton plants after the picking of the balls. The processing and rooting out machine is tractor-drawn. It roots out cotton stems, presses them into rectangular packages and ties them up with wire. Its hourly capacity is 2.5-3 tons of pressed stems. The machine has been designed to satisfy the big demand in cotton stems for the chemical industry which extracts a valuable substance, furfural, from this raw material.

United Kingdom

New Machine Enables Blind to Read More Easily: Thousands of blind people all over the world will be

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A METAL BOX OPEN TOP CAN!



Simple though it looks, the 'Open Top' Can in which processed fruits, vegetables, fish, milk or butter comes to you is a container scientifically designed to protect and preserve perishables over long periods. The Open Top Can allows processing of the contents *after* they are hermetically sealed, thereby killing all disease-carrying and other germs. Wherever necessary, Open Top Cans have an inner coating of a chemically inert lacquer that effectively prevents interaction with the metal of the container itself. Thus, Open Top Cans prolong the life of perishable products, allow round-the-year selling, encourage wide distribution and thus help to stabilise prices.

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To help small scale industries fulfil their role in the country's developing economy, the State Bank, in collaboration with other interested institutions, put into operation in 1956 a Pilot Scheme at a few selected centres to make available to them co-ordinated credit facilities.

The scheme has worked well and the Bank is now in a position to offer, at all its branches, liberalised facilities which were originally made available only at the Pilot centres.

If you require financial assistance, why not talk things over with the Agent of our nearest Branch? He will welcome the opportunity of assisting you and will be glad to forward your application, if need be, to the appropriate Governmental and other authorities.

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SISTA'S-SB.24

able to read more easily because of a new machine made in Britain that prints braille in plastic dots. It took Mr. Edward Pyke, Technical Officer at the Royal National Institute for the Blind, London, ten years to develop this process. As a result of this invention, there will be more books for the blind, and they will be cheaper to produce and will be less cumbersome. For example, the braille Bible by this method will comprise only 36 volumes, in stead of the present 72.

Japan

Trade Agreement with France: France and Japan have agreed to extend the Franco-Japanese trade arrangement further for six months until March 31, 1961 as a temporary step pending the conclusion of a new arrangement to replace the present one. The present arrangement was signed on July 10, last year and remained in force until June 30 this year, then, it was extended for three months, from July 1st to September 30, while negotiations to conclude a new arrangement have been underway in Paris since June 8, this year. Simultaneously with this latest extension, France agrees to establish and increase its single quotas on Japanese imports and also to widen the scope of its minimum customs tariff that it applies to Japanese products.

Switzerland

New Techniques in the Matter of Road Signals: The increasing development taking place in road traffic has brought about the development of new techniques, especially in the matter of road signals. A Swiss firm has achieved considerable renown both in its own country and on foreign markets for its motorised machines for the application of paint for the marking of roads. This same firm has now begun to manufacture tiny glass beads, which, when mixed with paint or strewn on to still fresh paint produce a reflecting effect which renders the demarcation lines and the road signalling much more visible during the night, when they are illuminated by the headlights of the motor vehicles. These glass beads for road marking are made in various sizes, in accordance with the use to which they are going to be put and their diameter varies from 1½ mm. to six hundredth part of a millimetre.

Germany

Trade and Payment Agreement with India: According to the arrangement for long term trade and payment agreement concluded between the Government of G.D.R. and the Government of India, the signing of the list of goods to be exchanged for the year 1961 took place in the Ministry of Foreign Trade and Innergerman Trade, Berlin, on November 14, 1960. The exchange of goods between the G.D.R. and India based on the principle of bilateral trade which was increasing steadily in the last few years, corresponds to the requirements of the national economy of both countries especially in regard to machine tools, polygraphic machines, precision mechanical and optical instruments, fertilizers, chemicals and cinematographic material. The 1960 turnover of the Foreign Trade Enterprise of the G.D.R. shows in some cases considerable increase for the forthcoming year, a further increase of the turnover by about 35 per cent is planned. India is supplying mainly tea, coffee, spices, iron and manganese ore, deoiled cakes, vegetable oils, jute fabrics, shoes and other products.

Yugoslavia

Rise in Steel Production: Average monthly steel production in Yugoslavia from January to September reached 121,700 tons compared to 107,000 tons last year. This year Yugoslavia will manufacture 1,390,000 tons of steel, or about 20,000 tons more than the five-year plan for 1961 calls for. This rapid increase is due to the fact that the iron and steel industry received the greatest investment funds since the war. The Zenica steel works is already in the position to turn out 750,000 tons of steel annually, Jesenice 300,000 Niksic 140,000 and Sisak 120,000.

France

Air Credit Plan: Encouraged by the success of the "Fly Today Pay Later" scheme elsewhere in the world, the Four Pool Partners, namely, AIR FRANCE/ALITALIA/LUFTHANSA/T.A.I., have inaugurated their "Air Credit Plan" in India. Under the AIR FRANCE/ALITALIA/LUFTHANSA/T.A.I. Air Credit Plan, the passenger is required to make a down payment of only 20% of the passage fare—the rest being payable in monthly instalments over a maximum period of 15 months, if so desired. A very simple scheme which is expected to yield good dividends. This deferred payment scheme, which seeks to extend the scope of commercial aviation, will certainly open out new avenues of business hitherto untapped. The benefit of repayment in easy instalments, over a period of 3, 6, 9, 12, and 15 months, will appeal to a new "class" of travellers, who cannot always afford the large initial investment to buy an international air ticket. The challenge of the jet-age, which brings with it a substantial increase in capacity offered, has been accepted by airlines. An intensive as well as extensive effort is being made to make the public more air-minded. Seeing the determination with which the problem is being tackled the optimism evinced by airline managements appears to be well founded.

Austria

Hotel Rates in Austria and Neighbouring Countries: According to an investigation in Vienna during the summer months, the average rate paid in Austria for full board and accommodation was Sch. 71.30 (Rs 13.1) for all classes of hotels, and Sch. 86.20 (Rs 15.8) for class A hotels, while the average rate to be paid in West Germany was DM 17.40 (=Sch. 107.70=Rs 19.7), in Switzerland Sfrs. 22.70 (=Sch. 136.90=Rs 25.1) and in Northern Italy Lire 2800 (=Sch. 112.1=Rs 20.5). Thus Austria is far less expensive a tourist country than the most important competitors among its neighbours.

S.A.S.

SAS to Open First International Data Processing System in the World: "Agent sets" now under installation in six countries are to give Scandanavian Airlines System the first international electronic reservations system in the world. Their function is to produce instantaneous booking information. The push-button agent set looks roughly like a calculating machine. All sets are linked with the electronic brain in the S.A.S. Air Terminal in Copenhagen. In four seconds —the time it takes to transmit the impulses to the brain and back—they can answer whether space is available on any given flight. Furthermore, if the answer is no the electronic brain provides up to nine other alternatives for the destination, date and class desired by the passenger. The 120 agent sets now being installed are located in London, Hamburg, Helsinki, Oslo, Stockholm, Burgen, Stavangar, Gothenburg, Malmo, Aalborg and Aarhus. The system is the first in Europe to handle data processing over transmission links, and it is the first in the world to do so on an international scale. All 120 sets will be in operation before the end of November. They will supplement sixty similar agent sets previously installed in Copenhagen. Next year, the network of S.A.S. agent sets will be expanded to Central and Southern Europe.

NEWS IN BRIEF

INDIAN

The Montecatini Company of Italy has offered a credit of Rs. 500 m. for setting up projects by mutual consultation in India's third Plan period.

*

In a written reply to a question by Mr. D. C. Sharma in the Lok Sabha, the Minister of Industry, Mr. Manubhai Shah, stated that the programme for expansion of penicillin production by 60 per cent at Pimpri from 25 million mega units to 40 million mega units annually had been completed.

*

A proposal for setting up of a unified authority for soil conservation works and for enacting necessary legislation in the country was discussed at the annual meeting of the Central Flood Control Board, held under the Chairmanship of Hafiz Mohd. Ibrahim, Union Minister for Irrigation and Power.

*

Rapid industrialisation has inevitably led to a rapid growth of towns and an alarming shortage of housing. India is no exception to this rule and, therefore, since the beginning of the first Five-Year Plan, the Government has been making special efforts to meet the growing demand for houses by industrial labour.

*

Government servants purchasing or disposing of any immovable property worth more than Rs. 1,000/- other than through an authorised dealer, must obtain prior permission of the Government. A Government servant is also required to report any transaction in respect of movable property of more than Rs. 1,000, whether the transaction was effected through an authorised dealer or not.

*

Mr. A. M. Thomas, Deputy Minister of Food, stated in the Lok Sabha recently that the all-India index number of wholesale prices of rice had come down from 115.3 in August to 106.80 which was the lowest as compared to the figures for the corresponding periods of the last three years.

*

It is reported development and popularisation of parboiled rice will be taken up on a large-scale during the third Five-Year Plan. As part of a large programme for the production of protective foods and their effective utilization, the Union Food Department has prepared a scheme which aims at improving the nutritional quality of rice through par-boiling.

*

The Uppal Committee on location and utilization of wastelands in India has reported that several large-sized blocks of wastelands comprising 1,13,640 acres, are available in West Bengal for reclamation and that the cost of reclamation would be Rs. 1.32 crores or Rs. 116 per acre.

*

Over 10,000 metric tons of sugar of the export quota of 50,000 tons released by the Government in September has been sold so far. Out of this over 7,000 metric tons have been sold to Malaya and the rest to the Middle East countries.

*

The Andhra Pradesh Government have sanctioned the incurring of an expenditure not exceeding Rs. 1,97,300 during 1960-61 on a scheme for raising coffee plantations over an area of 100 acres in the Agency areas of Vasakhapatnam district.

*

The Government of India have informed the Assam Ministerial delegation that a fertilizer factory, costing Rs. 11 crores, has been earmarked for Assam.

FOREIGN

The Federation Government has announced that Malaya will ratify the International Tin Agreement of 1960 and that arrangements are being made for the instrument of ratification to be lodged with the British Government.

*

Many leading businessmen and industrialists are to be members of the new Export Council for Europe, the aim of which is to promote increased British exports to the Continent.

*

A merger has been announced in which Astra will absorb Nouvelles Huileries Calve-Deft. Both companies are French subsidiaries of the Unilever group.

*

Suenska Metallverken, Sweden's largest producer of non-ferrous metals is to spend some Kr. 15m. in the next three years to raise its output of rolled semi-finished aluminium products from 20,000 to 30,000 tons a year, and its output of pressed aluminium products from 2,500 to 3,500 tons a year.

*

British Motor Corporation commercial vehicles are to be made in Spain, with delivery from early in 1961, as a result of an agreement between B.M.C. and Sociedad Anonima Vehiculos Automoviles (S.A.V.A.) of Valladolid, on co-operation in vehicle manufacture.

*

The Uganda Development Corporation has decided to build a fertilizer factory at Tororo, Eastern Province, to produce 25,000 tons of super-phosphate yearly. Production is expected to start in about a year's time.

*

The U.K. trade gap rose to £122m. in October from £76m. in the previous month. Exports in October fell from £295m. to £225m. but imports remained at £385m.

*

Preliminary official figures show that tin exports from Singapore and the Federation of Malaya in October amounted to 6,966 tons, compared with 6,234 in September and 5,195 in October of last year.

*

The U.S. Ford Motor Company intends to make an offer for the 45.4 per cent shareholding in the Ford Motor Company of the U.K. which it does not already own.

*

Australia expects a record wheat harvest of between 220m. and 225m. bushels, with records in all States except drought-ridden Queensland.

*

An insurance scheme for guaranteeing export credits against lack of payment was published in the official bulletin recently. It aims at favouring an adequate and quick expansion of Spanish exports by guaranteeing up to 75 per cent of losses caused by 'political and extraordinary risks.'

UNDP 1 DEC 1960 PUBLIC DEP...

Special Article

THE CHANGING INVESTMENT OUTLOOK

By GEORGE CARVELHO

THE lot of the private investor in India is by no means easy or pleasant. In the eyes of the Government he is simply a part of the private sector of which, it has been made clear, those in authority have a very poor opinion. He functions in an economic system, with a declared socialist objective and he has been left to wonder whether the attainment of this goal will involve the extinction of his kind. At no time in its history, has the country been so greatly in need of venture capital, yet there has been little evidence up to now, that either the Government or the authorities of the various stock exchanges in the country are seriously concerned about the spread of the shareholding habit, at least among the educated middle-class. In spite of such apathy, if not hostility, informed observers are agreed that the almost continuous rise in share prices from the beginning of 1958 till the end of July 1960 was financed, to a large extent, by the savings of the growing number of middle class investors. With a planned programme of unit trusts, investment clubs and other devices that have contributed to the phenomenal figure of 12.5 million shareholders in the United States, spectacular results could be accomplished in India.

The private investor has also to contend with the fact that, on Indian stock exchanges, it is speculators rather than genuine investors who call the tune. In such conditions, instead of being a barometer of the economic outlook, the stock market, if we may vary the simile, becomes a distorting mirror and, to the other difficulties of the investor, is added that of judging and allowing for the extent of distortion caused by the quite irrational behaviour of speculators caught up in the excitement of a bull market. For some months in 1960, roughly speaking from the beginning of March till the beginning of August, investors found themselves perplexed and baffled by just this problem. The average investor in India, as in other countries, is a pretty ordinary sort of person and very far from a high level financial expert. The services of investment consultants and analysts are neither well-organised nor widespread and are, for the most part, beyond the reach of the little man. Small wonder then that most investors appear to have followed blindly in the lead of speculators, with the result that, the weight of genuine investment funds, instead of acting as a stabilising influence, tended to strengthen the speculative boom and to lift prices to yet more dangerously unrealistic levels. When the crash came and prices fell, wiping out the earlier gains, they were left ruefully wondering where they went wrong.

Overvaluation with regard to share prices is a far from simple concept and one, over which even experts may differ. It is therefore too much to expect the ordinary investor to be able to judge when the rise in the market value of his scrip has gone beyond the point that would be justified by a reasonable assessment of growth prospects. Yield calculations, on the basis of the last dividend, are not of much help, because the investor is usually prepared to sacrifice some portions of current yield, in view of expectations of capital gains and high returns in the future. The whole difficulty lies precisely in deciding how much and how long.

It is tempting, with the benefit of hindsight, to say that any prudent investor should have known by July 1960, that the rise had gone too far and that a corrective reaction was due. But intrinsically, there was no reason why the bull market should not have lasted longer. The reversal of the rising trend was not the result of any specific event or pronouncement. It was not the consequence of credit restriction, seeing that the bull market had shown itself virtually impervious to the two earlier instalments of credit restraint, in March and May. There is, as far as can be judged from the available data, no reason why the change came at the beginning of August, rather than earlier or later. It was just that market sentiment, that imponderable factor that defies precise analysis, happened to change at that particular time.

The position with regard to new issues was more obviously out of hand. It just did not make sense that investors should think so highly of the prospects of new enterprises, which had hardly gone beyond the stage of collaboration agreements, that over-subscriptions to the extent of sixty times the amount asked for and market premiums of the order of eight times the issue price, should become possible.

It would be naive to explain such a situation in terms of the boundless confidence of investors in the growth prospects of the economy. It was in large measure the consequence of stagging operations, where operators applied for the new issues, intending to sell out their allotments and make a quick profit. The growing weakness of existing shares, as the number of new issues increased, suggests that the funds came mainly through diversion from existing holdings rather than from new shares. No doubt much of the money that accompanied the applications was borrowed at high rates of interests, which the borrowers were willing to pay in the hope of substantial profits through sale of their allotments. Perhaps the most ominous consequence of the new issue boom of 1960 is Mr. Nehru's deduction therefrom that it was ridiculous to talk of the burden of taxation being excessive when people had so much money which they were willing to invest. The conclusion is unwarranted, first because much of the money was diverted from existing holdings or borrowed for the purpose. Secondly, Mr. Nehru evidently did not realise that, very often, it was the same money that figured in successive new issues, like a stage army that appears in several scenes, creating the illusion of a vast fighting force.

It is no less difficult to forecast when the bear phase will touch bottom and another revival will set in. At the moment, it looks as if the worst is over. The Reserve Bank's latest directive, taking effect from November 11, seems to indicate that the dear money policy will not be carried to the point where it is likely to become a serious deterrent to business activity. In any case, expert opinion as well as empirical observation have tended to minimise the influence of the rate of interest as a determinant of investment. It is possible that in the long run, money will prove to be no more of a drag on rising share prices than the Krishnamachari system of direct taxation turned out to be. Controversies will continue to rage over such questions as the share of the private sector in the Third Five-Year Plan, the foreign exchange situation and the prospects of foreign aid, the extent to which inflation can be controlled and the possibility of further increase of taxation. But ultimately the inherent expansionary tendency of a developing economy will, almost certainly, make itself felt. Ruling out the possibility of some quite catastrophic political and economic upheaval, the secular trend of shares prices should be upward.

It is perhaps not too much to hope that some day, those who control the economic policies of this country will realise that the most effective way to counter concentration of economic power would be to encourage the widest possible diffusion of ownership of shares. A people's capitalism or shareholders' democracy may well turn out to be the real socialist pattern of society.

THE BUSINESS WORLD

120 Million Pounds for the U. K. Ford Minority

By WILLIAM REES-MOGG

THE American bid for the Ford Motor Company of England is an event of obvious financial importance, but it is also a crucial event in the development of international investment. First of all it is the largest single financial offer that has been made in British industrial history. At a price of 145s. a share—which is itself probably too low—the bid would cost the Ford Motor Company of the United States about £120 million, if the whole of the minority share-holding is accepted.

Obviously this raises all sorts of interesting financial implications. There is the problem of making a fair valuation of the shares; there is the prospect of the London market having £120 million to reinvest; there is the effect on the United States gold and dollar reserves of an investment of $250 million or so (there is quite a large American minority holding) being paid out in one lump.

It is not, however, the financial implications which have attracted the most attention in Britain and it is certainly not the financial implications which have the greatest significance for the rest of the world. This is, in fact, the conflict between two principles, both of them of great importance.

The first principle, which is in itself a legitimate one, is the growing tendency for businesses to be organised on an international basis. What Fords want to do is to provide a single financial control for an international company, rather than continuing to operate as a string of national companies with at least a considerable degree of independence.

This partly represents the effect of the American anti-trust legislation. Under the anti-trust acts a company is free to make its own prices for goods transferred between wholly owned subsidiaries, but does not enjoy the same freedom to make agreements on prices between independent companies. Ford is said to be planning to manufacture in Europe some of the components for a new small car which will be assembled in the US. It is a considerable convenience in being able to fix prices in making such an arrangement. The fear of losing this business to Germany has certainly influenced the British Government in its attitude to the bid.

However, there is more to it than a simple desire to avoid the restrictions of American legislation. Ford is clearly concerned to establish itself as one of the completely internationalised groups; the oil companies have led the way in practising business on the assumption that there is a single world market. Ford is only one of the first industrial companies to appreciate the advantages of following their example.

The other principle, which is certainly worrying some people in London—and not only on nationalist grounds—is that international investment ought increasingly to be a matter of partnership and not of unilateral control of the equity. This is increasingly the attitude that British firms seem likely to adopt in their foreign investment, and there are already some examples of it in recent British investment in India.

On this view the pity of the Ford deal is that it jeopardizes a uniquely successful international investment partnership that was already in existence. Ford of Britain has in fact been more successful than Vauxhall, the wholly owned General Motors subsidiary in Britain. It is in fact the only major Ford Company which has clearly proved itself the superior of its direct competitor from the General Motors Group.

For a motor company there are, of course, particular advantages in retaining some local shareholders. For one thing people tend to buy cars manufactured by companies in which they have a shareholding. It is certainly true that in Britain Ford has enjoyed a special degree of goodwill, greater than that of Vauxhall. The British people have been able to identify themselves with the brilliant commercial success of the British company. It has been a matter of satisfaction that many shrewd observers regarded the Ford management in Dagenham as considerably superior to that in Detroit.

The British interest in this matter is, of course, influenced by Britain's own position as an international trader and as the owner and provider of large sums of international investment capital. There is clearly a British concern to avoid imposing arbitrary restrictions on international investment. For one thing large American investment in Britain can be and has been counter-balanced by large British investment overseas. It is true to say that the money provided by the Ford bid, if it should be accepted, would in part be used to increase the British investment in the Commonwealth. It would be very surprising if a British Government took the attitude that international investment in Britain ought to be stopped on nationalist grounds. For Britain the argument for the free international flow of capital is essentially the same as the argument for the free international flow of trade.

When all this has been said there does, however, remain a nagging doubt and a nagging anxiety. No other country would wish to get into the situation of Canada where the Government has recently announced that it is taking steps to encourage "greater Canadian participation in the ownership and control of industry and resources in Canada". Canada's foreign debt now amounts to $17,000 million and increased by $1,500 million. By the end of 1957 foreign companies and investors had a controlling interest in 56 per cent of all manufacturing industry in Canada. Far the greater part of this investment is controlled by the United States. The conflict between the need for international investment and for international industrial integration on the one hand, and for international partnership on the other, plainly has yet to be worked out. It seems reasonable, however, to look on the Ford bid as an error of judgment, in which genuine commercial interests have been given too much weight as against the international and social factors which ought also to govern investment.

Business Notes

Shipping

FALLING FREIGHTS AND MALPRACTICES

THE CENTRAL theme of Sir. A. Ramaswami Mudaliar's presidential speech, delivered at the India Steamship Company's annual meeting held on November 14 at Calcutta (a text of which appears elsewhere in this issue) was fierce competition arising from a steep decline in cargo and its grievous effects on freight earnings. During the last year ended March 31, 1960, the India Steamship Company's gross freight earnings were Rs. 8.39 crores as against Rs. 8.04 crores in the previous year. But in net terms, the company suffered a substantial loss during the year 1959-60. The reason was that due to competitive under-cutting rates fell steeply, the company had to undertake 47.5 liner voyages as against 39 in the previous year and to call at an unusually large number of ports in a frantic search for cargo. All these involved higher operating costs.

Acute competition is the result of the decline in international trade which has reduced the volume of cargo offering. Competition has taken a cut-throat form and, in the first instance, tramp shipping launched an aggressive rate war by all possible means to the great detriment of liner shipping. It is one of the features of the parallel working on the same routes of liner ships and tramps that the latter always score over the former. But revealing light has been thrown by Sir Arcot on the malpractices to which increasing resort is being had by member companies against co-members of the same conference lines. It is understandable that freight rates should be reduced when the supply of shipping capacity exceeds the volume of cargo. But even the well-established members of the conference lines have started giving, in a clandestine manner, high and fantastic rebates to shippers. This is in direct violation of conference agreements. The onslaught of competition has not stopped with offers of excessive rebates. But forwarding agents, who normally render a valuable service both to shippers and shipping companies, have jumped into the fray and, in booking advance shipping space, they have resorted to many questionable and unfair practices. India Steamship's Chairman points out that these forwarding agents have gone even to the length of inter-meddling with the direction of cargo. Immediately, some companies in whose favour such bookings are made, may benefit, but this kind of malpractice is bound to recoil in the long run on the shipping companies as well as shippers.

This sharp turn in competition and the magnitude of malpractices has forced considerable hard thinking on the ways and means to stop the rot. A solution is being found so that international shipping in general and the conference lines in particular should restore their operations to fair and sound practices. At the present time a scheme of pooling together the freight earnings of all the members of the conference lines and making allocations to them on a certain agreed basis is under active consideration. This pooling arrangement is to last for a period of years—precisely how many cannot be stated at this stage—and therefore it also involves the question of making allocations to shipping companies belonging to different countries with due consideration to their legitimate aspirations to expand. In this arrangement, at the present time, a general assurance appears to have been given to under-developed maritime countries that they would receive a fair deal and accommodation would be made for their ambitions to develop their national shipping industry. Precisely, this issue is bound to prove ticklish. The whole problem is very complex and, although the consideration of the pooling arrangement has got off to a good start, it would be premature to be optimistic about the final out-come of this proposal.

Management

TOWARDS BETTER STANDARDS

IN HIS inaugural address to the Advanced Management Programme for Senior Executives, jointly sponsored by the I.L.O. and the National Productivity Council, held recently at Bangalore, Mr. Gulzarilal Nanda, the Union Minister for Labour and Employment, called for a re-orientation of outlook of both management and labour in their mutual dealings and in their relations with the rest of the community. It is heartening to find that this "rest of the community," which is invariably held to ransom by the recalcitrance of unsocial elements, especially in the ranks of labour, is not being ignored.

Mr. Nanda was right in holding that no sustained or real increase in productivity was conceivable without a degree of harmony in the relations between management and labur in industrial enterprises. For the greater part, therefore, his address dwelt on the need for a living wage to labour to increase productivity and the basic tenets of his Ministry's policy. He also touched, albeit very briefly, on the all important question of workers' education and their participation in management. But there was hardly anything in his address, at least as reported in the daily Press, with regard to the needs of management in the present day set-up. Surely, under the Third Five-Year Plan, which envisages further advances in the industrial field, problems of management will assume the utmost importance. In particular, the application of scientific methods of personnel problems which, until recently, did not receive adequate attention, cannot be delayed very much longer, if mistakes have to be avoided not only with regard to initial employment but also when deciding on promotions. The task of selection, evaluation and development of key executives is becoming a highly specialized business.

In this connection, reference may be made to the team of eminent and outstanding Management Specialists from the United States who have been in this country for sometime past to conduct a series of seminars for company directors and top executives. The team has been moving from one principal industrial centre to another with the specific purpose of making it possible for Indian industry to avail itself of high level Management Consultancy Services. There are two features of this seminar programme which must be mentioned here. The first is that it is a programme in which top executives from both the public and the private sector enterprises have participated. Secondly, this is probably first time that such a programme of technical assistance has been made available to Indian management through the initiative of private consultancy firms in the two countries without the assistance of any Government or Foundation. The Indian firm in question is "Personnel and Productivity Services," a well-known firm of Management Consultants in Bombay, and the American counterparts are the "McMurry Company." Three management specialists—Dr. Robert N. McMurry, Mr. Lawrence E. De. Neufville, and Mr. Robert E. Sheaffer—all of considerable standing in the United States, are participating in the seminars. This is certainly a very laudable move towards better management.

Steel

REDUCTION OF SELLING PRICES

SIR BIREN MOOKERJEE'S statement issued to shareholders along with the Directors' Report and Audited Account for the year ended March 31, 1960, (which is published in this issue) makes a very elaborate survey of the varied problems which face India's steel industry today. Of great interest undoubtedly is that part of the speech which discusses the two-fold question of the prices of steel. The retention prices of steel contain various elements of high costs for which the industry is in no way responsible. For instance, the excise duty on steel ingots was raised steeply from Rs. 4 per ton to Rs. 40 per ton from 16th May, 1957. Besides, there are a number of labour and social welfare cost increases which have now come to stay. No relief in these inflationary elements is possible. But the point which Sir Biren wants to make is that, on the score of production costs as such, the Indian steel industry has decidedly proved its high competitive efficiency.

The selling prices of steel contain a substantial overload superadded to retention prices which goes to build up the Steel Equalisation Fund. Sir Biren has argued that, if subsidising of imported steel is the justification of charging high selling prices much in excess of the retention prices, that justification will soon disappear in toto. India is rapidly expanding her steel industry and, although some types will need to be imported, virtual self-sufficiency will have been achieved. Not only that, but we may be confronted even in the immediate future with surplus steel for which an export outlet will have to be found. In view of steep reduction in imports, it would be pointless to saddle the consumer with manipulated high selling prices. Steel enters into the production of a very wide range of industries and non-industrial consumer requirements. If selling prices are reduced some relief will have been provided to the economy at several points. Furthermore, he argues that lower selling prices will sharpen the competitive strength of Indian steel in the export market. These are some arguments which deserve careful attention at the hands of the Government in reconsidering the issue of selling prices.

But the views of spokesmen of the industry on India's capacity to capture the overseas market lack unanimity. At what point selling prices are to be brought down is another crucial question which will need a good deal of investigation and thought. There can be little doubt that uniform selling prices for steel will be essential, irrespective of the fact whether it is produced in the public sector plants or the private sector plants. What cost differentials will emerge as between the different producing plants will also need to be watched. Experience of Tariff Commission's enquiries into steel prices has shown that the very complicated nature of the investigation consumes long time and invariably the revised retention prices are given retrospective effect. Home producers are reimbursed for the retrospective increases out of the Steel Equalisation Fund. In future there would arise the necessity of revising steel prices for a variety of causes and a pool may be required to meet a similar contingency. The whole question raises complex issues. What Sir Biren has pleaded is to bring selling prices below their present level and not complete elimination of the difference between the two sets of prices.

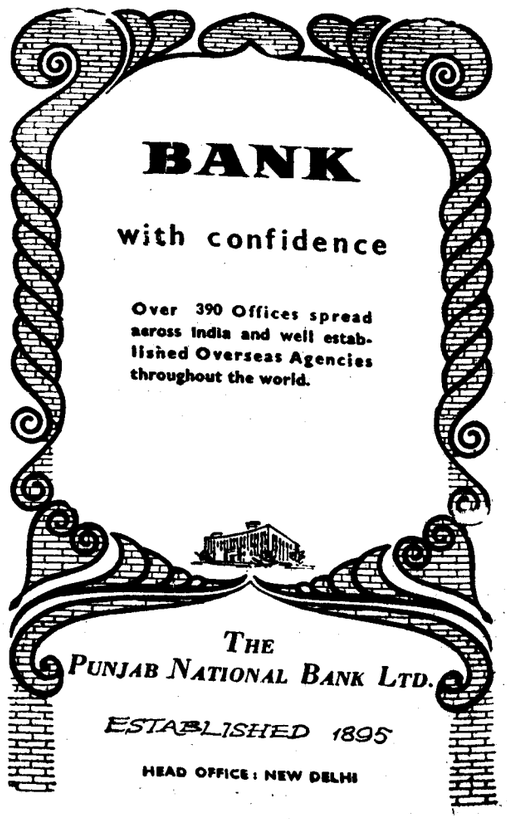
Engineering Industry

PLEA FOR CENTRALISED SERVICES

ALTHOUGH THE Engineering Association of India is in general agreement with the schemes envisaged in the Third Plan for building up engineering industries, it feels that maximum co-ordination between various agencies entrusted with the commissioning of the plants and ensuring economy in capital costs is very necessary. In a memorandum submitted to the Planning Commission, the Association has drawn attention of the planners in this respect and has made the plea to avoid pitfalls in future in the planning and commissioning of plants, estimates of engineering know-how and estimates of demand related to plant capacity.

The Association considers that capital and working costs can be considerably brought down if centralised services are brought into being. In case the machine tool industry is to be developed rapidly, centralized services would be very essential. Services such as tool room, foundry forge, etc., are vitally necessary, besides the Central Organization that should be set up to undertake design work for a reasonable fee. In the opinion of the Association this Organization should also have capacity to make certain intricate parts of machine tools. The advantage of centralised services would be that a good deal of productive capacity would be released for new items of manufacture without traditional capital investment, without additional expenditure of foreign exchange, and without additional technical personnel.

The Association has asserted that the present output of the equipment for various industries can be considerably improved by perfecting the consortium outlook. What is implied is that each constituent member of the consortium should make only a particular part of an industrial plant and not the whole plant, but the relation inter se should be complementary. It should, however, be noted that there should be no rigidity about the consortium pattern everywhere. Of equal cogency is the proposal for setting up ancillary units in the vicinity of major plants and entrusting to them the manufacture of certain parts over which the former ought not to waste their capacity or whose production by them involves high costs.



FROM THE CAPITAL'S CORRIDORS

MORARJI'S STATEMENT

THERE has been a lot of talk on economic matters in the Lok Sabha during the past seven days. On Monday, the Union Finance Minister, Mr. Morarji Desai, made the long-awaited statement on his recent visit to the United Kingdom and the U.S.A. Earlier, coal and foodgrains supply position figured prominently and two important statements were made by Sardar Swaran Singh, the Minister for Steel, Mines and Fuel, and Mr. S. K. Patil, the Minister for Food and Agriculture.

Mr. Morarji Desai stated that India's foreign exchange situation continued to be "one of serious concern." The country's foreign balances had reached the rock bottom level — around Rs. 141 crores — and were "too low to provide any cushion." There was, therefore, no escape from cutting down the import bill and for all developmental activity the country had to depend upon external assistance. "Over the entire period of the Third Plan," Mr. Desai pointed out, "it is going to be a continuing and difficult quest for foreign exchange to match the external costs of the projects included in the Plan and to meet other commitments".

The Finance Minister disclosed that against Rs. 2,600 crores of foreign assistance required for developmental purposes under the Third Plan, the aid promised so far by the friendly countries totalled nearly Rs. 750 crores. It was heartening, Mr. Desai said, that in all the discussions he had with foreign Governments and international lending institutions on the Third Plan, there was no criticism suggesting that the Plan was an over-ambitious one or too big.

Mr. Morarji Desai pointed out that the country needed more and more investment domestically and there would be a growing volume of external debt to service. "These claims", he said, "can be met only by increased savings, which, in turn, require an all-round intensification of the production effort and the exercise of maximum restraint on consumption."

Calling for greater economy in imports, Mr. Desai observed that it was necessary to take this step so that "a more satisfactory level of balances could be built up by the end of this winter before the balances started coming down due to seasonal factors."

IMPORT POLICY

Soon after the Finance Minister's statement in Lok Sabha, the Government came out with the import programme for the current half-year in respect of twelve of the twenty items for which the decision had been withheld when the import policy for October, 1960 —March, 1961, was announced. As could be expected, imports of these items have been reduced.

The items for which the import policy has now been announced include machine tools; surgical instruments, apparatus and appliances; agricultural tractors; watches, photographic negatives and printing paper; packing and wrapping paper; giant motor, motor cycle and bicycle tyres and tubes and unset and uncut diamonds.

For machine tools, the import quota for established importers has been redueed from 30 per cent general and 30 per cent soft to 20 per cent general and 20 per cent soft. In the case of surgical instruments, apparatus and appliances, while there is no change in the import quota, the concession extended during the last half-year period in the shape of supplementary licences has been withdrawn. For tractors, there will be no import quota for the current half-year.

The import quota in respect of complete watches has been halved to 5 per cent general 5 per cent soft. For photographic negatives and printing paper, excluding X-Ray films, the reduction will be from 33-1/3 per cent general and 33-1/3 per cent soft to 25 per cent general and 25 per cent soft. For printing paper, the quota has been reduced from 12½ per cent to 7½ per cent and for packing and wrapping paper from 7½ per cent to 5 per cent. In the case of filter paper, there is no change as compared to April-September, 1960. For paper not otherwise specified, the quota has been maintained as during the last half-year, but the additional licences which were being issued during the last half-year will now not be granted.

For giant motor, motor cycle and bicycle tyres and tubes and flaps and solid tyres, the quota will continue to be as during the last half-year, viz., 75 per cent. The licences will, however, not be valid for import of bicycle tyres and tubes. For diamonds unset and imported uncut, excluding bort and industrial diamonds, the quota has been reduced from 10 per cent to nil. The import policy for card clothing and card accessories will, however, continue to be the same as before viz., 66-2/3 per cent general and 66-2/3 per cent soft.

The import policy in regard to the remaining items — betel nuts, dates, cloves, cotton yarn (80 counts and above) nutmegs, mace, cork manufactures (not otherwise specified) and cardamoms, cassia and cinnamon — it is understood, will be made known in another ten or twelve days.

STATEMENT ON COAL PRODUCTION POLICY

The following statement was made in the Lok Sabha by Sardar Swaran Singh on Government of India's policy in regard to coal production.

The Minister said: "The basic policy in regard to coal production, which was adopted during the Second Plan and had the approval of the Parliament, was to assess the total requirements of coal in our national economy and then to apportion responsibility between the private and public sectors to achieve this production according to their capacity. The policy still remains the same.

"Our main objective being to produce all the coal that is needed, the allocation of the respective shares of the private and public sectors cannot be on the basis of a pre-determined target for each. The proper course is to make an assessment of the capacity of each and then to work out what contribution it should be called upon to make in order to achieve the total production needed. This has been our approach in deciding the part that each of these sectors has to play in the Third Plan.

"Our estimate of coal requirements during the Third Plan works out to 95 million tons, exclusive of an extra 2.5 million tons required for the projected fourth steel plant at Bokaro. This means an additional production of 35 million tons over the target of 60 million tons in the Second Plan.

"A Working Group, comprising the Coal Controller, the Coal Mining Adviser attached to the Ministry of Steel, Mines and Fuel and a representative of the coal industry, was set up recently to invite offers from

individual units, through the Joint Working Committee of the industry in regard to the additional production they were capable of achieving during the Third Plan. This Working Group after securing the necessary information from the industry and scrutinising the individual offers from the point of view of feasibility, made an assessment of the total capacity of the private sector.

"The final estimate of the said Group is that the private sector is capable of producing about 4.87 million tons of coking coal and about 11 million tons of non-coking coal, thus making a total of 16 million tons approximately. Of this total, about 12 to 13 million tons are estimated to be produced from the existing workings in the collieries in question and the rest from areas adjacent to them as well as from non-contiguous or proximate areas. This estimate can be considered fairly realistic, based as it is on an examination of what individual units are capable of producing. The figure has turned out to be the same as was tentatively mentioned in the draft outline as the private sector's target.

"Similarly the capacity of the public sector comprising the National Coal Development Corporation and the Singareni Collieries has been estimated at 19 million tons. This assessment is again based on a careful examination of what the public sector is capable of achieving, taking into account such important factors as the availability of the necessary equipment, man-power and technical know-how.

NO RIGID ALLOCATION

"The intention, however, is not to treat these allocations as rigid. These have been laid down for the present for the purpose of programmes to be drawn up by the various units, and the evaluation of performance from time to time. It is proposed to keep a close watch on the progress of each unit that is participating in the programme of additional production, and if short-falls are noticed in one sector, adjustments would be made in the programme of the other sector, the basic objective being to ensure that the total production planned for is actually achieved.

"The above policy is fully in accord with the Industrial Policy Resolution of 1956. That Resolution stipulates that all new units in the coal industry will be set up by the State. But this does not preclude the expansion of the existing privately, owned units or the possibility of the State securing the co-operation of private enterprise in the establishment of new units when the national interests so require. The role that has been assigned to the private sector I have just mentioned does not involve a general relaxation of the Industrial Policy Resolution itself. A realistic assessment having been made of the optimum production that can come from existing mines and areas immediately contiguous to these mines in the private sector, our intention is to give special permission to individual units to work new or non-contiguous areas where the raising of coal from such areas has to be ensured to make up the total production required. This is quite in consonance with what the Industrial Policy Resolution states, namely, that where the national interests so require, private enterprise may be allowed to expand.

POLICY ON PRICES

"Another important aspect of coal policy pertains to coal prices. In this regard we have adhered to a policy of holding the price line. It will be recalled that some time ago Government had constituted a Coal Price Revision Committee which went into the entire price structure of coal and besides recommending an economic price for coal, made certain other recommendation, the object of which was to create the right conditions for the expansion of coal production and assurance of supplies to consumers. These recommendations were accepted by Government and are being implemented.

"A very important one among these is the introduction of a scheme of subsidy to collieries which are handicapped by adverse factors such as presence of gas, very deep workings, difficult geological conditions, excessive accumulation of water, etc. and which cannot be worked economically at the existing coal prices, although it is in the national interest to keep them in production.

"Another important measure is the raising of the ceiling for stowing subsidy from 75 per cent/85 per cent to 100 per cent. Government are also going ahead with the scheme to put up Central ropeways both in Jharia and Raniganj coalfields for extraction of sand from the river beds and distribution to individual collieries. The scheme is expected to be put into effect by the end of the first quarter of 1963. All these schemes will benefit the private and public sectors alike.

"To sum up then, there has been no radical change in Government's policy on coal. It is based on what the national interests require, and is entirely within the scope defined by the Industrial Policy Resolution of 1956."

COAL OUTPUT

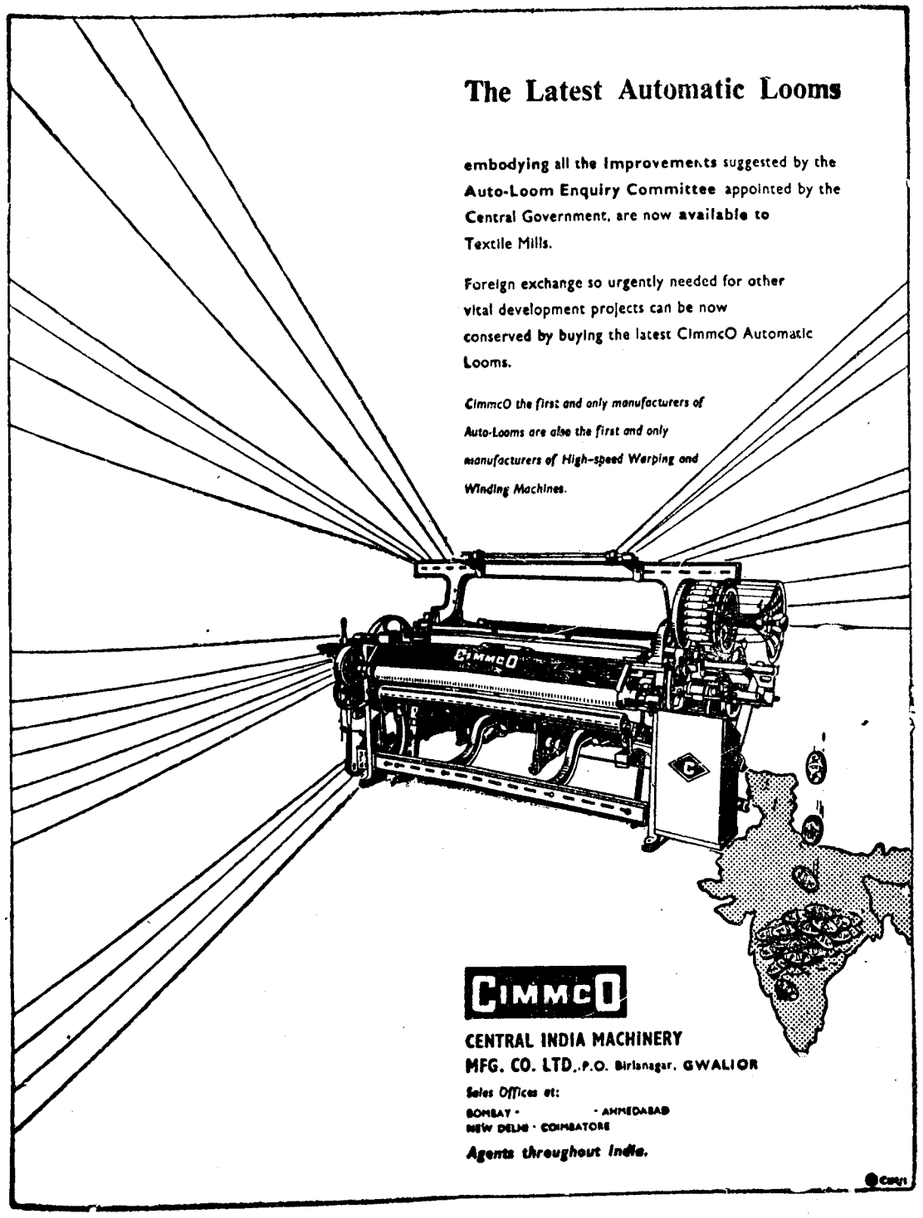
Reviewing the progress of coal production during the past ten years, Sardar Swaran Singh said coal output in 1950 amounted to 32.30 million tons. In 1951 it increased to 34.43 million tons. The production in 1955 was a little over 38 million tons. Against a target of 60 million tons fixed for the second Plan, the output in 1959 was 47.06 million tons. Production during the nine months to September last has been around 38 million tons. By March next, the last month of the current Plan, production would be raised to a level which should give an annual output of 54 to 55 million tons.

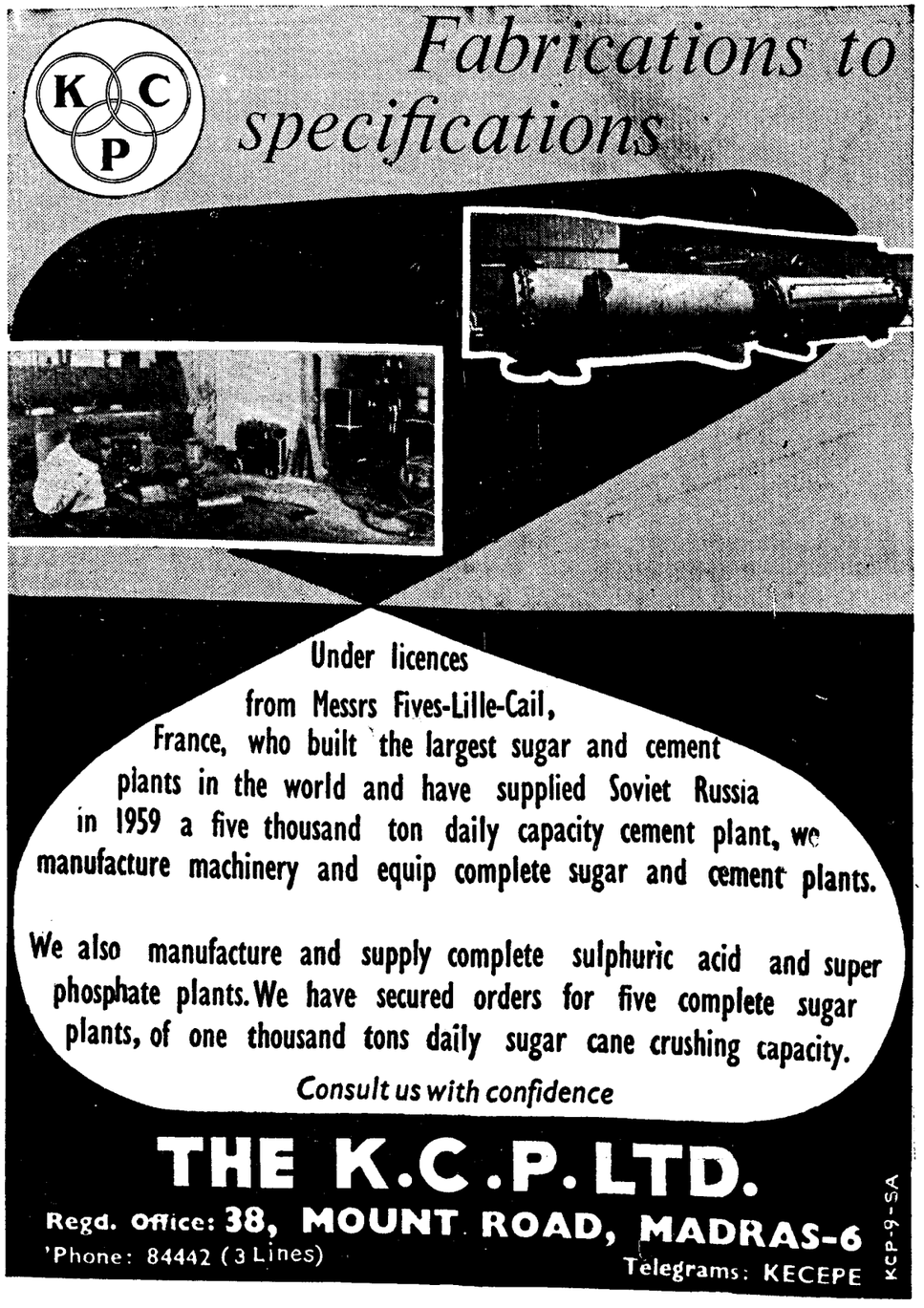
The shortfall of 5 to 6 million tons in the level of coal production vis-a-vis the second Plan target, Sardar Swaran Singh said, would be mostly in the production from the collieries of the National Coal Development Corporation. The output of coal in the public sector collieries during the year 1959-60 was 7.11 million tons; 4.8 million tons in those operated by the National Coal Development Corporation and 2.26 million tons from the Singreni group of collieries. The Minister added that all arrangements on ground would have been established by the NCDC by the end of March, 1961, for a production commensurate with the target of 13.5 million tons fixed for it. The targeted rate of output would be attained by the NCDC within the first year of the Third Plan.

To increase the supplies of coal for brick burning and domestic consumption, which have a very low movement priority, Sardar Swaran Singh said the Government had under consideration a proposal to open coal dumps at suitable places in the country. Consumers, he added, were encouraged to take more supplies during the slack season of railways. The annual demand from all the States for brick burning coal, moved by railways, is about 150,600 wagons.

PROTECTING THE FARMER

The Union Food and Agriculture Minister has indicated that if there was a sharp fall in foodgrains prices because of good crop this year, the Government would take necessary measures, including entering the mar-





ket, to protect the farmers. Considerable relief has been felt in Government circles here on the downtrend noticed in foodgrains prices consequent upon the arrival of the kharif crop in the market. Foodgrains output during the current agricultural year is expected to be a record one around 76 million tons as against 71.8 million tons in 1959-60 and 75.5 million tons in 1958-59. The Government is making efforts to augment its rice stocks by imports from abroad; as indicated in this column last week, two rice deals are likely to be finalised soon.

Meanwhile, the Food and Agriculture Ministry is understood to be pressing hard for the adoption of a policy of fixing "floor" prices for the major foodgrains so that the agriculturist may be assured a fair return for his labour. The various implications of this policy are currently being thrashed out by the Planning Commission.

REMUNERATION OF COMPANY PROMOTERS

The Government has decided to place some restrictions on the remuneration of company promoters. This was revealed by the Commerce and Industry Minister, Mr. Lal Bahadur Shastri, while replying to the general debate in the Lok Sabha on the Companies (Amendment) Bill. Mr. Shastri said the total promotional expenses of companies run by managing agents would be restricted to 1.5 per cent of the cost of the venture and in the case of companies managed by boards of directors these expenses would not be allowed to exceed 2 per cent. The principles for fixing the remuneration of company promoters, Mr. Shastri added, were:

(1) The Government would see whether the promoters or their relatives or associates were being appointed as managing agents or managing directors or managers within the meaning of the Companies Act.

(2) In the case of companies managed by managing agents, the total promotional expenses should not exceed 1.5 per cent of the estimated cost, based on careful preparation of the project.

(3) In the case of companies managed by boards of directors, the promotional expenses should not exceed 2 per cent of the estimated cost.

(4) Even when the promotional expenses are within these limits, the Government should have the right to ask for detailed information, whenever it considers calling of such information necessary.

(5) In no case should the ceiling be exceeded unless the promoters could justify with facts and figures that expenditure in excess of it was essential for the promotion of the company concerned.

It had been decided, Mr Shastri said, that the Controller of Capital Issues should be apprised of these principles and asked to consult the Department of Company Law Administration in future in all such cases.

Mr. Shastri also revealed that the Government proposed to scale down the ceiling requirements on new company floatations; in future a new company floated with a capital of Rs. 10 lakhs or more would need the sanction of the Controller of Capital Issues. Companies which wanted to be listed on the stock exchange would be required in future to complete their share allocations within three months.

About the "special audit" provision in the Bill, the Minister disclosed that the Government in this regard proposed to make an example of a few companies whose affairs were in a very bad state. But he rejected suggestions to lessen the rigours of "special audits." The firms concerned, he said, would be informed of the special audit reports if only minor irregularities had been pointed out in them. If, however, a report contained major allegations, it would not be advisable to give a copy of the report to the company. The matter in such cases would be sent to the court and the company would be entitled to fight it out there. If the Department of Company Law Administration did not take any action within four months of the submission of a report, a copy of it would be sent to the firm to give it an opportunity to rectify its mistakes.

MANUFACTURE OF TRACTORS

A factory to manufacture tractors and earth-moving machinery is proposed to be set up at Ennore, in Madras State. The capacity of this undertaking will be as under:—

Item	Output per annum Nos.	Tons
Steel structurals	—	1800
B.L.H. shovels	30	900
Allis-Chalmers motorised scrapers	80	—
Allis-Chalmers motorised dumpers	100	—
Allis-Chalmers crawler tractors and bulldozers	To be determined later	

The authorised capital of the undertaking would be Rs. 2 crores, out of which nearly Rs. 1.6 crores would be issued in the first instance.

TRADE AND INDUSTRY REPORTING SYSTEM

The Government of India has set up a Committee to simplify, co-ordinate and rationalise the system of reporting in relation to trade and industry. The Cabinet Secretary is the Chairman of the Committee. The other members of the Committee are: Director, Organization and Methods Division, Government of India; President, Federation of Indian Chambers of Commerce and Industry; President, Associated Chambers of Commerce and Industry and one more representative of the industry as may be nominated by the Federation of Indian Chambers of Commerce and Industry. The Committee will have the power to associate as member any other person it considers useful for its work.

The terms of reference of the Committee will be to undertake a survey of the requirements placed on the industries by the administration in the matter of supply of data, submission of reports, etc., to Government, and to suggest ways and means of securing the elimination of unnecessary reports or information, reduction of frequency of reports or information, reduction in the number of copies of reports or data, simplification or consolidation of existing reports or data, elimination of unnecessary details, delay or cost of reporting and elimination or modification of specific procedures.

The survey will be carried out jointly by trained Government and business personnel under the directions of the Committee. To begin with, the Committee of Direction will take up for study the coal and textile industries.

THIRD PLAN

The Union Finance Minister, Mr Morarji Desai, has written to the Chief Ministers of States, indicating the quantum of assistance which will be made available to the States by the Centre for their development programmes in the first year of the Third Plan. The allocations have been made according to a formula under which the Plan expenditure will be staggered, beginning with roughly 12 per cent of the total Plan budget in the first year and ending up with about 25 per cent in 1965-66.

The Central assistance promised to the various States for their 1961-62 development programme is as follows: Andhra Rs. 21 crores; Bihar Rs. 31.5 crores; Jammu and Kashmir Rs. 9 crores; Gujarat Rs. 15.5 crores; Kerala Rs. 16 crores; Maharashtra Rs. 22.5

crores; Madhya Pradesh Rs. 30 crores; Mysore Rs. 19 crores; Orissa Rs. 19 crores; Punjab Rs. 19.5 crores; Rajasthan Rs. 22.5 crores; West Bengal Rs. 23 crores; Uttar Pradesh Rs. 51 crores. The allocations for Assam and Madras will be finalised in the next few days.

TECHNICAL PERSONNEL FOR HINDUSTAN STEEL

The major shortage of Indian technical personnel in Hindustan Steel, according to the Union Minister for Steel, Mines and Fuel, is mainly in the categories of senior and middle grade supervisory staff. The requirements of trained junior engineers for manning the three public sector steel plants had been fully met. The reasons for the shortage of trained Indian hands in the senior grades, as enumerated by Mr. Leo Werts, the Ford Foundation Man-power Consultant to the Union Ministry of Steel, are that persons with experience are not available in the country and the sources from which the new steel plants can draw their man-power are practically exhausted.

The remedies recommended to meet this shortage are a comprehensive training plan and an organisation to develop the newly trained engineers, association of some top Personnel and Training Consultants from another country with Hindustan Steel's training programme, setting up a Technical Advisory Committee on Training and the integration of Technical Training Institute at the steel plants with a country-wide training programme.

LOCATION OF PIG IRON PLANTS

The general criterion for the location of pig iron plants in various parts of the country is that they should be located far from the major steelworks and be based on utilisation of non-coking coal and preferably low-grade iron ore available in areas nearby. Six small pig iron plants, three each in Bombay and Madras, have been licensed under the Industries Development and Regulation Act. Besides, one unit near Gwalior (Madhya Pradesh) had been permitted to be set up under the Iron and Steel (Control) Order. One of the licensed units in Madras and the small furnace near Gwalior are in production; in addition, one unit in Orissa is in regular production. The total production in the Orissa and Gwalior units has been about 15,200 tons.

At present the scope for setting up new electric furnaces is very limited as existing furnaces and those already sanctioned are expected to consume most of the available melting scrap, estimated at about 600,000 tons by 1961. However, the question of permitting new furnaces in the context of Third Five-Year Plan is being examined.

PLAN FOR STRENGTHENING BANKING STRUCTURE

The Government of India, it is learnt, is considering, in consultation with the Reserve Bank, a four-fold plan to strengthen the banking structure in the country. The plan envisages amalgamation of weaker units with the sounder ones, introduction of Deposit Insurance Scheme, widening of the equity base of the banks and raising of their liquidity ratio. There is no proposal, however, to entirely do away with small banking institutions; they will continue to function if properly managed. Nor is there contemplated any large-scale merger of small banks with bigger ones.

The final decision on this plan will be taken after going into all the pros and cons of it. Each of the four steps has to be weighed properly, for howsoever desirable it may be, it would involve certain disadvantages. Introduction of the Deposit Insurance Scheme and amalgamation of weaker units with the sounder ones, for instance, will put some burden on the efficiently-managed banks, which they may not like to bear. Widening of the equity base would raise the important question of servicing of the increased capital. Raising of the liquidity ratio may hamper the lending operations of the banks, resulting in lower profit.

The Deputy Governor of the Reserve Bank, Mr. M. V. Rangachari, who recently studied the working of the Deposit Insurance Scheme in the United States, is expected to submit his report shortly.

Despite the stresses and strains which it has undergone recently, the banking structure in this country, official sources reiterate, is pretty sound.

CREDIT POLICY

The Government of India, it is understood, will adhere to its present policy of dearer credit in order to keep the inflationary forces in the economy under control. Deficit financing is also being curtailed with the same purpose in view. The Government, however, has no intention to deny credit for legitimate purposes.

Deficit financing has been reduced from Rs. 450 crores in 1957-58 to Rs. 120 crores during the current financial year. In the next budget, it is expected to be curtailed further.

POLISH, YUGOSLAV AND JAPANESE CREDITS

The Union Finance Ministry has made allocations for the utilisation of the Polish, Yugoslav and Japanese credits. The $30 million Polish and the $40 million Yugoslav credits will be mainly used for coal, power and transport projects. Exact details of these allocations will be available shortly.

The 18,000 million yen (Rs. 23.31 crores) credit will be utilized as follows:

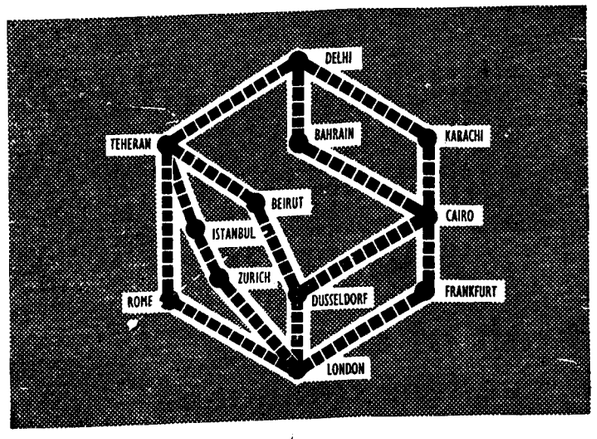
Programme	(Rs. lakhs) Value of Loan Agreements signed	Value of Pending Loan Applications	Total
... ...			
A. PUBLIC SECTOR			
1. Equipment for Power Projects	369.45	40.23	409.68
2. Equipment for National Coal Development Corporation	6.57	17.08	23.65
3. Tractors for Rajasthan Canal Project	11.28	—	11.28
4. Tractors for Dandakaranya Project	120.29	2.96	123.25
5. Equipment for Small Scale Industries	—	8.95	8.95
6. Equipment for Posts and Telegraphs Department	9.79	1.52	11.31
7. Tanker for the Western Shipping Corporation	108.00	—	108.00
8. Equipment for Roads projects	99.09	65.16	164.25
B. PRIVATE SECTOR			
1. Cargo vessels for the Scindia Steam Navigation Company Ltd.	275.71	—	275.71
2. Equipment for Rayon Industry	43.76	322.58	366.34
3. Equipment for manufacture of Paper, Steel Wire, etc.	54.62	92.52	147.14
Total	1098.56	551.00	1649.56

The balance of Rs. 7.31 crores is fully covered by approvals already given for purchase of equipment required for power projects, ports, broadcasting, industrial projects, etc.

Japan authorised this credit in 1958. The delay in its utilisation has been caused by certain procedural difficulties to overcome which long-drawn negotiations had to be carried on.

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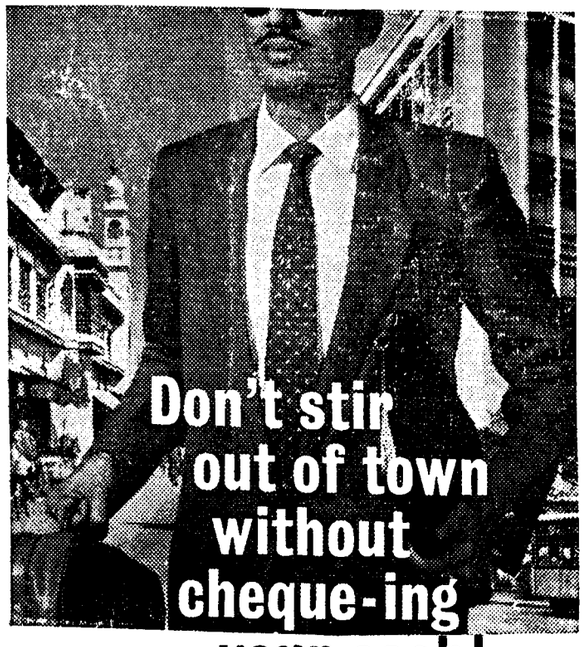
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COMPANY AFFAIRS

KOTHARI SUGAR: A NEW VENTURE

A new sugar company to be called Kothari Sugar and Chemicals Ltd. was incorporated recently with an authorised capital of Rs. 5 crores and an issued capital of Rs. 89 lakhs. The object of the company is to set up a sugar factory in Tiruchirappalli, 200 miles south of Madras, with a crushing capacity of 1,000 to 1,250 tons a day. The present sugar production in the South is around 80,000 tons while the consumption is of the order of about 1,35,000 tons every year. There is thus a significant gap which can be bridged by production in the South and this factory is supposed to meet this extra demand.

The plant and machinery for the factory will be manufactured by M/s. Binny's Engineering Works, Madras in collaboration with M/s. Mirrlees Watson and Co. Ltd., Glasgow, reputed UK sugar machinery manufacturers. The factory is supposed to go into production by December 1961. Of the total capital issue of Rs. 80 lakhs the Indian Investment Corporation of Madras and the Life Insurance Corporation of India will each subscribe to shares worth Rs. 15 lakhs. The balance of the issue has been under-written. The equity share will be offered to the public from December 15, 1960. The company has been floated by M/s. Kothari and Sons of Madras and it will have on the Board of Directors leading industrialists of India.

SWINTON ESTATES' PEAK PRODUCTION

Swinton Estates Company Ltd. during the year to March 31, 1960 harvested the biggest crop of Arabica coffee since the inception of the company. The Directors have pointed out that the policy of intensive cultivation has started yielding good results and the programme of intensive manuring was further stepped up during the year. The company incurred Rs. 10,713 during the year towards the cost of two drying yards, pipes and fittings and the installation of a hydram on Swinton.

After meeting all expenses, the year's working results show a profit of Rs. 85,141 out of which appropriations have been made towards taxation (Rs. 42,000) and general reserves (Rs. 3,000). A sum of Rs. 20,785 has been provided to write off the entire preliminary outstanding expenses. The Directors have recommended the payment of dividend at the rate of 12½ per cent less tax, which will absorb Rs. 15,625.

CENTRAL INDIA'S GRADUAL IMPROVEMENT

During the year to March 31, 1961, Central India Coalfields Ltd. made satisfactory improvement in its working. There were increases in both raisings and despatches over the previous year.

	1958-59	1959-60
Raisings (tons)	3,16,881	3,74,738
Despatches	3,06,540	3,73,884

This rise was attained in spite of difficult mining conditions which restricted the output at the Pure Chirimiri and Khas Badjna collieries of the company. The working at the Orient Colliery, however, was quite satisfactory.

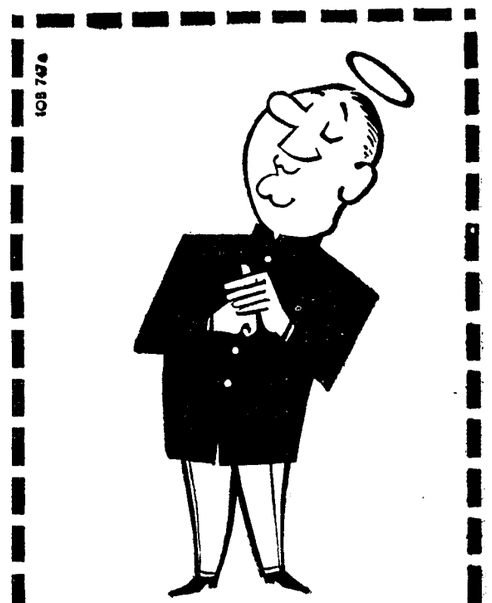
The profit for the year under review before providing for depreciation and taxation comes to Rs. 16.15 lakhs, a figure significantly higher than Rs. 9.93 lakhs during the previous year. After making the usual provisions, there remains a balance of Rs. 4.27 lakhs out of which the directors have recommended the payment of dividend at the rate of 80 nP. per share subject to tax, absorbing Rs. 4 lakhs. A sum of Rs. 1.2 lakhs of the accumulated depreciation has been written off during the year and the directors have further transferred Rs. 75 thousand to a new account called Reserve for Contingenicies.

ANGLO-INDIA JUTE

The Directors have reported that the comfortable jute stocks with which the industry entered the year to March 31, 1960 enabled "simultaneous business to be carried on profitably until November, when fears of a smaller crop than that originally estimated led to a rise in raw jute prices.

Modernisation of a part of the Mills was completed during the year and both mills are now fully equipped with modern spinning machinery. The company has commenced the modernisation of other sections too and orders for additional machinery are awaiting receipt of an import licence for which the company has made the application.

During the year to March 31, 1960 the company recorded a net profit at Rs. 37.40 lakhs. The Directors have recommended the payment of dividend on ordinary shares at the rate of 20 per cent per annum subject to deduction of tax. They have also proposed a transfer of Rs. 1.20 lakhs to Contingency Reserve to Compensate Preference Shareholders for tax deducted at source at the rate of 30 per cent but the actual payment will be made in accordance with the provision of the Preference Dividend Bill now pending before the Parliament.



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Central Office: Madras

M. Ct. Muthiah, Chairman — C. P. Doraikannu, General Manager

COMMODITY NEWS AND NOTES

TYPES AND GRADES OF UNMANUFACTURED TOBACCO

Tobacco yields an income of about Rs. 49 crores to the growers and earns for the country foreign exchange of Rs. 15 crores per annum. Exports of this important commercial crop have been steadily going up and during the five-year period ending 1957, India exported an annual average of 35 million pounds of unmanufactured tobacco. This was nearly double the pre-war average of 47.5 million pounds. The Directorate of Marketing and Inspection of the Union Ministry of Food and Agriculture has published a monograph on types and grades of unmanufactured tobacco exported from India in 1957 to provide precise information on the nature of requirements of different importing countries as a step in boosting up tobacco exports. Besides giving information on the export of different types of grades, the monograph provides detailed information about the forms in which unmanufactured tobacco is exported to various countries.

REGULATING JUTE PRODUCTION

The two-day discussions between representatives of the Indian Jute Mills' Association and the Union Government ended recently. It has been decided that the curtailment of production by jute mills should be limited to the equivalent of an additional 8 per cent of the loomage, besides the 9 per cent looms sealed earlier. IJMA have agreed to accept the decisions of the Government on the quantum and method of regulating the production. In the course of the discussion, questions relating to the supply of raw jute and maintenance of production of jute goods were fully examined. It was agreed that production should be maintained at stable levels and as high as possible, taking into consideration the supply position of raw jute, both local and imported. It was also necessary that the prices of raw jute and jute goods should not be allowed to go up unreasonably as a result of speculative activities. In this connection, a reference was made to the measures taken by the Forward Markets Commission for restraining such activities. It was felt that the present prospects of the jute crop in India and Pakistan were not unfavourable as compared to the last year. Some regulation of production would, however, become necessary in order to maintain stability. The prices of raw jute would now be sought to be maintained at reasonable levels through a regulated programme of buying by the jute industry and other necessary measures. The IJMA representatives agreed that jute goods for the export markets should have a reasonable relationship with raw jute prices and should not rule unduly high. The Government hope that, as a result of these measures, the prices of raw jute and jute goods will be kept at reasonable levels.

FOOD PRODUCTION

Mr. M. V. Krishnappa, Deputy Minister for Agriculture, said in the Lok Sabha recently that according to present indications prospects of food production during this year were on the whole quite satisfactory, despite damage to kharif crops by natural calamities in certain parts of the country. The estimates of production of food crops for 1960-61 were not yet available. The Minister replied in the affirmative to another part of the question whether it (prospects of food production) had affected the food prices. The prices had generally shown an easy tendency during recent weeks, he added.

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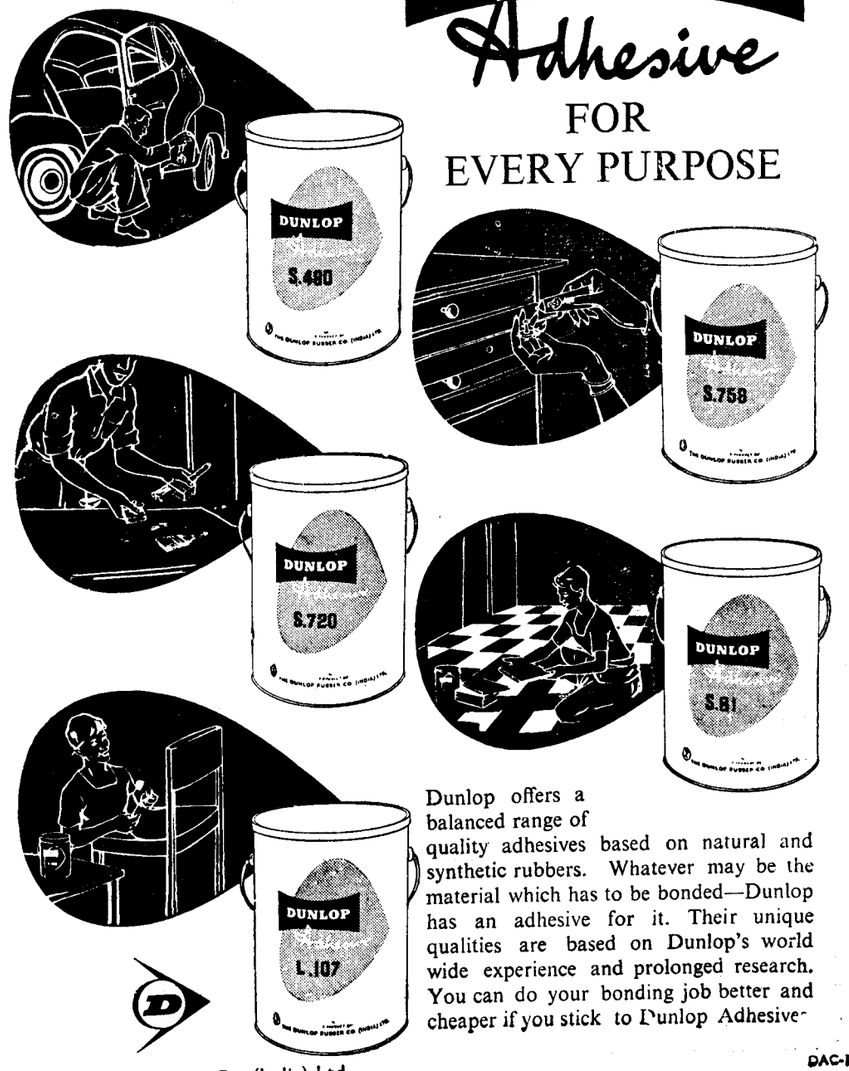
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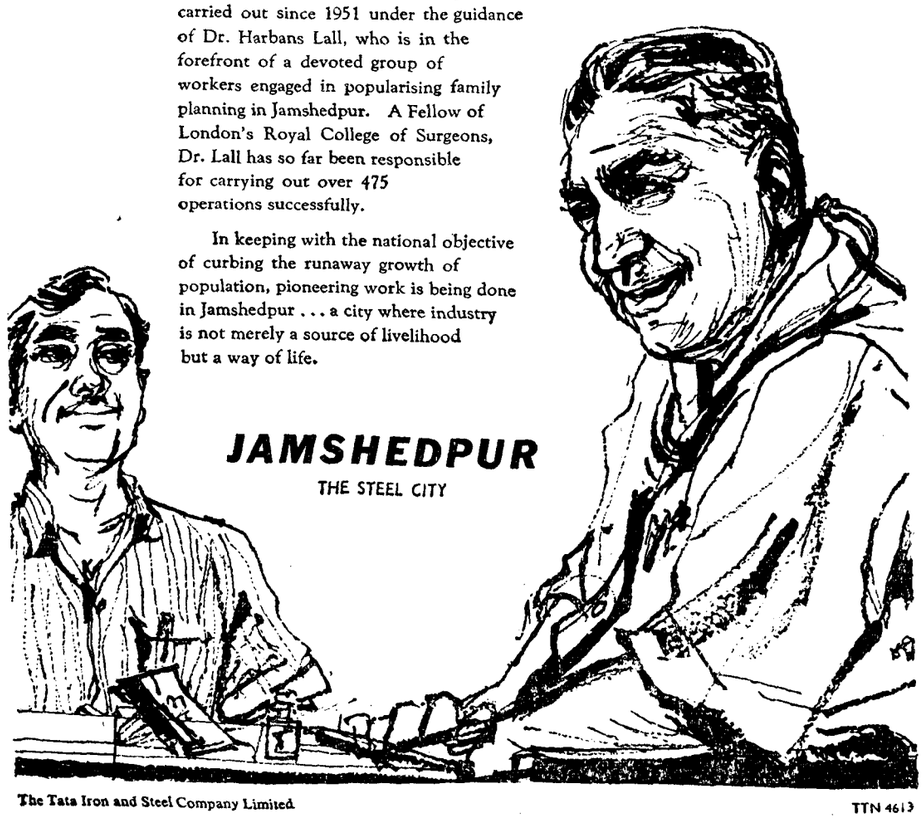
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fewer children . . . happier families

In Jamshedpur, groups of workers' wives gather in the evenings at the seven maternity and child welfare clinics run by Tata Steel. Here, trained advisers tell them about the baneful effects of improvident parentage and distribute contraceptives at cost price to ensure planned parenthood. More such units are being set up. Jamshedpur is the first city in India where, since 1959, oral contraceptive pills are being tested out on a fairly extensive scale.

An important feature of these efforts is male sterilization operations being carried out since 1951 under the guidance of Dr. Harbans Lall, who is in the forefront of a devoted group of workers engaged in popularising family planning in Jamshedpur. A Fellow of London's Royal College of Surgeons, Dr. Lall has so far been responsible for carrying out over 475 operations successfully.

In keeping with the national objective of curbing the runaway growth of population, pioneering work is being done in Jamshedpur . . . a city where industry is not merely a source of livelihood but a way of life.



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Company Meetings

INDIA STEAMSHIP CO., LTD.

Address of Sir A. Ramaswami Mudaliar, K. C. S. I., D. C. L. (Oxon.)

Chairman India Steamship Co., Ltd.

Delivered at the Annual General Meeting of the Shareholders of the Company, on the 14th November, 1960

Gentlemen,

The Audited Accounts and Directors' Report for the period ending March 31, 1960, have been in your possession for some time. With your permission, I shall take them as read.

The Directors' Report shows that the freight earned during the year was Rs. 8,38,59,427 as against Rs. 8,04,04,160 in the previous year. The total number of liner voyages during the year was 47.5 compared to 39 voyages in the previous year. Though the freight earned was higher than last year, I regret to state that the net result is a substantial loss to the Company. It is necessary that you should be informed of the reasons for the loss and the steps that are being taken by the Company to remove some at least of the factors that produced this result.

OVERSEAS TRADE AND FREIGHT RATES:

I had referred last year to the decline in international trade and to its effect on international shipping which is always extremely competitive. During the year under review, the liner trade had to face aggressive competition from tramps which, scouring the seas for decreasing volume of commodities, offered rates of freight which made many shippers divert their custom from their usual liner companies. In spite of the conferences reducing freights to meet this fierce competition particularly in commodities which could form bulk cargo the lines were heavily handicapped. Your Company has felt the effect of this competition both in the outward and inward trade. Your ships had to call at an even greater number of ports than usual, to secure the cargo and had necessarily to incur heavy expenses for port dues and other similar charges.

The first factor which affected your Company's net earnings and which perhaps was common to many other lines in this trade was the reduced rates of freight. A second and more serious factor which affected your Company was the unhealthy and unfair competition to which it was subject from some of the liner companies which are its colleagues in the main conferences of which it is a member. It must be recorded, however unpalatable the fact, that competition by undercutting the freight rates through larger rates of rebate to shippers than permissible by conference rules, has been freely resorted to by some lines in a desperate attempt to secure the freight at any cost. Other forms of evasion of rules have come to notice and their effect has been equally disastrous.

The system of entrusting the booking of cargo by shippers to institutions named 'Forwarding Agents' is a useful and well recognized system and has been of equal help to shippers and shipping companies. But unfortunately during the last two years, even this system has come to be misused by some forwarding agents on the Continent of Europe who, by illegitimate means, have influenced the direction of cargo to the ultimate detriment of both the shipper and the lines concerned. It is unnecessary to refer in any detail to the methods adopted by these few Forwarding Agents and the harmful effects of such practices. In addition to some lines adversely affected by such practices, the Central Government has also been thwarted in its attempts to conserve foreign exchange and the authorities are generally aware of the position.

A LIKELY SOLUTION:

Your Company, along with some others, have given most anxious consideration to means whereby these evils can be reduced, if not eliminated. They have realised along with some of their colleagues that the Conference system itself will be seriously jeopardised if these conditions continue. It is unnecessary to dilate on the salutary purpose which the Conference system serves. Contrary to the notions of a few shippers who sometimes feel that it restricts their freedom of choice of ships, it is of at least equal value to shippers as to shipping companies. The suggested solution, which is now engaging the serious consideration of the lines, is the allocation of the total freight earnings of all the shipping lines of a Conference in certain proportions over a term of years, providing at the same time for the growth and development of the fleets of underdeveloped countries, through a defined and reasonable increase in the rate of allocation during the years comprised in the stated term. Your Directors have, after very anxious consideration, put forward proposals in this regard jointly with the sister Indian Company, the Scindia Steam Navigation Company Ltd. and are expecting that an arrangement would be agreed upon by all Companies, members of the Conference in the India|U.K.|Continent trade, very shortly. I do not wish to deny that there are some disadvantages in any practicable arrangement that may be arrived at, but your Directors after weighing both the disadvantages and the advantages have come to this decision. It will eliminate those unworthy charges of Flag discrimination which really reflect on the fair and equitable judgment of those who level such charges. Above all, the evil practices that I have referred to will be greatly minimised. If contrary to expectations an arrangement on the above lines is not arrived at and that very shortly, the Indian lines are prepared to adopt other measures in consultation with their Government to secure their right.

It should not be imagined that, if a pooling arrangement of freight earnings is adopted, Indian companies can sit back and calmly await the result of the allocation of the pool amount. Your Company cannot relax its efforts to carry a fair amount of freight in either direction and shippers whether in the private sector or in the public sector will, I hope, fully co-operate in developing National Shipping by a fair allocation of cargo to Indian shipping companies. I may, in this connection, be permitted to express my concern and disappointment at the manner in which the State Trading Corporation in its chartering section has been functioning. It may be that, owing to the rigidity of financial regulations, it has had to pursue a policy which, at least among Indian shipping companies, has not found a supporter. There are more far-reaching aspects of chartering than

the consideration that a cheap freight can be had from an over-tonnaged tramp fleet or a distress charter vessel. Foreign exchange earnings for which an intensive drive is being made by the Central Government should be, one would have thought, a formidable corrective to an over-simplified calculation of a low freight charge. I still hope that the Charter Committee will be reconstituted on a broader and firmer basis and its policy better clarified.

PORT DELAYS :

A severe handicap particularly to Indian shipping is the condition of some of the Indian ports and the substantial delay in the turn-round of ships both at Indian and foreign ports. I have stated at successive annual meetings that ships earn only when they are voyaging on the high seas and that more time is spent in ports in a year than on the high seas. During the year under review, the drafts in the port of Calcutta showed further deterioration and in many cases ships were unable to lift even the decreased cargo that was offered owing to draft restrictions. I must however, in fairness to those in charge of the port, state that conditions have considerably improved during the current year and that, thanks to their sustained effort and the interest taken by the Transport Ministry, more permanent improvement is in the offing. While we are thankful for these improvements in the major Indian ports and for the greater awareness which the Government and the port authorities are showing in the modernisation of our ports, we must also express our regret at these beneficial results being nullified by the attitude of labour at some of these ports. Unauthorised strikes by Dock labour unions and lightning strikes such as the strike of Tug Operators are causing loss and damage to shippers and shipping companies, the extent of which is not properly understood or appreciated. The recent Tugmen's strike in Bombay paralysed the work of the port for many days with considerable financial loss to all concerned. But what is not apparent is the adverse effect it has on other ports when the strike is over, by the bunching of ships at these ports and consequential delays in obtaining berthing facilities. It is not in Indian ports alone but even more in foreign ports and particularly in the U.K. ports of London and Liverpool that this evil of undeclared and unauthorised strikes is manifesting itself all too frequently. Unless remedial measures are adopted, such chaotic conditions will lead to harmful results to all concerned.

THE FUTURE :

I have given a faithful picture of conditions that existed during the year. I confess however that there may be over-tones in the picture presented and that it may lead you to the belief that the future is one of unrelieved gloom. I do not hold to that belief myself. International shipping is notoriously subject to fluctuations, sometimes violent fluctuations. I consider that we have passed through such a period and that it will not be unreasonable to look forward to a less anxious future. Your Company in particular is firmly established and rests on a solid basis. The eagerness and enthusiasm which its officers of all ranks and the staff show is unabated. The interest that is taken by the authorities in the development of Indian shipping is gratifying and encouraging. The National Shipping Board, under its Chairman, Mr. G. L. Mehta, continues to take an increasing interest in the development of Indian shipping. The present Minister of Transport, Dr. Subbaroyan, and the Minister of Shipping, Mr. Raj Bahadur, are evincing keen interest in the problems of Indian shipping. Mr. Raj Bahadur has devoted himself to a study and understanding not merely of the major but even of the minor problems of Indian shipping. The Ministry of Transport, through its Secretariat, the Director-General of Shipping and the Senior Deputy Director and other officers, have been in constant touch with Indian shipping companies and have greatly helped them with advice and assistance. The establishment of the Shipping Co-ordination Committee holds out promise of fair treatment to Indian shipping. When the Chartering Section of this Committee is properly organized and broadbased, it should help the development of Indian tramp shipping, so badly needed by the country. Above all, the development of shipping in the public sector, insofar as it is within proper limits, is in my opinion a help and not a hinderance to the development of Indian shipping in the private sector. It will present to the authorities more directly and more vividly the difficulties and handicaps which it suffers from and thereby will increase still further the awareness of problems of Indian shipping by the authorities. I therefore take a fairly optimistic view of the future of Indian shipping and of your Company in particular.

TRIBUTE:

In spite of the financial results of the year, I feel it my duty to pay a tribute to the devoted services which the officers, both ashore and afloat, and the staff of the Company have rendered during the year. In the face of exceptional difficulties, they have spared no pains to achieve results such as they are. I must also convey the thanks of the Board to the shippers who have extended their continued and firm support to us and to the Brokers and Forwarding Agents who have shown confidence in us and in the standard and quality of our shipping service.

N.B. This is not a report of the proceedings at the above Annual General Meeting.

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W. H. JACKSON,
Manager

THE INDIAN IRON & STEEL COMPANY LIMITED

STATEMENT BY THE CHAIRMAN, SIR BIREN MOOKERJEE

I DEC 1960
PUBLIC

Dealing with the Year Ended 31st March, 1960

The Annual General Meeting of the Indian Iron and Steel Company Limited will be held at 12, Mission Row, Calcutta, at 3 p.m. on Thursday, the 15th December, 1960. The following statement by the Chairman, Sir Biren Mookerjee, has been issued to the shareholders along with the Directors' Report and audited accounts for the year ended 31st March, 1960.

The highlight of the year was the improvement recorded in the Company's output of steel, the production of steel ingots at 827,072 tons showing an increase of 218,867 tons over the previous year. This position is of course attributable to the enlargement of the steel making capacity of our plant under the expansion programmes and while we have still a long way to go to achieve our ultimate target of one million ingot tons, it is heartening to see the planning and labour of the last five years now beginning to bear fruit. On the reverse side of the picture there are however no grounds for complacency as regards the production of iron which was, and continues to be, seriously affected by the high ash content of our coke consequent upon the unsuitable quality of the coal that we are being forced to accept. I will refer to this matter in more detail later since the position with which not only ourselves but the iron and steel industry of the country as a whole is faced as a result of the inadequacy of supplies of good quality coking coal is of the utmost gravity.

ACCOUNTS :

I am compelled to comment again this year on the taxation provisions relating to the allowance of development rebate which require that as a prerequisite to the grant of such allowance an amount representing 75% of the rebate shall be charged against profits and set aside to reserve. With Company taxation now at the revised rate of 45% this means that over and above the saving in taxation arising from the allowance, which quite rightly should be set aside to reserve, a dead charge of 30% of the amount of the rebate is thrown against available profits compared with 23½% in the previous year. In our own case the excess of the compulsory reserve for the year under review over the actual taxation saving amounts to no less than Rs. 1,03,49,296 and I cannot on principle accept without protest a position whereby a charge of this magnitude should be thrown against the profits of a Company. In order that the Profit & Loss Account should show the true results of the working for the year the position has therefore been compensated by the write back to profits from the General Development Reserve of this excess amount of Rs. 1,03,49,296, the effective and logical result being, accordingly, a net accretion to the Development Reserves of the actual saving in taxation and a consequential net charge against profits of the amount of taxation that would have been payable but for the allowance of development rebate.

In the Profit & Loss Account this year will be found a new head of expense namely "Interest on Special advance from the Government of India" which I should perhaps explain. The special advance totalling Rs. 10,18,26,476 consists of two items of Rs. 10 crores and Rs. 18,26,476 covered by separate agreements with Government, the Rs. 10 crores having been granted as direct assistance towards finance of the cost of expansion and the Rs. 18,26,476 to meet the commitment charge on the first World Bank loan between the date from which such charge commenced to run and the later date, owing to circumstances beyond the control of the Company or the World Bank, from which the loan actually became effective for withdrawal purposes. In terms of the relative agreements it was provided that the advance should bear no interest prior to the 30th June, 1958 or such other later date as might be mutually agreed upon and that thereafter, the question of charging interest and the rate of such interest should be decided by Government on the advice of the Tariff Commission. It was further provided that any interest charged should be payable by the Company out of its earnings arising from a special element in the prices of iron and/or steel over and above the normal retention prices. The matter was accordingly in due course referred by Government to the Tariff Commission who recommended that interest should be charged at the rate of 5% per annum as from the 1st July 1958, but that recovery of such interest and the allowance of the special element should be postponed until after the 31st March 1960 when decision had been taken as to the retention prices to apply from that date. Acceptance of these recommendations was notified by Government on the 25th November 1959. The Company has protested against the unnecessary complications introduced by deferment of the interest compensating element and since in terms of the agreements with Government all interest chargeable must be compensated, the interest accrued from the 1st July 1958 to the 31st March 1960, as necessarily provided for in the Accounts under review, has been offset by the inclusion under the head "Sales" of the similar amount to arise from the enhancement of the sales retention prices.

DIVIDEND ON PREFERENCE SHARES :

I would take this opportunity to express my sympathy with the Preference shareholders in the position in which they have been placed in regard to their dividends by the amendments made to the Income-tax Act by the Finance Acts of 1959 and 1960, for when we have been able to compensate the Ordinary shareholders in full for the loss of the previous notional credit on their dividends in respect of income-tax payable by the Company, it should follow in equity that the Preference shareholders should also be compensated. Under the provisions of the 1959 Act we were able to increase the Preference dividend for the half-year ended 30th September 1959 to such gross

amount as after deduction of 30% thereof represented the amount previously payable without deduction of tax, but with the cancellation of these provisions by the 1960 Act we have had no option in law but to pay the dividends for the half-years ended 31st March 1960 and 30th September 1960 at the rate of 5% stipulated in the Company's Articles of Association.

The Preference shareholders were advised at the time of payment of the 31st March 1960 dividend that your Directors were considering the legal steps to be taken in an endeavour to effect a fair and reasonable adjustment of the position. In the meantime however a Bill entitled The Preference Shares (Regulation of Dividends) Bill has been introduced in the Lok Sabha and is awaiting the consideration of Parliament. If passed into law, the provisions of this Bill in their application to our own Preference dividend would mitigate the present most unsatisfactory position to the extent that the rate of Preference dividend would be compulsorily increased with retrospective effect. Since legislation is now pending your Directors accordingly feel that it would be inadvisable for them in the meantime themselves to take any unilateral action lest this should result only in making confusion worse confounded.

COMPETITIVE POWER OF INDIAN STEEL :

I am glad to inform you that over the last price fixation period of five years which ended on the 31st March 1960, we have been able to achieve in total a production of saleable steel exceeding by some 13% the target set us by the Tariff Commission in 1955 and that despite heavy increases in our Works costs the position remains that under a free economy no foreign steel could undersell us in our own country. Under the present policy of Government however the advantage we enjoy over foreign steel is appropriated by Government and a further heavy burden by way of surcharge is additionally loaded by Government on to the selling prices. In this connection not even our retention prices, that is to say the prices which we are allowed to retain as distinct from the much greater prices we are required to charge to the consumers for the further benefit of the revenues of the country, give a true indication of the position since these retention prices themselves include the incidence of the heavy excise duty levied by Government of Rs. 40|- per ton on ingot steel equivalent to about Rs. 50|- per ton of saleable steel. Even if allowance be made for this excise duty, our competitive power is in fact greater than the retention prices would indicate for we suffer from a number of disabilities peculiar to our country.

We are handicapped by the policy of the Government which prevents us not only from reducing the number of superfluous labour but compels us to retain in our employment workmen who are found by experience to be inefficient. We have to employ a large number of men to provide all the necessary health and municipal services which are supplied by the Government or the municipal corporations in other countries. We have also to provide housing accommodation requiring heavy capital expenditure and maintenance costs. We have also to provide at heavy capital and recurring expenditure, buildings for schools, hospitals and social services, to equip them adequately and to secure and pay for the necessary trained staff to run them.

I explained last year the dangers of the present extremely heavy loading of the price of steel to the consumer by way of surcharge and I would again urge the necessity that the statutory selling prices should be reduced. Steel either directly or through the medium of construction or operational costs enters into the final cost to the consumer of practically every commodity and artificial inflation of this cost is certainly no help towards the solving of the urgent problem of effecting a reduction in the cost of living. The surcharge levied by Government was intended primarily to rebate the cost of imported steel so that each category of steel, whether indigenous or imported, should be sold at the same price. With the increase in production of the plants in the Private Sector and with the three Government Steel Plants now coming into operation, imports of steel have already fallen considerably and will continue to fall. Maintenance of the surcharge at its present level can therefore no longer be justified.

It is necessary also that selling prices should be reviewed having regard to the necessity for building up an export market for the surplus production there will in my opinion undoubtedly be when the three Government plants come into full operation. In this connection it is reported that certain exports of semi-finished steel have already been made by the Government plants and it would be of considerable interest to know the real effective prices at which these exports have proved possible.

INCREASE IN WORKS COST :

Owing to variations in the different categories of end product an assessment of the trend of Works costs in relation to the production of saleable steel gives a somewhat unreal picture. It is preferable therefore to compare Works costs in relation to ingot production. This will include also the variations in the Works cost of pig iron. At the same time since the ingot enters into every finished product, its Works cost will be distributed in proportion to the quantity of ingot used in the production of each saleable product. If this basis is adopted we are able to obtain a more accurate picture.

Under normal conditions, that is to say when there are no external causes beyond the control of a manufacturing unit to affect its operations, it is to be expected that the Works cost per ingot ton should show inverse variation according to the volume of production. In our own case however, while the production of ingots increased between 1955-56 and 1959-60 by about 55%, the Works cost increased over the same period by nearly 40%. Some explanation of this illogical position is therefore required. The main cause is of course the enhancement by Government of the rate of excise duty on steel ingots from Rs. 4|- per ton to Rs. 40|- per ton with effect from the 16th May 1957. Other causes, some or all of which have operated in our Works at differet times either separately or simultaneously as you will have gathered from my previous statements are (a) continued upward revision of labour costs as a result of the pernicious system of automatic annual increments as opposed to an assigned pay for each particular job and of enforced increases in the rates of wages, allowances and incentive bonus; (b) increase in railway freight rates on raw materials and stores; (c) the sales taxes imposed by the State Governments or excise duties by the Central Government on such indigenous raw materials and stores as are used in the manufacturing processes and the customs duties on imported goods imposed by the Central Government; (d) the increases from time to time in the statutory prices of controlled commodities such as coal and other raw materials; (e) variation in the quality of stores and raw materials and in particular the severe deterioration in the quality of coking coal; and (f) complete, partial or go-slow strikes by labour.

COAL—AN INTRACTABLE PROBLEM :

There has been for a long time a deplorable shortage in the quantity of coal required by the iron and steel and many other coal consuming industries. A still greater difficulty in maintaining, far from increasing, the production of iron is created by the admitted and evergrowing deterioration in the ash content of available coking coal. Washing the coal before use has therefore become an indispensable necessity. There has however been virtually no decision yet taken by Government for the establishment of washeries at he main coal producing centres to meet the needs of the iron and steel industry in the Private Sector.

Our Works costs and our production alike are seriously affected by the continuous deterioration that has taken place in the quality of coking coal and by its chronic inadequate availability although paradoxically we are virtually sitting on top of coal. Such is the position that, apart from diversion of outside supplies, there has even been an occasion when coal in transit to Burnpur from the Company's own collieries has been diverted elsewhere. These factors will definitely preclude us from achieving the production envisaged under our expansion programmes until improvement in the quality as well as the quantity of coking coal is effected. To illustrate the conditions under which we are now forced to operate our Blast Furnaces I have had a chart appended at the end of this statement showing the variation in the ash content of our coke due to the inferior quality of the coal we are being allotted. This chart shows not only the current increase in the ash content over the previous normal but also the present extremely wide day-to-day variation in ash content. Paucity of stocks has made it impossible for us to blend the coal in an attempt to achieve in some measure a consistent even if far too high ash content in our coke and the problem of endeavouring to produce a standard grade of iron under these most unsatisfactory and constantly varying conditions is one that can be better imagined than described.

Recently as a result of concentration of railway transport on the priority movement of coal against the demands of the steel industry there has been some increase in the volume of coal supplies, although I very much fear that this may be only a temporary phase. So far as we ourselves are concerned this increase in transport has however merely served to emphasise the shortage of good quality metallurgical coal that exists in the country, for all that has happened is that collieries have taken advantage of the position to get rid of accumulations of inferior quality coking coal totally unsuitable for the steel industry. In our own case, an ash content of the ridiculously high figure of 32% has been recorded in much of these additional supplies. While therefore on paper our stocks of so-called coking coal have shown some improvement in tonnage, the added supplies have resulted only in a still further increase in the ash and sulphur content of our coke and an accentuation of operational difficulties to a point of the utmost gravity in relation to the maintenance of production.

The last fixation of our steel retention prices expired at the 31st March 1960 and the question of the revised prices to apply from that date is now under consideration by Government. So long as the metallurgical coal position remains unchanged there is, as I have said, no possibility of achieving the production envisaged under our expansion programmes and any fixation of prices by reference to a theoretical plant capacity based on normal working conditions would, accordingly, be entirely erroneous. I have full confidence, however, that the abnormal conditions under which, through force of circumstance, we are now being compelled to operate our plant will be recognised by Government so that the new retention prices may be fixed on the basis of working conditions as they actually obtain and not by reference to a theoretical capacity or standard of working that, until the raw materials problem is resolved, is quite incapable of attainment.

I am afraid that until the further coal washeries scheduled by Government have been installed, which will probably take a minimum of three years, the position as regards metallurgical coal will remain critical for there will in fact be an increasing demand against the already inadequate available supplies as the Government steel plants attain their full production potential. In the case of the jute industry where installed capacity greatly exceeds production, the industry has had to adjust itself to the position by the sealing of looms. It would be a tragedy if the steel industry, to adjust itself to the inadequacy of the supply of suitable coking coal, were to find itself faced with the alternative either of having to seal off Blast Furnaces or to operate its plants uneconomically and hazardously below the efficient level of their productive capacity.

Blueprints and fixation of targets of coal production are no substitute for effective and instant action for alleviation of the position with the minimum of delay. The target fixed for the Second Five Year Plan of sixty million tons per annum will definitely not be achieved and the still higher target for the Third Year Plan of ninety seven million tons annual production has meagre chances of success unless a large number of new collieries are opened up in the Private Sector and the existing ones substantially expanded wherever possible even at a higher cost. This will necessitate the purchase and installation of foreign mining and handling machinery for which the tentative allocation in the Third Five Year Plan of about Rs. 138 crores may prove to be inadequate. It has been reported in the Press that in a statement made in the Lok Sabha it was admitted that there would be a shortfall of some six million tons from the target fixed for the Second Five-Year Plan but the matter was dismissed with the remarks that the shortage would be made good in 1961 and that this would therefore involve a delay of only a few months. In face of the position with which the country is confronted it has been somewhat disconcerting to note the apparent complacency with which this critical question of coal supplies has until recently been regarded by Government. I am glad to say, however, that the seriousness of the position appears at last to be realised with the appointment by Government of a high-powered Committee to examine means for the amelioration of the position of the Iron and Steel Industry in regard to the shortage of raw materials in general and coking coal in particular.

The coal producing and coal consuming interests alike will be further prejudiced by the Government's industrial policy resolution of 1956. Future main development of the coal industry is undertaken by the Government under this resolution to the exclusion of the private sector which has been practically solely responsible for starting, expanding and equipping the industry at great financial risk during the last hundred years or so. A further deterrent to the expansion of the existing private industry has been created by the enactment of the Coal Bearing Areas (Acquisition and

Development) Act of 1957. What is however of great national importance is that the Government do not seem to have adequately realised that no new collieries can be opened and brought into full operation within less than five years under the most favourable conditions and that during this period all industries, including the iron and steel industry in particular, are likely to face disaster both in the public and private sectors. I would urge, therefore, that to retrieve so far as possible the desperate position with which the country is faced, Government should relax all ideological restrictions and permit and encourage the private sector of the coal industry to participate to the fullest extent in the great effort that is called for to meet the crisis. Apart from its vital necessity, such action would also involve the mundane consideration that to the extent to which this participation is allowed the cost to Government funds of the development of the industry would be reduced.

THE STRIKE OF GOVERNMENT EMPLOYEES:

It is impossible to estimate the total loss to the country by reason of a strike, particularly if it takes the form of such a General Strike as the recent one of Government employees, for it hits the national economy at too many points visible and invisible to permit of any measurement of the damage caused. I can therefore give you only the position as it affected our Company.

An integrated iron and steel Works is a complex organisation in which all departments rely on each other, the primary and subsidiary products of one entering into the operations of the others, the whole being designed as a fully balanced plant. The primary basic producing units, that is to say the Coke Oven Batteries and Blast Furnaces, are continuous operational plants and any disruption of their working causes innumerable problems. Blast Furnaces have to be damped down involving risk of their loss through sudden or too rapid cooling while on the other hand Coke Ovens must be maintained at high temperature in order to prevent their collapse even if little or no metallurgical coke is produced in the process. The ensuing loss of Blast Furnace and Coke Ovens gas for heating and power purposes affects all other departments.

As a consequence of the strike, all inward supplies of raw materials ceased from the morning of the 12th July, 1960. Ground stocks having been reduced to below emergency level owing to the previous inadequacy of transport and supplies, the Coke Ovens throughput was reduced to 1,800 tons of coal a day from the 15th July, 1960 against the normal throughput of approximately 6,000 tons. No. 1 Blast Furnace was damped down from the 13th July, 1960 and No. 4 Blast Furnace from the 15th July, 1960. No. 2 Blast Furnace which had been re-lined but which, owing to the previous shortage of coal supplies, had already been waiting one month to be brought back, had to continue to remain out of production. The Steel Melting Shop activities were reduced from seven to two furnace operation. Loss of production, an irretrievable loss to the country as well as to ourselves, amounted to some 22,000 tons of iron and 20,000 tons of ingot steel. Despatches of finished steel remained totally suspended from the 9th to the 19th July, 1960 owing to non-allotment of wagons. The strike was called off from the 17th July, 1960 and from the 18th July, 1960 the Blast Furances, Coke Ovens and Steel Melting Furnaces were gradually brought back into production and by the 26th July, 1960 all plant and equipment was again fully operational. Such in our case was the result of the strike. I am glad to inform you however in testimony to the skill with which the position was handled by the Works senior executive staff that it has been confirmed by our Consulting Engineers that little, if any, damage has been caused to the plant as a result of the enforced shut down.

STRIKE LEGISLATION:

The strike of Government employees has given an illuminating indication of the difference between the policy of Government in respect to the handling of a strike and its treatment of its own employees and its policy in relation to strikes in the private sector. The dismissal of many of its employees, the disciplinary action of various kinds against others and even imprisonment under the Preventive Detention Act were perhaps very necessary, and it is not my purpose to call Government's action in question for all strikes are anti-social in their effect and cannot be taken as a matter of course whatever justification there might be from the employees' point of view. The point I wish to make however is that no employer in the private sector is allowed in self defence to adopt any of these or similar courses but is obliged to stand the consequences of a strike with all that these entail.

To illustrate the effect a strike even of brief duration can have, I will relate the sad experience we ourselves had in September last year when an illegal one-day strike was brought about by the INTUC Labour Union over the question of profit sharing bonus. Although in our working for 1958-59 we had fallen short of the estimate computed by the Tariff Commission it was decided by the management as a gesture of goodwill to pay the same profit sharing bonus of 65 days wages as for the previous year. Considerable agitation was worked up by the Union leaders that the amount of bonus should be increased and on the management standing fast on their generous decision workers were prevented by the Union from taking payment of their bonus, although in fact some of the men had already willingly accepted payment, and the illegal one-day lightning strike brought about commencing from midnight. Revenue loss to the Company at retention prices as a result of the direct loss of production for the day amounted to approximately Rs. 15 lakhs, while the cost to the country of making good this loss of production from foreign sources is computed at some Rs. 20 lakhs.

This however is not the full story for unfortunately severe damage was caused to No. 1 Blast Furnace by the irresponsible action of the strikers in refusing to co-operate with the management to damp down this Furnace in an orderly manner. The Furnace was scheduled to be blown out on the 25th September for a partial re-lining from the mantle upwards which work would have taken approximately 30 days to complete. Before a Furnace is taken out for re-lining it is essential that some blast be kept on so that the charge may remain fluid for draining off. Owing to the action of the strikers the charge went cold and about 100 tons of metal and slag solidified inside the Furnace necessitating long labour for its removal by blasting with high explosive followed by a complete instead of partial re-lining. As a result work on the Furnace lasted 110 days instead of the contemplated 30 days with a consequential loss of production of some 39,000 tons of pig iron and an additional re-lining cost of some Rs. 13 lakhs. To complete the sad story it has to be added that this Furnace was producing against an export order from Japan, the contract for which had to be cancelled in view of inability to supply with resultant direct loss to the country of foreign exchange to the extent of some £700,000 or Rs. 93 lakhs. In total the loss caused accordingly amounted to some Rs. 121 lakhs; such is the damage that can be done to a Company and to the country by an ill-considered and irresponsibly led strike even of one day's duration.

I have in previous years emphasised the necessity that Government should require and instil the utmost sense of responsibility in Trades Union leadership and it is accordingly the more disturbing to me that occurences such as the above can continue to take place in an industry so vital to the progress of the country. The position becomes all the more difficult for me when I am asked by shareholders to comment on the fact that the leader of the INTUC Union in question is also a Government nominated Director of Hindusthan Steel Limited. I can of course say nothing on this matter for the propriety of such a duality of roles is naturally a subject solely for Governmental policy decision.

Government have recently decided in the case of all essential Government services inter alia (a) completely to ban strikes (b) to permit no outsider to be the leader of any union, though Unions affiliated to the Government sponsored Indian National Trade Union Congress are led by complete outsiders and (c) to provide machinery for compulsory arbitration. It is difficult for any impartial observer to understand why similar legislative provision should not be made to protect some of the most essential industries such as the iron and steel industry and the engineering industries on which practically the whole structure of our national planning is to be built through the establishment of heavy industries of which these are the linchpins.

Far however from the extension of these provisions to the private sector, as I have pointed out on previous occasions, all kinds of disabilities are imposed upon it in regard to disciplinary action, reduction of redundant labour and payment of heavy compensation to labour when a unit in whole or in part is closed down temporarily or permanently. Though in the more efficient industrial units in the private sector, generally speaking, as in our own works, the workers enjoy more favourable conditions of service, wages, housing and other amenities than those employed by the Government in comparable non-technical departments, we as employers are brought under constant Government criticism as if we were indifferent to the welfare of our labour. Consequently, on almost every occasion when any serious conflict takes place between us and our employees, and the dispute is referred to a Tribunal or for conciliation proceedings, often after a delay which may have already caused us heavy loss, the awards of the Tribunals or the directions or orders of the Government have been generally in favour of labour, increasing their wages, their amenities and other perquisites. The natural consequence of this continuous increase in wages is to accentuate the inflationary effect created by the Government on prices of all essential commodities and particularly of food and other consumer goods. If for instance, steps were taken by the Government to reduce the cost of living by the provision of more food and consumer goods, a tremendous improvement at much smaller cost than is involved in the establishment of heavy industries could be made in the standard of living of the country at large, which would help also to reduce the excessive burden of taxation and the heavy costs of industrial production.

I maintain that the first duty of our Government as that of any other country is to adopt prompt and adequate measures to promote the reduction of prices of essential commodities by increasing their production particularly in the private sector. Apart from the incalculable monetary loss, strikes of any kind and high cost of living will slow down the pace of our industrial development and make the cost of implementation of future plans so high as to be beyond our domestic or foreign aid resources. It must be remembered that the common man and woman are the real sinews of national economic and industrial development, and not high taxation, heavy domestic borrowings, foreign aid, deficit finance or unreliable index figures and ad hoc statistics. Without securing the complete and wholehearted co-operation of the common man by supplying at reasonable prices his daily needs, particularly of food, clothing, shelter and health services, the optimistic Five Year Plan for the future may remain substantially on paper.

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LABOUR LEGISLATION:

To the already full roll of labour legislation there has recently been added The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959 and rules have been framed under this Act requiring every establishment whether in the public or private sector to report to the Local Exchange vacancies, with some few exceptions, occurring in such establishments from time to time. So far as I am aware, there is no democratic country in the world where the employers have to notify vacancies to the Labour Exchanges, though those in search of employment may have to register their names in the local Exchanges. If the employer is desirous of recruiting any operatives he may apply to the appropriate Labour Exchange and if he is satisfied, select such of them as appear to him to be suitable for the particular jobs. It is true that the Rules as promulgated by the Government definitely state that no compulsion will be used by Exchanges to employ any particular person but rules may always be changed and I must confess to some misgiving that these Exchanges should be under the control of the individual State Governments and administered by local officials who cannot fail to be subjected to pressure in varying forms.

I very much fear that the present requirement for the notification of vacancies may be only the first step towards the prohibition of the filling of vacancies except through the medium of the local Labour Exchanges. I sincerely hope that my fears may be groundless for the consequences that might follow are disturbing to consider, including as they would the dangers of nepotism, favouritism and corruption and above all of fostering the evil of provincialism of which there is already alarming manifestation in the country and which, if not checked, threatens in my opinion ultimately to disrupt the Union.

PROVINCIALISM—A NATIONAL EVIL:

There has been for some time an agitation sponsored by some Trade Unions and several of the State Governments to insist on the restriction of jobs to those popularly described as "sons of the soil". If this principle is carried to its logical conclusion it will amount virtually to the negation of the right of the citizen as a member of the Union to seek employment in any part of the Union territory, a right which has been virtually guaranteed to him by the Constitution. Also, it is bound to result in retaliation by some States who may be affected by the principle rigidly applied against them by any other States. The mobility of industrial labour which is of benefit both to the workers and their employers, will be seriously impaired and cause no small embarrassment to the management of industrial establishments all over the country.

It is regrettable that in order to confine the available jobs only to the "sons of the soil", some States are making the local language the official language.

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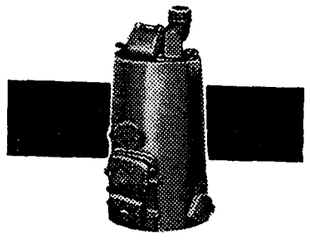
Recent unhappy, tragic and most deplorable occurrences in Assam prove the danger of adopting such a course for achieving an object outside the purpose for which the States have been given the right to localize the State language.

So far as our Company is concerned we employ as many "sons of the soil" as we find suitable for the jobs to be filled but for the rest impose no restrictions of any kind. This to my mind is the only reasonable course. This is no platform for discussing the merits of the language controversy, either at the Centre or in the States, and all I wish to emphasise as a business man is the adverse effect that any other course will have on the economic development of the country.

ACKNOWLEDGMENTS :

In conclusion I should like to express on behalf of the Directors our appreciation of the services rendered by the General Manager, Mr. J. McCracken, and his executive staff throughout the year. An expansion on the scale undertaken by our Company throws a very great burden and responsibility on all staff additional to the normal cares, troubles and anxieties of management on which there has now been superimposed the constant problem of the operational difficulties caused by the short supply and severe deterioration in quality of raw materials. Our thanks are also due to our Consulting Engineers, The International Construction Company Limited, who have so ably planned and supervised the execution of the expansion. To all it must be a source of the greatest satisfaction to see as a monument to their efforts the fine expanded plant as it stands today in the final stages of its completion. It gives me pleasure to place on record this expression of our thanks.

The above Statement is not a report of the proceedings of the Annual General Meeting.

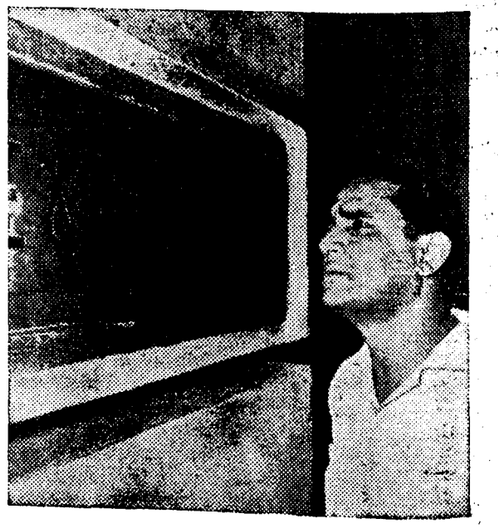


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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
August	1959 ..	127.1	98.3	115.5	119.4	109.2	109.5	109.5	117.1
September	" ..	120.6	99.7	116.3	122.6	111.3	109.8	110.0	117.2
October	" ..	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
August	1960 ..	123.9	106.7	119.5	137.0	130.1	121.0	122.3	125.0
September	" ..	123.9	104.5	119.8	138.7	129.5	121.5	122.7	125.3
October	" ..	121.9	113.5	119.9	146.3	130.1	123.7	124.6	126.2
15-10-1960	..	121.5	105.5	119.1	150.2	130.1	126.1	126.6	127.0
22-10-1960	..	121.5	119.0*	120.0	147.0	130.6	124.1	125.0	126.4*
29-10-1960	..	121.6	118.4	119.9	146.9	130.8	124.2	125.1	126.4
5-11-1960	..	121.0	117.8	119.9	149.9	131.5	124.6	125.6	126.7

*Revised.

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

Period		Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	..	103	—	—	—	—	105	104	—	106	—	—	—
1952	.. ..	321	337	250	143	351	441	380	150	330	151	154	141
1953	.. ..	346	363	275	140	349	453	387	151	351	147	156	145
1954	.. ..	342	359	244	138	327	408	373	139	341	148	140	138
1955	.. ..	322	338	218	130	321	371	364	133	321	134	135	132
1956	.. ..	336	352	244	142	347	424	397	151	358	152	146	145
1957	.. ..	352	368	259	150	364	448	422	162	374	157	157	152
1958	.. ..	376	394	274	150	384	468	447	165	401	157	169	161
1959	.. ..	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 December	.. ..	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	.. ..	403	422	304	159	385	460	509	168	441	164	173	168
February	.. ..	399	418	294	161	389	468	511	165	448	167	167	168
March	.. ..	395	414	287	157	392	464	510	165	446	166	168	167
April	.. ..	402	421	288	155	392	463	511	165*	446	162	163*	168
May	.. ..	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	.. ..	403	422	297*	154	399	460	510	165*	462	167	164*	171
July	.. ..	404	423	299*	160	406	484*	515	165‡	467	169	164*	174*
August	.. ..	402	421	302*	160	410	484*	515	—	470	169	—	174*
September	.. ..	399	418	—	161	—	485	520	—	472	167	—	174*
October	.. ..	—	—	—	162	—	—	—	—	—	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 11-11-1960 High	Low	Average	4-11-1960 High	Low	Average	28-10-1960 High	Low	Average	21-10-1960 High	Low	Average
Gold (per 10 grams) ..	115.65	114.65	115.31	116.00	114.80	115.36	115.95	114.40	115.06	114.20	113.15	113.66
Silver (per kilogram) ..	196.85	194.65	195.80	195.60	192.75	194.80	193.90	192.60	193.14	193.20	191.25	192.03

SCHEDULED BANKS

(Rs. in Lakhs.

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	488,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59 ..	735,93	880,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
Average of Fridays										
May 1960	785,27	1193,71	1,978,98	48,84	90,72	7.05	964,21	167,88†	57.21	744,91
June ,, ..	790,17	1202,95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
July ,, ..	792,72	1215,71	2,008,43	48,19	112,01	7.98	979,13	147,95†	56.12	735,74
August ,, ..	792,95	1212,04	2,004,98	46,35	110,46	7 82	966,68	149,15†	55.65	739,09
September ,, ..	779,24	1188,44	1,967,68	46,46	102,53	7.57	980,18	146,48†	57.26	734,02
October ,, ..	791,28	1155,68	1,946,95	48,25	101,04	7.67	965,97	150,43†	57.34	703,55
Week Ending										
14-10-1960 ..	792,37	1164,34	1,956,71	47,50	107,76	7.93	968,14	147,98†	57.04	707,72
21-10-1960 ..	785,11	1148,23	1,933,34	48,34	99,06	7.62	964,62	151,67†	57.74	697,00
28-10-1960 ..	797,20	1143,85	1,941,05	48,69	95,65	7.44	960,38	150,81†	57.25	689,54
4-11-1960 ..	790,62	1143,87	1,934,49	47,08	104 66	7.84	955,31	154,30†	57.36	698,97
11-11-1960 ..	785,34	1144,45	1,929,79	47,56	101,63	7.73	954,86	154,19†	57.47	688,16

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59 ..	2,498,75	1 724,53	774,23	754,98	19,25	+109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+203,44*
April 1960 ..	2,746,29	1,912,93	833,36	812,78	20,58	+43,16
May ,, ..	2,724,97	1,895,79	829,19	810,08	19,11	—21,32
June ,, ..	2,702,31	1,869,02	833,28	810,37	22.92	—22,66
July ,, ..	2,670,62*	1,827,17*	843,45*	813,27	30,18	—31,69*
August ,, ..	2,659 29*	1,806,88*	852,41*	819,77*	32,63	—11,33*
September ,, ..	2,630,54*	1,818,78*	811,75*	792,48*	19,28	—28,75*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

EARNINGS OF FACTO RY LABOUR*: 1951 - 58

(Annual Average)

(Rupees per worker)

	1951	1952	1953	1954	1955	1956	1957**	1958† (P)
1. Textiles	1044.0	1122.0	1116.1	1089.6	1191.3	1244.5	1243.3	1304.3
2. Footwear, other wearing apparel and made-up articles	989.3	1122.0	1072.9	1107.0	1101.3	1098.0	1308.1	1322.0
3. Wood and cork (except furniture)	653.8	667.7	761.4	746.1	670.0	762.2	726.8	817.2
4. Furniture and fixtures	940.0	834.4	896.1	970.3	681.0	716.4	958.6	759.7
5. Paper and paper products ..	957.9	1019.3	998.5	947.6	1062.5	1036.4	1157.6	1199.9
6. Printing, publishing and allied industries	1052.9	1155.8	1123.4	1214.1	1152.1	1188.6	1217.5	1305.1
7. Leather and leather products (except footwear)	752.3	718.9	923.2	815.4	836.6	756.6	889.8	1032.0
8. Rubber and rubber products ..	1325.1	1339.6	1431.9	1335.8	1368.4	1501.7	1497.2	1382.3
9. Chemical and chemical products ..	868.1	974.2	1036.2	1021.0	957.2	980.9	1147.3	1302.0
10. Products of petroleum and coal ..	1131.8	1156.7	1407.0	1339.7	1492.9	1686.2	1990.3	1849.4
11. Non-metallic mineral products (except petroleum and coal) ..	699.2	695.9	824.2	740.5	781.5	833.3	835.3	886.2
12. Basic metal industries	1368.2	1532.7	1711.1	1612.6	1673.4	1487.9	1463.2	1527.9
13. Metal products (except machinery and transport equipment)	917.3	991.2	945.7	1024.9	1048.2	1119.5	1145.4	1175.9
14. Machinery (except electrical machinery)	998.5	1030.3	1030.5	1117.6	1100.4	1136.2	1189.3	1335.9
15. Electrical machinery, apparatus, appliances and supplies	1237.6	1296.4	1330.6	1275.0	1340.0	1314.0	1437.9	1384.4
16. Transport equipment	1170.7	1670.9	1186.1	1392.0	1429.6	1473.2	1481.5	1455.2
17. Miscellaneous industries	1067.3	885.3	1112.4	1162.3	1209.8	1169.9	1249.0	1214.7
18. Electricity, gas and steam	1229.2	1300.2	1395.8	1328.7	1371.7	1455.1	1591.8	1570.2
19. Water and sanitary services ..	907.9	973.3	914.2	1045.6	1041.4	1115.9	1147.5	1207.0
20. Recreation services	968.6	968.8	919.7	945.7	1037.0	1227.4	1302.0	1116.6
21. Personal services	852.9	327.5	338.3	373.6	362.8	465.2	488.4	589.6
22. All industries	1035.6	1112.2	1110.9	1111.3	1173.5	1208.1	1233.9	1282.4

(P) Provisional

Note: The figures upto 1955 relate to All Part 'A' States and Part 'C' Areas of Ajmer, Coorg and Delhi. Figures for the year 1956 relate to re-organised States excluding Kerala, Mysore and Jammu & Kashmir and Rajasthan but including Delhi only among cen trally Administered Territories.

**Excludes Jammu and Kashmir, Mysore and Manipur.

†Excludes Madras, Kerala, Mysore, Jammu and Kash mir, Manipur and Himachal Pradesh.

*Relate to factories registered under the Factories Act. They include all persons employed in factories in receipt of a wage, or salary less than Rs. 200 per month.

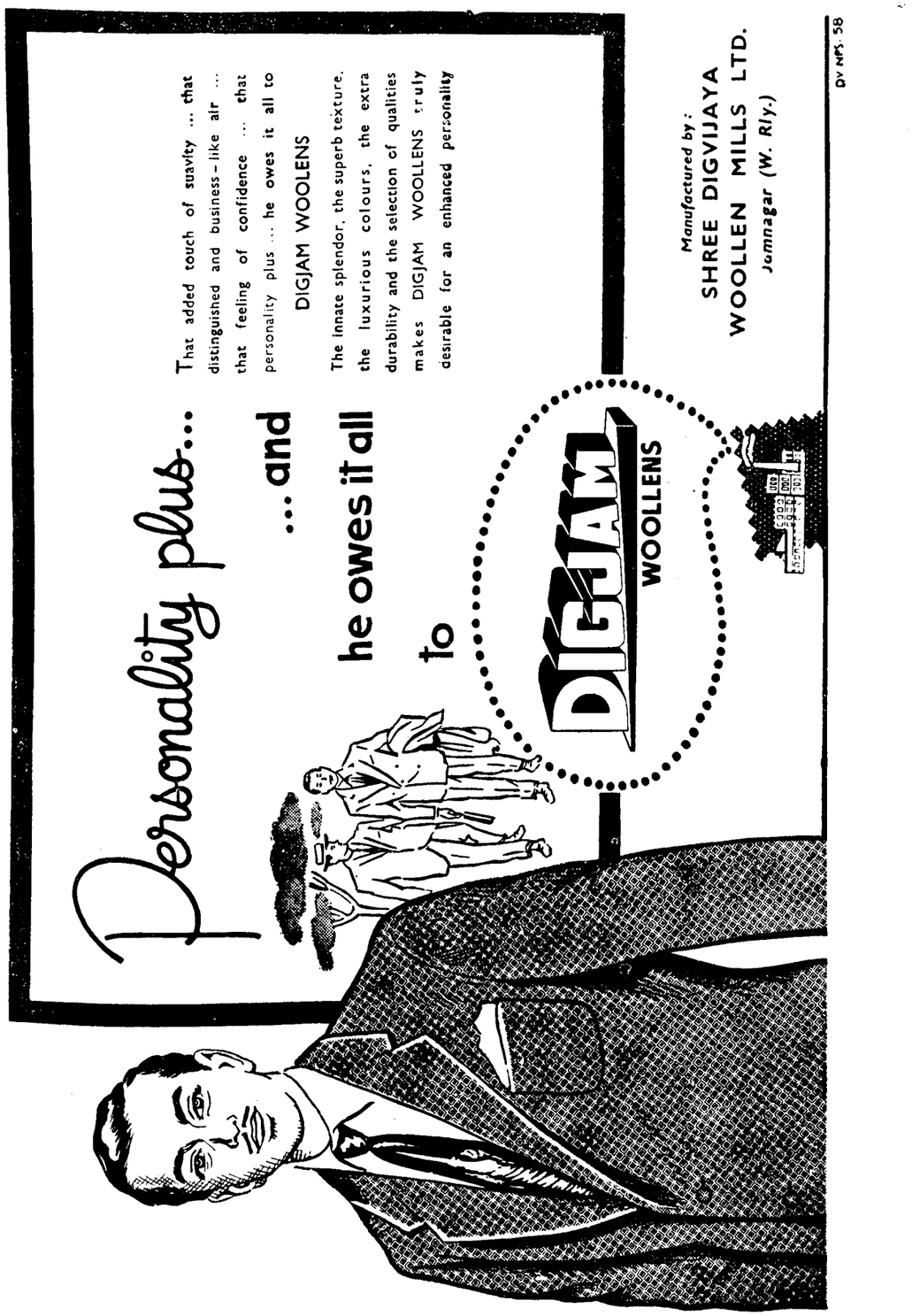
Source : Labour Bureau, Ministry of Labour and Employment.

CENSUS OF MANUFACTURING INDUSTRIES: 1958

	Sugar	Sewing Machines	Woollen Textiles	Rice Milling	Soap	Fruit and vegetable processing
1. Number of registered factories in existence* ..	198	24	51	1,744	33	29
2. Factories from which returns were received ..	168	20	45	1,452	27	21
3. Percentage of (2) to (1)	85	83	88	83	82	72
4. Fixed Capital employed (Rs. lakhs)	43,72.0	2,04.9	3,85.3	7,13.8	3,59.3	38.2
5. Working capital employed (Rs. lakhs)	59,18.0	1,39.6	9,73.0	11,89.9	6,90.3	57.7
6. Total capital employed (Rs. lakhs)	102,90.0	3,44.5	13,58.3	19,03.7	10,49.5	95.9
7. No. of workers employed (Thousands)	103.6	4.6	15.3	48.0	4.8	1.3
8. No. of persons other than workers employed (Thousands)	21.9	0.6	1.9	9.8	1.2	0.2
9. Total number of persons employed (7+8) (Thousands)	125.5	5.2	17.2	57.8	6.0	1.6
10. Wages paid to workers (Rs. lakhs)	799.6	1,14.7	1,76.6	1,56.0	89.2	7.2
11. Salaries paid to persons other than workers (Rs. lakhs)	351.9	37.4	56.9	76.4	49.8	5.0
12. Money value of other benefits or privileges (Rs. lakhs)	91.9	8.7	16.4	14.2	11.3	0.7
13. Total salaries and wages paid (Rs. lakhs) (10+11+12)	12,43.3	1,60.8	2,49.9	2,46.6	1,50.3	12.9
14. Value at factory of materials, fuels, consumed etc. (Rs. lakhs)	84,62.8	2,80.6	13,91.3	73,74.6	15,59.0	1,04.1
15. Value of work done for factories by other concerns (Rs. lakhs)	5,55.1	1.6	8.4	1,06.9	51.6	2.0
16. Depreciation (Rs. lakhs)	3,36.6	11.0	24.2	42.8	26.5	2.0
17. Total of materials, and fuels consumed and depreciation (Rs. lakhs) (14+15+16)	93,54.5	2,93.2	14,24.0	75,24.4	16,37.1	1,08.1
18. Factory value of products and by-products Rs. lakhs)	129,69.8	5,85.7	19,45.9	78,92.6	23,88.7	1,40.9
19. Value of work done for customers (Rs. lakhs) ..	Neg	Neg	8.5	79.5	10.5	3.7
20. Total of products and by-products manufactured for sale (Rs. lakhs) (18+19)	129,69.8	5,85.7	19,54.4	79,72.1	23,99.2	1,44.6
21. Value added by manufacture (Rs. lakhs)	36,15.3	2,92.4	5,30.4	4,47.7	7,62.1	36.5
22. Value added per person employed (Rs.)	2,881	5,623	3,084	775	12,702	2,281
23. Value added as percentage of productive capital ..	35.1	84.9	39.0	23.5	72.6	38.1

*Employing 20 or more workers on any day and using power.

Source: C.S.O.





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UNDER SECRETARY TO GOVERNMENT 6 DEC 1960 PUBLIC DEPARTMENT

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The Eastern Economist

DECEMBER 2, 1960

The Deepening Foreign Exchange Crisis

THE announcement last week that there will be an additional and severe cut on imports for the current half-year has come as a rude shock to those who, reading the last import policy declaration and the deceptive Red Book optimistically, deduced that things were to remain very much as they were. This was not the feeling of *The Eastern Economist;* but even its prediction that a cut of Rs. 25 crores was involved in the new import policy, has turned out to be too low. The current estimates are to the effect that for the half-year ending March 31, 1961, the cut may be as much as Rs. 30 crores on private account. A cut of this order on about a normal import figure for the half-year of Rs. 150 crores on private account, coming on top of severe rationing for two years, and the rise in production, means, bluntly, that even 'maintenance' of the economy has become impossible. A steep decline in production in certain fields depending on imports is thus written into the current declaration. There is worse to come on 'development.'

There is no doubt that the deepening foreign exchange crisis has greatly shaken confidence in the Indian industrial expansion. The fact that the Planning Commission proceeds to raise the total volume of investment in the Third Plan and State Governments cheerfully undertake to raise additional resources to finance it does nothing to remove the gathering gloom in regard to the foreign exchange component. The question is being asked as to whether or not the Ministry of Finance and the Planning Commission live now in entirely different worlds. There seems to be no element of realism in the manner in which the Finance Ministry propounds the doctrine of extreme economy in expenditure and the Planning Commission promptly devises ever-rising targets for the Third Plan. There is no comfort to be found from the repeated suggestions that this is a short-period phenomenon for it is written more into the Third Plan than in the few remaining months of the Second. The Third Plan on paper is not related to anything which has been underwritten since the Finance Minister gave this figure in the Lok Sabha last week as Rs. 750 crores only against requirements of Rs. 2,600 crores over the whole period. The net result is that Indian 'maintenance' is at a standstill and Indian development, so far as foreign exchange is concerned, is limited to Rs. 750 crores, specifically underwritten for this purpose. As far as can be seen at the moment, development in the first year of the Third Plan will be running at a level significantly below the average of the last two of the Second Plan.

This is all dismal enough, but takes no account of the impediments that are likely to arise if additional foreign exchange is earmarked for development at the expense of current maintenance. This has raised the old question of maintenance versus development imports. It is time that the Government of India made up its mind that, for a period at least of one year, development should be kept in cold storage except in respect of areas for which foreign exchange has been underwritten, while maintenance receives all the foreign exchange which the country can earn. The Minister for Industry, Mr. Manubhai Shah, has been particularly responsible for an absurd allocation of new licences far in excess of the country's foreign exchange capacity. The insistence on a small car, on watches, and so on is merely a mark of this great unwisdom. Vast idle capacity is being created in the country at a time when, in order to cushion inflation, every element of capacity should have been fully utilized. A serious divergence between policy in the Ministry of Finance and the Ministry of Commerce and Industry has resulted in a crisis of non-utilization for which both Ministries must be deemed responsible. In the continuing crisis which the Finance Minister did nothing to dissolve in his speech last week, it is clear that what is now required is a fierce allocation of priorities in such a manner that no doubt is left as to which projects are to receive foreign exchange. In this allocation public sector projects must come under the same rigid discipline as those of the private sector. The axe must be used ruthlessly to secure at long last some order in this chaos.

Unless the Prime Minister recognizes forthwith that it is necessary in the public interest that many pet schemes (including atomic energy and some other pet long-range projects) will have to wait until better times, the deepening crisis can only lead to a great shaking of confidence in Indian planning, and, as a consequence, in the economy as a whole. A serious crisis has to be averted by a hard decision now to be taken on what can be done for the next twelve months. It is time that the confusion of tongues in the various Ministries of the Government of India was dissolved by a single Draconian decision in which the agonies of maintenance and development are finally resolved at least "for the duration."

Wanted: An Index for State Plans' Allocations

THE discussions between the Planning Commission and the States in regard to the financial allocations of the Third Plan have now concluded and complete details of the anticipated share of each State in the Third Plan and the volume of Centre's assistance are now available. The total size of the State Plans for the Third Plan period is now estimated at Rs. 3,769 crores, while Central assistance to the States is computed at Rs. 2,380 crores. In the Second Five-Year Plan, the estimated outlay for the State Plans came to Rs. 2,044 crores out of which Rs. 1,050 crores were provided by the Centre. Thus, the total outlay of the State Plans for the Third Plan period is likely to be a little less than double of the anticipated outlay for the Second Plan. Central assistance also has increased but to a greater degree than the increment in outlay of the State Plans; whereas the financial allocation has risen by 84 per cent, Central assistance has increased by 127 per cent. How so much Central assistance is to be provided is another matter.

What were the factors which governed the allocations for the State Plans? Did the Planning Commission take into consideration the size of each State—area as well as population—while fixing the allocations? Was the degree of backwardness of each State also deemed a necessary factor affecting the size of the State Plan? From the figures available, it appears that the allocations made by the Planning Commission for the State Plans have been arrived at by a process of hit and miss. No scientific technique seems to have been evolved for determining the size of the State Plans for individual States, or, if one exists, its description has been conspicuous by its absence.

Subjecting the allocations made by the Planning Commission to close scrutiny, grave anomalies are revealed. On per capita basis, for example, Uttar Pradesh received the smallest allocation both in the Second Plan and the Third Plan. Per capita allocation for Uttar Pradesh for the Third Plan works out at Rs. 63 as against the allocation of Rs. 141 for Kashmir. Thus, on a per head basis, the allocation made for Kashmir is more than double the allocation made for Uttar Pradesh; this is too blatantly political. Again, in the Second Plan, the allocation for Uttar Pradesh, on per head basis, was Rs. 35 only while for Punjab the Second Plan allocation was as high as Rs. 84 per head. Similar divergence is revealed in these allocations when measured on the basis of per square mile. Lowest in this regard stands the State of Kashmir with Rs. 9,000 followed by the State of Assam with about Rs. 14,000. Perhaps it is right that the State of Kerala should be the highest with more than Rs. 1,13,000 for every square mile.

It must be conceded that no scheme of allocations will be deemed to be in the interest of the whole country if the broad attempt of maximising the national income is not taken into consideration. But where is the line to be drawn between the whole and the parts? Surely some attempt should be found in the planning documents for the Third Plan to show that a happy mean has been struck.

Apart from such factors as area, population, backwardness etc., of individual States, there is an important factor which has to be considered while earmarking financial allocations in the Third Plan. This refers to the basic facilities in each State needed for economic progress, technically described as infrastructure consisting of communications, roads, electric power generation, railways, irrigation, development, harbours, etc. For the development of the individual States, none of these factors can be ignored.

Thus, it is patent that any single factor employed for this purpose is likely to yield unsatisfactory results. There is an urgent need for an overall index which takes into account the various factors involved. It is desirable, therefore, that a new index based upon area, population, degree of backwardness, availability of resources etc. should be evolved for allocating Plan resources in a scientific manner. This is as much a challenge to private research agencies as to the Planning Commission.

The Ministerial Tangle in U. P.

DR SAMPURNANAND'S ultimate decision to resign office, under some pressure, as Chief Minister of Uttar Pradesh and to retire from public life has put an end at long last to the rot in the ministerial crisis in this premier State. There can hardly be any doubt that he committed a serious political error in treating the defeat of his nominee and the election of Mr C. B. Gupta as President of the State Pradesh Congress Committee as a vote of no-confidence in him. Constitutionally as well as politically this was an unwise mistake. But having opted for it, the forthright course for Dr. Sampurnanand was to give up office and save the Ministry from one of the worst phases of demoralization. It is true that he continued to stay in office under the pressure of the majority in the State Congress Legislature Party. But, meanwhile, with Mr. C. B. Gupta's formidable control of the organizational wing of the party, the danger was that the rupture between the legislative and organisational wings would go on deepening.

It was this apprehension which appears to have initially persuaded Mr. Nehru to intervene and use his personal influence in straightening out the ministerial tangle. Mr. Nehru was perhaps driven to this course because of the failure of Pandit Pant's efforts to avert a showdown at the election of the State Congress presidentship. His repeated counsel to Dr. Sampurnanand was — and this he made emphatically clear at the Raipur session of the A.-I.C.C.— that further continuance of Dr. Sampurnanand in office would, apart from prolonging the rot, seriously impair the authority of the Cabinet and demoralize the administration of the State. It can hardly be denied that these undesirable but avoidable consequences have already taken place.

Up to this point, the disentanglement of the ministerial tangle in U.P. went on fairly smoothly. But the ministerialist group was in no mood to accept without a vehement protest Mr Nehru's choice of Mr. C. B. Gupta as the Chief Minister of the State in succession to Dr. Sampurnanand. The unanimous election of the leader was clearly ruled out, when the ministerialists set up Mr. Girdhari Lal as their candidate in the contest against Mr. C. B. Gupta. A showdown on November 29, the date first fixed for the election of the leader of the State Congress Legislature Party, seemed imminent. The ministerialist group was evidently exasperated by the intervention with the Legislature Party's independent choice of its leader and, as if to assert this fact with a vengeance, it imported another delicate and embarrassing element in the controversy by nominating Mr. Girdhari Lal in place of Mr. Hukum Singh. If Mr. Girdhari Lal is the seniormost member in the Cabinet, with the exception of the out-going Chief Minister, it may be more important to remember that he is a Harijan.

The issue in the original dispute now shifted to an entirely different ground. To begin with, it was a trial of strength between the organisational wing and the legislative wing of the party. But now it virtually boiled down to the unfortunate contest whether the choice that was to prevail should be that of the State Congress Legislature Party or that of Mr. Nehru. Already the ministerialist group had mustered the minimum majority required for the election of the leader—190 out of a total membership of 379, with Dr. Sampurnanand obviously expected to remain neutral. There were also indications that it could get a further and appreciable addition of votes in support of its nominee. Pandit Pant's eleventh-hour dash for Lucknow and the postponement of the election of Dr. Sampurnanand's successor to December 1 were regrettable but inevitable emergency developments. The constitutional issue about the impropriety of intermeddling with the choice of the legislative wing of the party to elect its own leader completely receded in the background.

To describe yesterday's election of Mr. C. B. Gupta as "unanimous" would be a serious travesty of the truth. His election was made an issue of Mr. Nehru's personal prestige and all the resources at the disposal of the Congress High Command were mobilised to crush opposition. A section of the State Congress Legislature Party abstained from the meeting in protest against denial of the right of free election of leader. As many as 19 out of 26 members of Dr. Sampurnanand's cabinet have declared their decision not to participate in the new government, if invited. Mr. C. B. Gupta has stated that he has not accepted the leadership to keep the party disunited. But he will emerge a sadder man. The High Command may have contrived to save the Prime Minister's personal prestige, but this will be a poor recompense for a bitter experience that high-handed intervention cannot ensure harmony and co-operation.

The U. N. Development Fund

MR. B. K. NEHRU, our Commissioner-General in America, apparently went wide of the mark when last week-end he spoke in the U.N. Assembly on a 44-nation draft resolution urging for the establishment of a United Nations Capital Development Fund. With the United States faced with a serious balance of payments crisis and the other leading aid-providing countries of the West hesitant to enter into any additional commitments at least for the time being, an agreement on world disarmament still remaining a far cry, and the Soviet Union unwilling to join any international lending institution, it was indeed premature to press for the setting up of such a fund. More so when only recently there has come into existence the International Development Association, an adjunct of the World Bank, designed to provide "soft" credits, repayable in local currencies over relatively long periods, for developmental programmes for which loans from the World Bank may not be available.

There is, no doubt, considerable force in Mr. Nehru's plea for increased economic aid to underdeveloped countries—their number as independent nations has greatly increased in the past few months — and routing of this aid through the U.N. which has certain obvious advantages. But the arguments he put forth, as India's representative, in commending the draft resolution are astounding, to say the least. Criticising the International Development Association, in the setting up of which he himself played an enthusiastic part only last year, he said this Association "did not have universality of membership and had weighted voting, so that it necessarily reflected the ideology, philosophy and even the theology of the group in control". Scarcely a more uncharitable remark could have been passed on the constitution of this august body. It is certainly not the fault of the West if the Communist countries under the leadership of Russia, did not participate in this Association, which would have given to it a universality of membership.

Mr. Nehru's second observation on the IDA that it could not and would not provide for the establishment of a steel plant "in the public sector" and thus it was necessary to set up a U.N. Capital Development Fund, is equally preposterous. He has surely pre-judged the issue, because the IDA has been in existence for only a very short period and it is too early to pass any verdict on its working—much less on any conceivable stray instance. More intriguing, however, is Mr. Nehru's argument, couched practically in the same terminology as so often used by the Soviet Union, for increase in the quantum of aid from the colonial powers of the West. These powers, he is reported to have argued, owe some kind of conscience money to the under-developed countries whom they exploited in the hey-day of their colonial rule.

The vital question that must be answered is whether Mr. B. K. Nehru overstepped his brief. The Union Finance Minister will do well to clarify the position. India has written into its Third Five-Year Plan a heavy draft of external assistance. And a major part of this assistance has obviously to come from the West, particularly from the Aid-India Club. Mr. Nehru's impetuous utterances in the U.N. Assembly will hardly contribute to a better understanding of this country's point of view. India has been fortunate in getting appreciable foreign aid from both the West and the Communist countries and that too without strings. It would be presumptuous on our part to doubt the bonafides of such international lending institutions as the IDA, whatever their initial shortcomings.

A DELHI DIARY

A RED HERRING?

BEFORE I dwell on more agreeable things, let me proceed on a course of deep introspection to determine whether or not I can find an answer from within to the thousand-rupee question which the President, Dr. Rajendra Prasad, presented to the Law Institute at its inauguration last Monday. Coming as the proverbial bolt from the blue (since there was no inkling in Delhi that there was any unrest in the President's mind in regard to the curtailment of his powers or authority), the President proclaimed the need for some deep research to be undertaken on the privileges of his office. It now transpires — and we journalists must be extremely foolish not to have given some consideration to it earlier — that the President was asking a very real question. My legal advisers — should I have said luminaries? — now tell me that there is no provision in the Constitution which makes it clear that the President acts only on the advice of his Cabinet though Article 74 states that the President should so act in specific matters. This section does not seem to be of an intrinsic or central character running like a golden thread through all sections of the Constitution. The pundits now say that there is much to be said for the view that the Indian Constitution has not described the President's role as subordinate to the Council of Ministers on issues on which they have taken a stand. Ergo—post hoc, sed non propter hoc?—the President is free to act in many respects, contrary to the advice of his Ministers.

Those of us who have been in Delhi since the Constitution came into force know of instances where the Prime Minister and the President have differed. In small respects, notably as to where he should be on Independence Day, the President has stuck to his guns and has repeatedly visited the South when it was the advice of the Government that he should be present in Delhi. There are smaller matters on which he has raised issues of disagreement, but he has, in fact, not pressed them; one such was co-operative farming. But if he should now really feel that the Constitution permits him to act without the advice of his Ministers, is there not likely to be a long period of testing until the appropriate conventions are accepted? In any case, the theory evolved by the Prime Minister that the President is a 'Constitutional' Head of State is now fairly and squarely in the melting pot. For my part, having done some substantial research on the basis of the President's chance remark — was it not so casual as it looked? — I have come to the conclusion that the President of the Indian Union is likely, in the near future and for some time thereafter, to raise a convention of a somewhat different character than that which has hitherto existed. With the strong support Dr. Rajendra Prasad has in the House, this is a factor, they tell me, which will necessarily circumscribe the excessive powers exercised by the Council of Ministers. I await developments with not a little (constitutional) excitement.

HOWLERS — BOTH

Before I come to the events surrounding the visit of the Crown Prince and the Princess of Japan, may I further exhibit my ignorance by saying that I have been convicted this week of having the most disrespectful views of two geographical entities which have suddenly become alive? The first of these was Mauretania, the new State which has become free this week. I always thought that Mauretania (and Ruretania!) was a fictional Balkan state referred to as a kind of joke — only unreal, while Monaco, an "individual" principality, was real. I now see that Mauretania is a very substantial kingdom, Mea culpa, mea culpa, mea maxima culpa! The next howler of which I have been guilty is on Timbuktu. On the borders of Mauretania there lies a real Timbuktu which I thought was nothing else but a legendary name to whom one could consign those whom one preferred to remove from this pleasant earth without sending them to a place as unpleasant as Hades. My apologies to Timbuktu are deep and full of humility!

KANGEI

Until the Crown Prince Akihito and Princess Michiko of Japan came here this week, none of us knew what 'Kangei' meant. We have been educated so much in two days that, at the Civic Reception on Wednesday, shouts of 'Kangei' — the Japanese word for welcome — rent the air. The Crown Prince and Princess have charmed everybody. The Prime Minister paid a special tribute to Princess Michiko, when he said at the Red Fort reception: "Whoever sees her feels a sense of happiness. She has embodied in herself all the grace and artistry of Japan." Those of us who have read about her romance — the story goes, she had the temerity to beat the Crown Prince roundly at their game of tennis, an act of extreme boldness in Japan where one never measures oneself against the Royal House, still less against the coming Emperor — have specially watched her in the last three days. Practically all that Michiko has done, seems to be just right, and perhaps, for the first time in the history of Japan, a woman will play a high part in the counsels of the nation.

It was appropriate that the Crown Prince should have been brought into the laying of the foundation stone of the India International Centre near Lodi Gardens, because Japan's International House at Tokyo was the model on which our own is now being built. Mr. C. D. Deshmukh, President of the Board of Trustees, made a very happy speech in which he referred to the adjustments that Japan had made, firstly, with the outside world after a long period of isolation, and secondly, with the serious misfortunes which have more recently come upon it. He spoke appropriately of the Crown Prince and the problems of adjustment of which he has shown himself to be a master. His distinguished father, the Emperor Hirohito, had an even greater problem of adjustment, having to surrender divine attributes almost overnight to accept a subordinate position to an army of occupation and subsequently, a wholly human position as a nearly constitutional Head of State. The young Prince has to effect an adjustment of a somewhat different kind. He is to be a much travelled ambassador of his country apart from maintaining the veneration which traditionally belongs to the Emperor. One of the greatest tributes that I have heard paid to the Crown Prince in the last few days may be very simply expressed in the statement that he has proved equal to the occasion. With one of the most difficult tasks of adjustment in the world, he has shown a natural ease with which he is taking the changed role of a Crown Prince of Japan completely in his stride. He could not have made a better choice in seeking a partner than in Princess Michiko. For at a time when the Emperor was discarding privilege, there could be no better indication of his coming to terms with his people than the decision to seek an alliance outside the Royal family tree. I sometimes wonder whether our own feudal aristocrats have fully appreciated the wisdom of marrying outside their circles. I will not attempt to describe which circle will be improved by the process; my views are, perhaps, too modern!

ARGUS.

THE WEEK'S NOTES

Press

M. S. M. SHARMA

THE DEMISE this week, while travelling back to Patna, his second home, of M. S. M. Sharma, removes from Indian journalism one of its most colourful figures. M. S. M. Sharma—no one thought of referring to him without all his initials—was a figure of controversy long before he became Editor of the 'Searchlight' at Patna. In Karachi as Editor of 'The Daily Gazette' and elsewhere he was known for his determined opposition to Pakistan and as a book, published long after Partition, showed the embers of that controversy had not died down inside his mind. As Editor of the 'Searchlight' he will be remembered for a conspicuous case of privilege which he carried to the Supreme Court unsuccessfully. In a sense, he was fighting a losing battle not only in the 'Searchlight' but also against failing health and the difficulties of adjusting himself to the climate of opinion which seemed to him to be becoming more monolithic and unresponsive. His was a vigorous mind but, almost because of its vigour, always in opposition. He carried in this opposition both his qualities and his defects of single-mindedness and passionate expression.

Only his friends will know how amidst these vigorous campaigns of outward rebellion he tried over the years to cultivate deep internal peace of mind with the help of his late Guru, the Swami of Sringeri Mutt of Mysore. The deep devotion with which he followed the teachings of his Guru over a quarter of a century, whilst indulging in all the parry and thrusts of worldly debate, was reassuring to those who sometimes doubted whether his springs were those of deep conviction. Now in rest, everyone must pay tribute to one who may have failed in many things, but who sustained himself in failure with deep philosophy. Each year as his difficulties increased, he seemed to renew his strength more abundantly. To such men death has no sting and the grave no victory.

World Unity

INDIA INTERNATIONAL CENTRE

RECOGNITION OF India and its cosmopolitan capital, New Delhi, as occupying a vantage position at the crossroads of East and West, where various currents of intellectual, cultural, political, social and economic thoughts meet freely, was reiterated on Wednesday afternoon when in the picturesque surroundings of the famous Lodi Gardens, the Crown Prince of Japan laid the foundation stone of the spacious building which will house the India International Centre. Sometimes referred to as a "Super-University," this Centre is the second one to come up in a series of four. The first such centre, known as the International House of Japan, was established a few years ago in Tokyo. The other two are to be located in Paris and New York. The trustees of the Delhi Centre could hardly do better in their choice of the Chief Guest for the foundation-laying function. Prince Akihito, of the Land of the Rising Sun, was obviously the most appropriate person to perform this ceremony. As Dr. C. D. Deshmukh, President of the Centre, pointed out in his welcome address, he, although so young, exemplifies by his own career the "informed and inspired adjustment" to the changing times.

The need for establishing such centres to foster amity and friendship amongst the different communities of the world can hardly be over-emphasized at the present juncture when not a few of them stand divided in two warring camps and unseeming spectacles are not infrequently witnessed on the world stage. Promotion of understanding between the nations of the world through the study of their past and present cultures and by dissemination or exchange of knowledge thus gained is a laudable objective indeed and requires to be pursued. The India International Centre like its prototype, the International House of Japan, will endeavour to achieve this goal by undertaking research and organizing, in collaboration with world institutions interested in this work, study courses, conferences, seminars and lectures on matters relating to different cultural patterns. The literature thus produced will be published for the benefit of all. The Centre during the past two years of its existence has already made a modest beginning in this regard. The tempo of this useful work will undoubtedly increase when the Centre's spacious house is completed next year.

Inflation

THE HISTORIC LAW OF RISING PRICES

DO PRICES always rise? An attempt has been made to answer this question in a provocative article by R. G. Lipsey in the October issue of Lloyds Bank Review. Professor Lipsey has analysed the available price index numbers for the UK covering seven centuries. A secular trend of prices since 1275 worked out by Phelps Brown and Sheila Hopkins shows that an increase of half of one per cent per annum has been witnessed over the period of 700 years and this rising trend is, indeed, the basis for the historical law of rising prices.

A study of the percentage changes between the main peaks and troughs of the price level between 1275 and 1959 shows the following variations:

Period	No. of Years	Percentage change in price level %
1275-1525	250	+29
1525-1650	125	+550
1650-1744	94	— 38
1744-1813	69	+263
1813-1893	80	— 51
1893-1920	27	+183
1920-1932	12	— 59
1932-1959	27	+322

It will be seen that as against three negative signs appearing in the last column, there are five positive signs. A year to year comparison, however, shows an entirely different picture. In 343 years the price level rose from one year to the next, while in 328 years, the

price level fell. For the remaining years, it was unchanged. Thus the price level fell from one year to the next in almost as many cases as it rose. In other words, a study of short term durations provides no guidance for future trends.

The same exercise was repeated by Professor Lipsey with "time horizons" of ten and fifty years. With periods of 50 years, the frequency for the prices to fall was found to be higher than the frequency to rise; there were 82 instances in which price level fell as against 69 cases of rise. When the time span was changed to ten years, frequency of price level increases was 125 as against the frequency of falls at 124. This analysis based over varying time horizons shows that the historical law of rising prices is a poor guide for forecasting future trend in prices. Thus, any advice to investors to expect inflation in the future because this was the experience in the past is based on "shaky basis".

Finance

INDO-PAKISTAN TALKS

DURING THE last one week, many outstanding Indo-Pakistan issues have been the subject of study and scrutiny at the various meetings of the representatives of the two Governments. Although each issue in itself is important, it is the Indo-Pakistan financial talks that draw the first attention. It is unfortunate that no final agreement could be arrived at regarding an issue which has been hanging fire for the last 13 years. The only saving factor in the complex situation is that the talks have ended on an optimistic note. The communique that was issued at the end of the talks stated that "though a final agreement could not be reached, the two Finance Ministers have a full understanding of each other's point of view. They hope to meet again and will endeavour to give an agreed answer to the outstanding problems." This obviously shows that the two sides have displayed considerable accommodating spirit.

The Indian Union was hopeful that in view of the amicable settlement in canal waters, there might be an early settlement of the financial disputes as well. But Pakistan has been toeing the old line that a distinction should be made between what she claims as current payments due to her from India and the partition debt she ows to India. India's contention is that current payments could not be divorced from an overall settlement, including the partition debt. In the matter of share of income-tax arrears, Pakistan is understood to have claimed these arrears even from the people who had lost their all in Pakistan. Pakistan has claimed that current payments due to her amount to Rs. 180 crores (previous regimes in Pakistan had estimated this at only Rs. 80 crores). The partition debt due from Pakistan, valued at Rs. 300 crores, was to have been paid in 50 instalments starting from 1952 but no payments have so far been made.

It is high time that Pakistan started paying annual instalments towards the partition debt, particularly when India is to pay nearly Rs. 8 to 9 crores annually towards the cost of the canal works in Pakistan. With goodwill on both sides, there is every likelihood of all these differences being resolved at an early date.

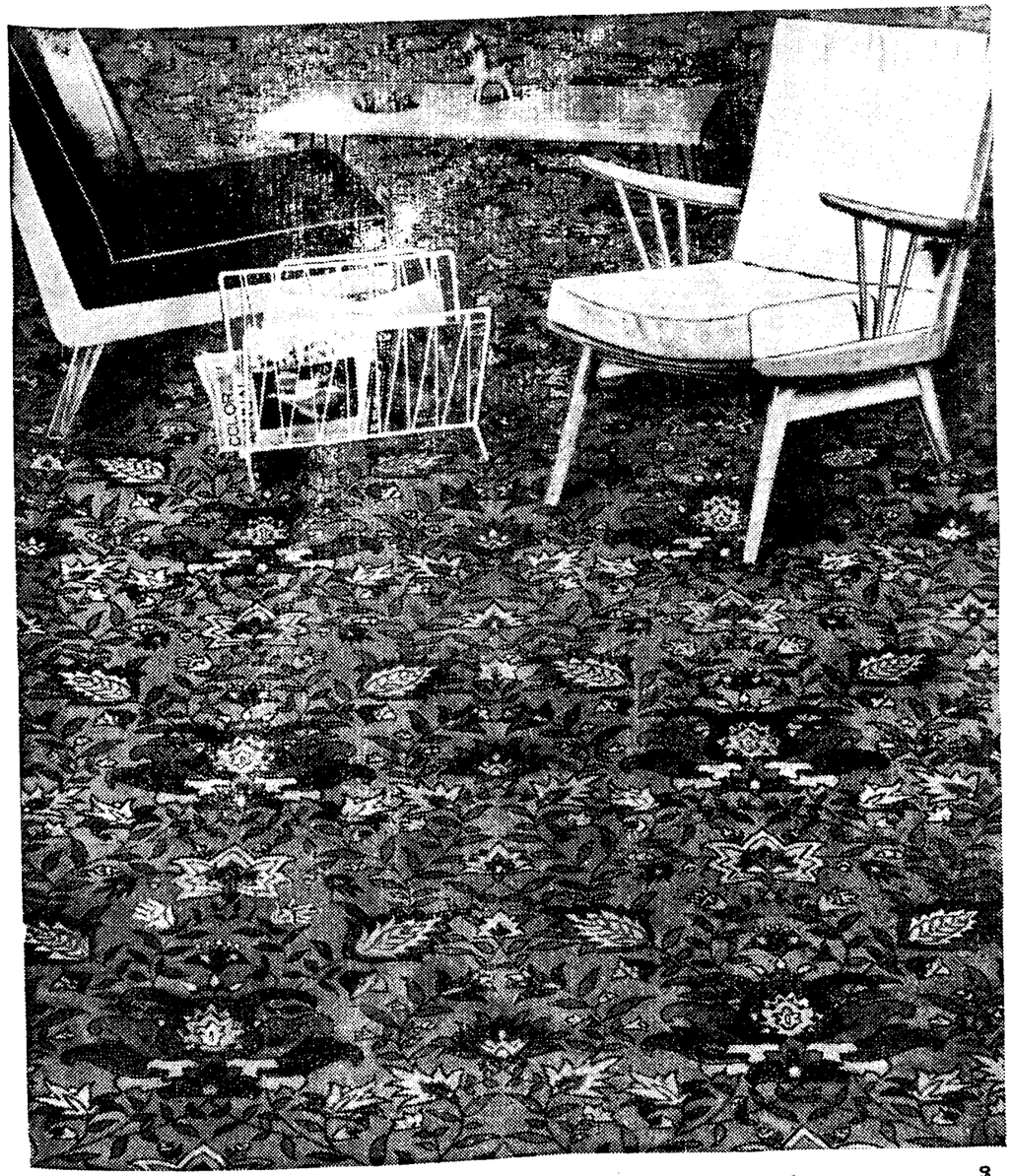
HINTS FOR FOREIGN INVESTORS

NOT ALL the foreign assistance needed for the Third Plan is likely to come from friendly Governments or the World Bank. A sizeable part of our gigantic needs for foreign exchange will have to be met by private foreign investments. Unfortunately, there seems to be a substantial volume of ignorance and mis-information all-round about the prospects of investments in the Indian Union. The Federation of Indian Chambers of Commerce and Industry and the Indian National Committee of the International Chamber of Commerce have done a valuable service to India as well as to the foreign investors in bringing out a brief but informative brochure giving complete details in regard to potentialities, climate, incentives and procedures of foreign investments in India.

The potentialities of investments are demonstrated with reference to the availability of natural resources and programmes for industrialisation in the Third Plan, with special reference to the industrial policy of the Government of India. It is indicated, for example, that the mixed economy of this country has allowed a wide field for the expansion of the private sector. A separate chapter is devoted to "climate" for foreign investments. It is explained that treatment to foreign capital is meted out on par with domestic capital, though it is desired that a major interest in ownership and effective control of any undertaking should be in the Indian hands. There is, however, no hard and fast rule in this regard and each case is dealt with on merit. In case the foreign enterprises are nationalised compensation is paid on a fair and equitable basis.

Amongst the facilities and incentives provided for foreign investments, double taxation agreements between India and Sweden, West Germany, Norway, Denmark, USA and Japan have been explained in detail. The provisions for repatriation of foreign investments, remittance of profits etc. indicate that the restrictions are less rigourous than is commonly believed. The last chapter explains the procedures involved in setting up an industrial undertaking, right from the issuance of the industrial licence to the actual putting up of the plant.

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The World Abroad

ARE SHAREHOLDERS PARASITES?

By

ODYSSEUS

THE LEARNED Rakshasa, who periodically torments me, has been at me again. He said: "Where an industry is privately owned and is not subject to any direct public control, the community's interests are wholly unprotected. Directors of companies today are responsible to no one. The shareholders who nominally appoint them are far too numerous, and incapable of joint action to control the board properly. So that boards of directors, free from the interference of sheep-like shareholders, are self-perpetuating oligarchies, with no incentive to efficiency and no deterrent to incompetence."

To which I replied: How do the "interests of the community" suffer? The "community" is not an abstraction. It consists of all the men, women, and children in the country. What are their "interests"? The production of the goods and services that they want, as abundantly and as cheaply as possible. Now, to uphold free enterprise does not mean that the State has no function. Its first job is to prevent monopolies and restrictive practices, price agreements, etc., and to enforce conditions in which competition flourishes. Once that is secure, competition between producers must satisfy the needs of the people who make up the community.

Secondly, although the average shareholder may appear to be a passive creature, that does not mean that he exercises no influence. It depends on the prevailing political atmosphere. If the government despises shareholders as pariahs, Company directors will feel able to ignore them. The more that shareholders are "socially approved", the more will directors bear them in mind when taking a decision. In the last resort, even assuming, which is not true in a free economy, that shareholders have no influence at all, managements cannot indulge in more than a certain degree of incompetence without losses that will end in bankruptcy.

SHAREHOLDERS' FUNCTIONS

The shareholder performs at least two major social functions: (1) he saves in hopes of a future income; (2) he invests his savings according to his estimate of how his hopes can be best attained. To enable him to perform these functions properly, companies must pay out maximum dividends consistent with normal business reserves. If companies plough back profits on a large scale they are assuming a responsibility for which they are not the best judges, namely, how savings can best be allocated between different firms and industries. A company is naturally biased in favour of its own prospects. A shareholder compares prospects over whole market before he invests.

The basic point is: What (in an imperfect world) is the best way of making directors accountable to the community?

Two main ways have been tried. The first is that of Free Enterprise. Here those responsible for management are clearly identifiable and accountability is forced on them by the interaction of shareholders and the higgling of the market. The second is Nationalization. This is worked in different ways in different countries. In the UK, the Nationalization Acts of 1945-50 vested control of electricity coal, railways, civil aviation, road transport, and gas, in independent boards with general duties but free from ministerial control. They were not placed under the direct control of Parliament in order that business and technical decisions should not be influenced by continual political interference, e.g., to close a factory might be right from the technical and economic viewpoint but disastrous to electoral prospects. The result has, in the UK, been a fuzzy muddle in which it is almost impossible to pin down accountability onto anyone at all.

Clearly, the boards could not be wholly independent unless they were to be chartered monopolies. Ministers had to be given some measure of power over the boards and Parliament had to have some right of criticism. In practice, that right has been limited by sheer lack of time in Parliaments inundated by the contemporary obsession that legislation is the cure of all evils. At present, there is an imprecise balance of power between the Boards, the Ministry, and Parliament, It is impossible to assess precisely because it depends on the interplay of personalities, departmental committees, and the state of party political warfare. The members of the independent nationalized boards have infinitely less scope for the exercise of business initiative, enterprise, and adaptability to new circumstances and ideas, than the directors of a privately owned company. Nor has a Minister, who chances to be progressive and enterprising, the means or the right to intervene in anything but broad questions of policy.

Compared with this vagueness, the accountability of the board of directors of a private company, in satisfying directly their shareholders, and the consumers of their products, is pinpoint clear.

At this point my Rakshasa said sardonically: "In other words, your idea of the perfect State is one in which the government has no economic functions to perform because there is no such thing as the national interest, over-riding the selfish interests of particular groups of industries, shareholders, and consumers."

ROLE OF THE GOVERNMENT

First, there is no perfect State, I answered. Secondly, the national interest is upheld by creating a society in which there is full scope and reward for individual talent and initiative, in which as many people as possible, consistently with the avoidance of inflation, are kept employed, and in which no one is allowed to fall below a certain level of well-being—a level, which must, however, be defined realistically in terms of what is economically possible, and that means that the State must be controlled by strictly applied constitutional general principles which do not allow transient majo-

rities to impose burdens, which they don't accept themselves, on minorities of taxpayers or others, whose fewness makes their votes not worth buying.

Let us, for example, see what the UK government's relations are with one of the UK's biggest private industries: motor manufacture.

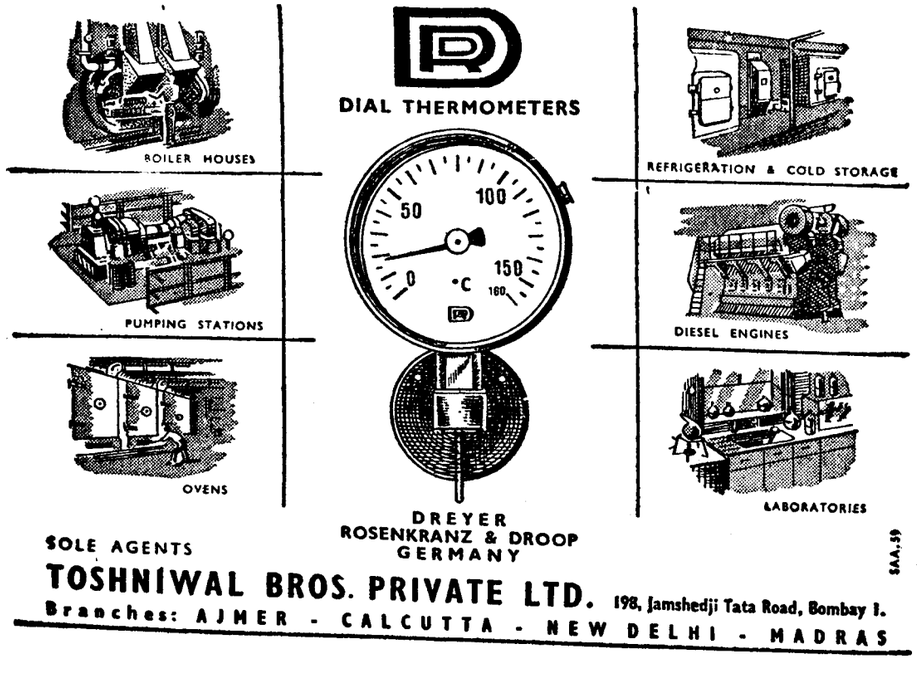
One of the UK's government's main post-war problems has been the balance of payments, and the export of motors was an obvious potential source of foreign exchange. The Labour government's system was to set export targets as high as 75 per cent of production and enforce exports by rationing the allocation of steel. This policy, coinciding with the small amount of foreign competition in the first post-war years, produced immediate expansion. Exports rose from the 1936-38 average of 95,633 cars to 370,642 in 1948. This expansion had the disadvantages of an artificially-stimulated drive, which became clear when other competitors, notably Germany, entered the field. British cars were sold higgledy-piggledy in those years in any market and supplies of spare parts were often inadequate. Concentration on exports meant that the industry lacked the base of a strong home market. Germany catered for her home market first, and following success there, was able to reduce production costs before entering the export market with a thoroughly developed sales organization.

The Conservative government ended the State's direct intervention in steel allocation of the motor industry and sought to achieve its policy aims by fiscal means, chiefly purchase tax and the control of hire purchase arrangements. Since 1955 the tax has varied between 60 and 30 per cent. To say that an industry, the price of whose products can be increased overnight in the domestic market by the Chancellor of the Exchequer by a stroke of the pen, is not subject to public control is to misuse words, and to go on to argue that it should be nationalized and a whole panoply of boards and government committees created in order to secure control is to abuse them. The UK government's Restrictive Practices Act of 1953 has ended collective retail price maintenance agreements and the industry has never been more efficient or competitive.

It is more difficult to secure accountability to the community in a nationalized industry and because nationalized industries are not, in the normal meaning of the term, profit-making concerns, nationalization deprives the community of one of the most powerful, because wholly automatic, means of protecting its interests. As to the national interests that should prevail over group interests, the government can protect them by maintaining conditions of competition, stable currency, adjustments of credit and full employment, and securing its various other aims, such as export promotion, by fiscal means, with the minimum of direct interference in economic processes.

Government has, or can acquire without nationalization, all the powers it needs to make national policy prevail over group interests. The UK example shows that nationalized industries are far less accountable to the community than private enterprises and the lesser efficiency and competitiveness of the nationalised industries are burdens on the community. Industries in any sensibly run Free Enterprise economy are not only more efficient, competitive, and progressive, but are subject to a degree of Government influence which Socialists find it convenient to ignore.

The climate of the economy and the protection of national interests are functions of the government, but in exercising its role the government should distinguish between two kinds of control: (1) the positive control exercised by those responsible for managing an industry, for initiating and carrying out enterprises which need business experience, courage, and imagination; and (2) the negative application of (a) general laws, such as those against restrictive practices, and other rules that come under the head of Company Law, to prevent individuals or groups from encroaching on the rights of others; or (b) of policies, such as the expansion or contraction of credit, which are governed by over-all considerations of the economic climate and of national aims.

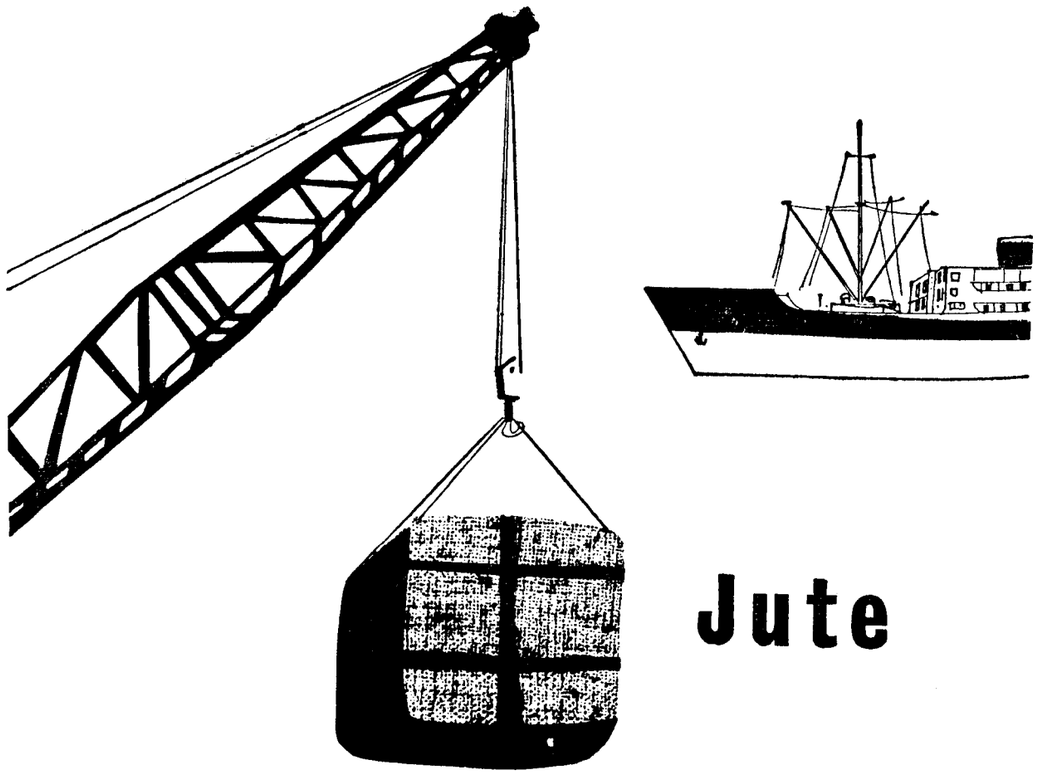




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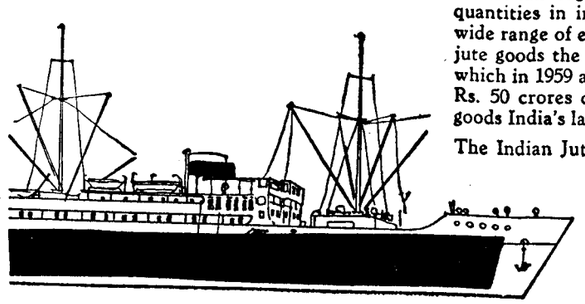
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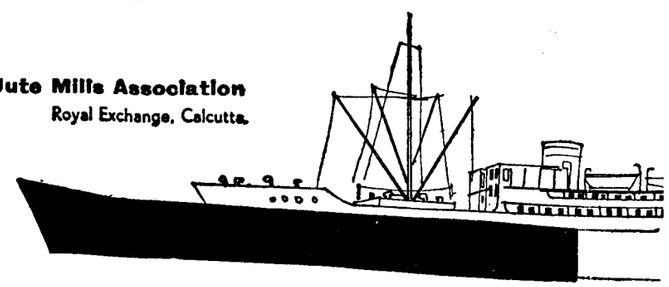
in the forefront of India's export trade

The Indian jute industry is essentially an export industry. Almost 80% of the industry's production—or about 900,000 tons of jute manufactures—is shipped to overseas markets; 55% of the jute goods used as packaging material throughout the world are supplied by India.

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The Indian Jute Mills Association—the organisation of the industry—carries on extensive propaganda in several foreign countries to promote the exports of jute goods, undertakes research at home to widen the applications of this golden fibre.





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The European Scene

THE INEVITABILITY OF BIGNESS

From Our Special West European Correspondent

PARIS, November 26.

THE slogan "concentration of economic power" has happily become popular in India this year. I say "happily" because, although this subject provides an excuse for a good deal of egalitarian claptrap, the phenomenon of concentration is a sign that economic progress is under way. There can be no progress in industrialisation, or even in agriculture, without noticeable concentration of capital, whether in private or in so-called "public" hands. In fact, it is likely that in a developing country there can be no progress without an initial increase in the inequality of revenues—which would be as scandalous as the egalitarians say it is if it led to greater inequality in expenditures, but is not so if it leads rather to more capital formation. In an editorial in October called "The Inevitability of Bigness?", the "Eastern Economist" correctly recalled the necessity of bigger business in Indian development. Some people are not yet reconciled to this necessity. One hopes, for the sake of their Marxist purity, that this does not include the Communists, who should be overjoyed at the prospect, because it confirms part of the analysis of economic development given by their prophet. The others had better get used to the idea, because it is an inevitable aspect not only of the first stages of development but of all later stages too—as I propose to illustrate with figures concerning the great industrial boom of the 1950's in France when that country was growing as fast as any on earth.

One thing that the French figures will not confirm is what the editorial just referred to called "the growing conflict between small-scale and big-scale industry which is now, for the first time, threatening to disrupt the solidarity of private sector operation". If concentration of industrial power in India has been leading to conflict with smaller firms, then that is something that need not happen and does not happen abroad. It can be avoided, as the editorial suggested, by extending the practice of sub-contracting. As big business gets bigger in relative terms, a greater number, in absolute terms, of medium and small industries can flourish in its shadow, which is one of the reasons why the tendency toward concentration that Marx correctly saw in 19th century Britain has not led to the "proletarianisation" of the rest of the capitalists, which he quite incorrectly forecast.

The first set of French figures, those provided by the National Statistical Institute, cover the period 1951-56 which included a year of rapid but inflationary expansion in 1951, two years of stability, and then, in 1954-56, a boom when the industrial production index moved from 101 to 128 at fairly steady prices. So they cover all sorts of economic weather. They exclude the public sector of industry, and are all the more valuable for that when drawn to Indian attention: the tendency to concentration would have been much more marked if State enterprises had been included because these comprise, as in India, some of the biggest, e.g. the largest automobile producer, Renault, electric power and aviation. What they show is that the number of private firms with sales volume exceeding Rs. 10 lakhs annually increased in the period by 46 per cent, until at the end of the period one-tenth of the firms were doing two-thirds of the nation's business, whereas four-tenths of the firms were doing only 8.6 per cent of the nation's business. Moreover, by separating private firms up according to their sales volume and then comparing the performance of each group with the industrial activity index, it can be shown that there is an exact correlation between the movement toward concentration and the level of industrial activity. "Every variation in the level of industrial activity corresponds to a variation, in the same direction, in the tendency to concentration. Expansion favours concentration and recession retards it".

Private firms can be divided up into individual or family concerns, private limited companies, and public companies, and the behaviour of these three groups then studied in phases of stability and expansion. It emerges that the relative importance of individual or family concerns is about steady; that the relation between the other two groups is stable as long as business is quiet; but that once vigorous expansion is under way, the number of private limited companies falls sharply in favour of public companies. A complex analysis of the sales volume, investments, stock and profits of each group gives these reasons for this diverse behaviour. The number of public companies depends on the scale of investment, and as economic progress increases this scale, more private firms must "go public" as the Americans say. On the other hand, the proportion of private companies and of individual or family concerns has nothing to do with the scale of investment; private limited companies are more numerous in periods, or in sectors of industry, where the possibility of profit is greater but the danger of loss is also greater.

It is interesting to see the changes in a firm's accounts as it moves into the bracket of big business. For industry as a whole, in time of fast expansion the wages and salaries bill tended to increase parallel with increasing earnings, but with a delay of one year. That is, entrepreneurs kept up with an expanding market by taking on more help and cutting their profit per unit of output, but had to give labour more when the balance sheet showed that this operation had paid off the previous year. On the contrary, in the group of really big firms the wage bill fell, very slowly up to a sales volume of Rs. 1 crore but quite fast thereafter, despite the fact that hourly wage rates boosted. That is, these firms kept up with an expanding market by increasing productivity; they paid much better wages and made bigger gross profits. That is why the big firms claimed a larger place in the economy, took over undisputed leadership in technological progress and established model relations with their labour.

The investment habits of the giant firms also changed notably. It emerged that there is little or no correlation between their outlay on fixed assets and the bank rate, nor between that outlay and the rate of current earnings. But there was a close correlation between current investments and (a) last year's earnings, (b) current wholesale prices of manufactures. That is, as the firm got bigger it relied less and less on short-term credit and current income in deciding its expansion, and more and more on last year's ploughed back profits (auto-financing) and on the evolution of the market as reflected in industrial prices. The correlation between investments and this last factor was uncannily precise: over the whole period, a variation of industrial prices of 1 per cent, up or down, caused a similar variation of 5 per cent in the investments of big firms.

A second set of statistics covers the subsequent period, 1956-58, and is drawn from the weekly journal

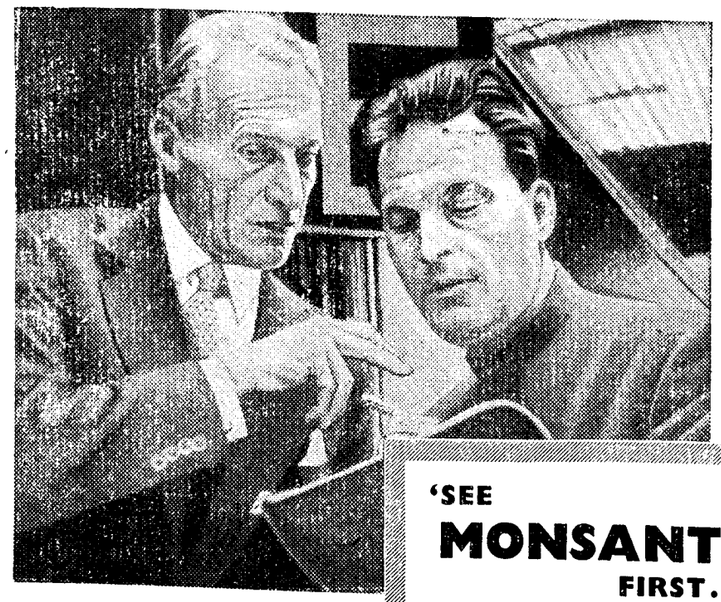
"Entreprise". It demonstrates that the tendency toward concentration has continued unabated, with the biggest group of firms continuing to outdistance the rest of industry in annual growth rates. "Entreprise" takes the country's 500 biggest firms in order and finds that the top 35 are expanding and concentrating fastest of all; after them come a solid block of old, stable firms which continue to grow moderately; and at the bottom there is a jostling pack of dynamic new firms breaking their way into the big class.

Finally, a third set of figures issued by the National Statistical Institute refers to the topmost group of 46 companies, with a sales volume of over Rs. 1 crore, and carries the analysis of their performance up to the end of last year on the basis of provisional figures. This group continued to expand faster than the rest of the economy, in which it therefore claimed a larger share. Concentration was most marked exactly in the most dynamic industries: steel, petrol, chemicals, electronics.

Reverting to the group of 500 leading companies, an apparent anomaly is that net profits calculated as a percentage of total capital at work decline as one goes from the bottom to the top of the list. Of the biggest 100, only five firms managed to declare net profits exceeding 10 per cent of capital at work, but in the bottom 200 firms of this list, 48 did so. The really big societies, that is, seem to be less profitable than the not-so-big. The explanation no doubt is that the biggest firms are writing off assets much more quickly, and one would thus get a different impression if one could compare gross earnings (i.e. net profits plus depreciation plus current allocations to reserves).

On the effects of this concentration on medium-scale businesses, I will quote the conclusion of "Entreprise's" annual study of big business: "We drew the conclusion last year that increasing concentration did not entail by any manner or means the disappearance of small or medium enterprises. This is confirmed again this year. The giant companies are powerless on their own and they need an ever-growing number of sub-contractors and complementary firms. Moreover, the chances for medium firms to move up into the big bracket remain as good as ever. This is proven this year by the appearance (in the list of the big 500) of new petrol companies and pharmaceutical laboratories. The entry into the top class of new chemical and electronic firms is expected in the near future".

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Economic Report from the U.S.

HALTING THE OUTFLOW OF GOLD AND DOLLARS

By GUY SIMS FITCH

WASHINGTON Nov. 23.

NATIONAL policies are rarely as effective as have been those instituted by the US at the end of World War II. So effective have they been, in fact, that the US now faces what could be called a surfiet of success. It has had to take strong measures to safeguard its own financial position by curtailing the persistent outflow of its gold and dollar reserves. Yet, it was but a few years ago that economists around the world were still talking about the "dollar gap"—the shortage of US dollars which prevented other free nations from financing their necessary international transactions and domestic programmes out of their own resources.

The immediate aim of US post-war policy was to help the war-ravaged nations rebuild their economies and provide for their national security. To this was added the further US objective of helping the less-developed lands accelerate their economic growth. Both these endeavours were imposing and challenging. Into them the US has poured its treasure—its goods, its money, its technical know-how, and its manpower. In cost, it all has added up to a governmental outflow of more than $70,000 million in assistance to other countries. As additional aids to international economic rehabilitation and growth, the US had followed liberal trade policies which have welcomed increasing quantities of dollar-earning goods from abroad, and encouraged the flow of private American funds—for investment, travel and other purposes—to other lands. In the meanwhile, it was willing to accept the temporary need for other countries to set up extraordinary barriers against US goods, services and dollars as a means of conserving their meagre gold and dollar reserves.

All this meant that, as a general rule, gold and dollars flowed out of the US to other free nations in virtually every post-war year. The only exception of the past decade was 1957, when the abnormalities created by the Suez situation elicited such strong demand for US goods that the United States was able to increase its reserves by a small amount. By the end of 1958, however, it was becoming increasingly clear that US post-war policy had won the day. Other industrial nations had rebuilt their reserves to the point where they were in position to make their currencies convertible on world markets, and with their economies rehabilitated and modernized, to compete more successfully for the world's burgeoning trade. In that year, the US deficit in its international balance of payments shot up to $3,400 million. In 1959, when US imports continued to soar and US exports did not, the deficit rose to $3,800 million. It was clear that deficits of this magnitude could not be sustained indefinitely, and there was considerable hope that with a rise in US exports the 1960 deficit would be reduced substantially. Such, unfortunately, has not been the case. Actually, the US has been earning more on its export trade this year than in any previous year except 1957. And when all the accounts are in, the export total may yet exceed the 1957 record. In terms of goods and services, the US trade surplus—the excess of exports over imports —has been running at a rate of close to $6,,000 million a year. Moreover, because of other additional factors, largely the lower interest rates in the US than elsewhere, there has been a tendency this year for speculative money also to move from the US to other countries. The net result is that the 1960 US balance of payments deficit could conceivably reach the $4,000 million mark.

Since it is customary for other countries to take some of their foreign exchange earnings in gold, if only to maintain a balance between their gold and dollar holdings, the US gold stock has declined markedly in the past decade. It has fallen by $4,500 million in just the past three years. The 1960 outflow alone has come to about $1,400 million so far, and the total US gold stock is now down near the $18,000 million level, the lowest in 20 years. Admittedly, this is still a huge reserve, close to half the entire free world's supply. Obviously, the situation is not what it used to be, and the time has come for the US to pay more attention to its own interests, without reversing the essentially liberal course of its foreign economic policies. It is generally conceded that the US interests are no less important to other free nations, since the US is the world's prime supplier of capital and most important trading partner, and its dollar is in effect the cornerstone of international commerce.

It is in this context that one must view the actions taken by the US government last week to cut down on the outflow of gold and dollars. These actions will mean a cut in US Defence Department procurement and spending abroad, a greater emphasis on the purchase of American goods and services under US government aid programmes, and the screening of other US government outlays around the world. In all, the hope is that a total of $1,000 million can thus be saved in the next few years. These steps come in the wake of US efforts to have other industrial countries, with their vastly improved economic and financial conditions, assume a larger share of economic assistance to developing lands, and to have all free nations reduce their restrictions against US goods, and services whenever and wherever feasible. There are indications that other countries are co-operating in this effort to halt the outflow of US funds. Some significant steps have been taken to dismantle outmoded barriers against US goods and dollars, some increases in economic assistance have been announced or are in prospect. In addition, interest rates have recently been reduced in several European countries, to narrow the differential between US and European rates and thus discourage the flow of speculative funds from the US. Meanwhile, the US Federal Reserve system—in effect, the nation's central bank—has adopted a new policy of buying short-term US government bills on the open market. This has had the effect of bolstering short-term rates in the United States, further narrowing the gap between foreign and US rates.

In another move, US Treasury Secretary Anderson and US Under Secretary of State Douglas Dillon have visited Bonn to see what further steps the Federal Republic of Germany can take to increase its share of the economic load. The Federal Republic, which has announced it is planning an increase in its foreign aid programme, has been a prime recipient of US aid and is considered to be in exceptionally good economic and financial position to further widen its international commitments. With steps such as these have come indications that the movement of capital from the US may be subsiding. And looking ahead the heavy US gold and dollar outflow of the past few years may be viewed in retrospect as a manifestation of healthy transition, from a period when only the United States was strong enough to finance free world security and economic growth, to a time when other free nations also were strong enough to assume their proper share of the common effort.

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WORLDGRAM

India

Rupee Payment Agreements: The Deputy Minister of Commerce and Industry, Mr. Satish Chandra disclosed recently in the Lok Sabha that India had concluded rupee payment agreements with 13 countries. The countries are Afghanistan, Bulgaria, Burma, Czechoslovakia, Egypt, German Democratic Republic, Hungary, Pakistan, Poland, Rumania, USSR, Democratic Republic of Vietnam and Yugoslavia. Besides, the State Trading Corporation of India had separate agreements with official trade organisations in North Korea, and Tunisia.

*

Rural Employment Bureau: The scheme for setting up Employment Information and Assistance Bureaux in selected Community Development Blocks has already been put into operation. These bureaux will disseminate information regarding employment opportunities and be a link between the rural employment-seekers and the employment exchanges in the districts.

*

National Association of Purchasing Executives: 'To evolve a code of purchasing ethics and to institute a curriculum of study and training for those who wish to make purchasing their career' were a couple of the more constructive objectives ennumerated by the National Association of Purchasing Executives which was formed on the 29th October, 1960, when purchasing executives from several leading industrial organisations met at the Seminar rooms of the University of Bombay. The Association also hopes to achieve a better exchange of ideas on purchasing policies and techniques by holding seminars and by maintaining constructive liaison with organisations which are interested in purchasing in both its academic and practical aspects. An executive Committee consisting of Dr. P. N. Vakil of M/s. Sarabhai Chemicals (President), Mr. M. D. Boovariwala of M|s. Sadoz Products Pvt. Ltd. (Vice-President), Mr. P. K. Palit of M/s. Mahindra & Mahindra Ltd. (Hon. Secretary), Mr. S. Sankar of M|s. Sarabhai Chemicals (Hon. Treasurer), Mr. N. G. Morarjee of M|s. National Machinery Ltd., A.F. Lilauwalla of M/s. Tata Industries Pvt. Ltd., G. V. Ambardekar of M/s. Premier Automibiles Ltd. and John Broadley of M/s. Johnsons and Johnson of India Pvt. Ltd., was elected at the meeting.

*

Smelter Plant to Produce Sulphur: A big smelter to produce 400 tons of sulphur a day from the sulphur pyrite ore, discovered in Amjore area of Bihar State, is proposed to be set up by the Government, Mr. Manubhai Shah, Minister for Industry, told the Lok Sabha recently. It was also proposed to set up a plant for the production of 1000 tons of sulphuric acid a day to meet the growing demand of industries. Mr. Shah said that originally it was expected that the smelter would be set up within two years, but now it would take one more year. It was further revealed that at present India was importing about three lakh tons of sulphur annually. The demand of the country would rise to six lakh tons by the end of the Third Plan, and half of it would be met from internal production. It was expected that the country would be able to meet its sulphur needs entirely through internal production by the end of the Fourth Plan. As regards the cost of the smelter plant, the Minister revealed that earlier estimate was about Rs. 8 crores, but now it would go up because of the revised plants.

United Kingdom

New Rubber and Plastics Research Association: A new research association for the rubber and plastics industries has been established in Britain. Some 70 members of the British Plastics Federation have decided to support the move. Mr. David Radford, Chairman of the Federation, said: "We are confident this will be of mutual benefit to the two industries scientifically and economically." Research will be undertaken at the laboratories of the rubber industry at Shawbury, Shropshire.

*

Underwater T.V. Camera to Aid in Fish Research: An underwater television camera ordered by the North Scotland Hydro-electric Board will be used for research into fish behaviour in Scottish lochs. Among other things, the camera will inspect the huge fish screens which guard turbine intakes and prevent smolt (young salmon between one and three years old) from being swept into the turbines. Inspecting these schemes—which also guide migrating fish into passes and hence to the sea—was a job previously undertaken by divers. The camera will also be used to study fish behaviour in the passes, and to inspect tunnels linking dams and power stations. Engineers will thus be able to report on conditions of tunnels without having to undertake the costly job of draining.

U.S.S.R.

New Baby Car: Production of 'Zaporozhets' baby cars has begun at Zaporozhye, on the Dniepper. It is a four-seater with an all-metal body and tubeless tyres. A 23 h.p. air cooled engine gives it a speed of up to 90 kilometers an hour. The car holds well to the road and easily negotiates ascents. The car's four-cylinder engine is mounted in the rear, while the luggage hold, a small one, is in front. This design has made it possible to unite the engine, the gear box and the rear axle into a single unit, which insures the car's high performance. The new model is already on sale for the population.

*

Construction of International Oil Pipeline: Construction has begun of the international "Druzhba" (Friendship) oil pipeline which will stretch from the Volga to the European People's Democracies. Work is underway on the first stretch of the pipeline up to Uzhgorod over 300 kilometres long.

*

Europe's Biggest Iron Ore Plant Designed: Soviet designers have produced the blueprints of Europe's biggest iron ore plant which will be built in the Krivoy Rog ore basin, the Ukraine. It will produce some 21 million tons of dressed ore a year, half again as much as the total output of West Germany. At present, several big mines and dressing plants are being built in the Ukraine's vast ore fields. In 1965 they will produce some 80 million tons of ore, which means that in five years the Ukraine alone will produce more ore than any capitalist country including the United States.

*

Fast Electronic Computer Built in Kiev: A general purpose fast electronic computer, the 'Kiev,' has been manufactured by specialists of the Computing Centre, of the Ukrainian Academy of Sciences. This calculating machine has been designed for the solution of a wide range of mathematical and logical problems

arising in connection with scientific, technical, engineering and other work. The speed of the machine is about 10,000 operations a second. Additions and subtractions are effected at a speed of 12,000 operations a second, multiplication 5,000 and divisions 3,000 a second. The machine can be employed to solve systems of differential equations involved in the study of the nucleus, to calculate statistical control tables, and also to solve various problems connected with the selection of the best variation from a large number of admissible ones. It can also be used for translations from one language into another, for automatic programming and other purposes. The distinguishing feature of the machine is that its every section works independently, making it possible to modernize the entire machine all the time.

Poland

Polish Colliery Machinery for China: The first installation for the big hydro-mechanized colliery now under construction in the Chinese People's Republic at Lu-Tsian-to have already left Polish mining plants. Colliery designers from the Gliwice Mine Designing Office have also left for China to inspect the assembling and drilling work. The Lu-Tsian-to will be a giant of its kind, for when it goes into full operation, its output will be 9,000 tons of coal per day. Almost all extraction and transport is to be done by water at high pressure. A number of most modern technical solutions will be applied in this mine which will be equipped exclusively with Polish machinery. Many operations will be automatic.

Yugoslavia

Macedonia to Supply Cotton to Yugoslav industry: The long-term plan of the Macedonian Republic—the chief cotton producer in Yugoslavia — envisages increase of surfaces to 46,000 hectares by 1964, which will be three times as much as this year. More intensive cultivation of about 40,000 hectares of land which will be irrigated, as as well as application of modern agro-technical methods will bring a yield up to 30 metric centners per hectare. This will provide for meeting 60 per cent of the total needs of the Yugoslav Textile Industry in cotton.

*

Housing Problem to Ease for Yugoslav Families: According to the new Draft Five-Year Plan, 37,500 flats will be built in Belgrade from 1961 to 1965. From 1956 to 1960, 18,861 flats were built in Belgrade, with more than 1,032,000 metres of housing space. The rate of housing construction in the capital of Yugoslavia has already begun to be equalized with the accretion of the population. Now there are about 1,15,000 flats in Belgrade. About 30 per cent of this number has been built after the war. More than 70 million dinars were invested in housing construction after the war.

*

Yugoslav Agriculture: The wheat and rye yield in Yugoslavia was this year over 3.8 million tons, which is 300,000 tons more than the production envisaged by the long-term plan for 1961. With 6 million tons of maize produced this year the Plan for 1961 has been surpassed by about 5 lakh tons as a result of which Yugoslavia has aligned herself among the first five or six maize producers in the world. From an approximately the same surface under wheat—2 million hectares—a quantity of 2.3 million tons was obtained from 1951 to 1955, while in 1956 the production was as small as 1.8 million tons. High production during the last two years enabled Yugoslavia to free herself from wheat imports, for which large financial means had been appropriated during the post-war years. Lard and sugar are now no longer imported either. Large funds have been invested to ensure a high production in agriculture. These funds surpassed 100 billion dinars annually during the last two years.

Israel

Ceramic Works: Rs. 5.23 million will be invested in the expansion of the Harsa Ceramic Works in Beersheba. The addition of a new wing and production facilities will double the enterprise's productive capacity by mid-year of 1961. Harsa's output of bathtubs, sinks, sanitary appliances, wall tiles and artistic ceramic were reached a value of Rs. 10.56 million last year and its exports amounted to $300,000. Output in 1960 will probably reach the Rs. 10.56 million mark and the exports will attain a value of $400,000.

Mexico

New Plant for the Manufacture of Metallic Cloth: During the first part of October, the Minister of Industry and Commerce, inaugurated Wanger de Mexico, S.A. a new industrial plant to be devoted to the manufacture of metallic cloth for the paper industry. Located in the Federal District, this is the second factory of its type to be installed in Latin America. Technical guidance for the Mexican concern is being supplied by the Hermann Wanger Company, of Reutilingen, Germany. The plant is designed to turn out almost any type of metallic cloth required by domestic paper mills and when working at full capacity will be able to supply practically all local consumption needs. It is quite likely that the new enterprise will be able to devote a sizeable portion of its production to exports to various Latin American countries.

Netherlands

1960 Crop Estimates: Based on the third provisional crop estimate held on August 20th last, the Central Bureau of Statistics has published the following production figures for some arable crops. For rye a total production is expected to be 470,000 m. tons (1959:386,000 m. tons) for winter barley over 43,000 m. tons (last year :33,000) and for spring barley more than 246,500 m. tons (1959: 235,500 m. tons). These yields are also affected by acreage differences in comparison with 1959. Against an increase of rye and winter barley acreages there was a reduction in the acreages under spring barley. The average production of rye and spring barley per acre was 14% and of winter barley 7% higher than last year. In the group pulses, marrowfats showed a decrease in production from 30,600 m. tons to 27,300 m. tons as a result of the smaller area under cultivation. For garden peas, duns and grey peas the smaller yields per acre were compensated by large acreages. Special attention should be paid to the flax production figures. The production turn reveals itself clearly in the acreage total 59,280 acres (1959: 37,000 acres) after the continuous decline of the last few years. The aggregate yield of rippled flax amounted to almost 145,000 m. tons (1959: 77,000); linseed more than 21,000 m. tons (1959: 14,000 m. tons). With regard to the average production per acre 1960 may be considered a good flax year.

Ceylon

External Assets: The external assets of Ceylon which have fallen steadily and without interruption since April 1959 registered a further drop of Rs. 26.1 million in September compared with a fall of Rs. 11.3 million in the previous month and at the end of the month stood at Rs. 529.9 million. For the first three quarters of this year external assets have dropped by Rs. 158.9 million compared with a drop of Rs. 118.8 million for the same period of 1959.

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NEWS IN BRIEF

INDIAN

Small saving collections during October, 1960 amounted to Rs. 25.01 crores gross and Rs. 7.63 crores net.

*

According to information supplied by the Akhil Bharat Sarva Sena Sangh 44,11,191 acres of land had been donated up to August 1960 by various individuals towards the Bhoodan movement.

*

It is reported the West German Government have agreed to an agrrangement under which a portion of the loan falling due for repayment up to the 31st December 1961, on account of the Rourkela Steel Plant would be extended for a further period.

*

Two hundred and seventy-seven textile mills have implemented the recommendations of the Textile Wage Board fully and 67 partly.

*

The Government of India have accepted the Tariff Commission's recommendation that protection granted to the sheet glass industry should be continued at the existing level of duty 70 per cent ad valorem for a further period of two years i.e. up to December 31, 1962.

*

It is reported the prtotype production-cum-training centre at Rajkot has started functioning and that 118 candidates have been admitted there. The cost of machinery and equipment for the Centre received up to October 1960 from the T.C.M. was approximately Rs. 19.26 lakhs.

*

It is reported village establishments in the Malabar area will be reduced to about 400 from the present 871, under the rationalized set up of village administration in Kerala.

*

The total electricity produced by the public utility power stations in India in August 1960 was 1,383.7 million kWh. of which 1,143.1 million kWh. were sold to ultimate consumers.

*

The three-man team that has been appointed by the Centre to study the working of Nyaya Panchayats in rural areas has invited suggestions and comments from persons and bodies who have any experience in this field.

*

The President has given assent to the Madhya Pradesh Industrial Relations Bill, 1960, which seeks to unify three different laws on industrial relations now in force in various parts of Madhya Pradesh.

FOREIGN

Imperial Chemical Industries has reduced the UK price of 'Alkathene'—the company's brand of polythene —by 4 d.per pound to 1s. 10d. per pound. This is the fourth reduction in price since September 1958, and represents a reduction of 33 per cent over the two year period.

*

South African wool earnings for the period July-October dropped by over £3 million or 19.5 per cent, states the South African Wool Board.

*

South Vietnam has asked the Esso and Shell Companies in Saigon to draw up plans for the construction of the first oil refinery in Vietnam, the English language newspaper, 'Times of Vietnam', reported recently.

*

Norway is seeking a World Bank Loan to help finance the second and third building stages of the Tokke hydro-electric scheme.

*

A £560,000 oil appliance manufacturing factory built for a new company operating in Iran and controlled by Aladdin industries was opened in Teheran the other day. The project has been carried out with the full support of the Iranian Government and has taken two years to complete.

*

The South African Sugar industry has been granted a long sought price increase of a half penny a pound, which will increase the proceeds of the 750,000 tons sold locally by £3 million a year.

*

Verolme United Shipyards of Rotterdam, is to build two shipyards in Peru—one at Callad and the other at Chimbote.

*

After months of investigation and negotiation Consolidated Zinc of Australia is to establish an aluminium smelter for Queensland bauxite in the Southland province of New Zealand.

*

Ghana, the world's biggest cocoa producer, is to introduce changes which will enable cocoa to be sold to overseas buyers in Ghana as well as in London.

*

West German industrial production this year will probably be 11 per cent higher than last year, the West German Institute for Economic Research announced recently. This compares with a rise of 7 per cent between 1958 and 1959.

*

World production of rubber during August amounted to about 150,000 tons, compared with 155,000 tons in July and 177,500 in August, 1959, according to a preliminary estimate of the International Rubber Study Group. Production during the first eight months of this year totalled 1,265,000 tons.

Special Article

GERMANY'S UNFAIR SHARE

By

PAUL BAREAU

AMONG nations, as among members of a family, disputes about money are usually the most damaging disturbers of goodwill and amity. Relations between the countries of the Western alliance have recently been bedevilled by differences on economic and financial issues. Among these causes of disruption has been the estrangement in Western Europe due to the formation of two trading blocs, the Six of the Common Market and the Seven of the Free Trade Association. This, however, is a separation to which we are becoming both inured and resigned. It would be wrong today to regard it as a focus of virulent infection.

More envenoming at this juncture is the undercurrent of resentment felt by the United States, and to a lesser extent by the United Kingdom, at the alleged unequal and unfair distribution of the burden of collective defence among the members of the Western alliance. In this item of collective defence must be included not merely the military budgets but also the aid to less developed countries which must be regarded as the truly constructive part of the strategic outlay on the cold war.

This resentment has recently been crystallised by the coincidence on the one hand of serious pressure on the dollar and the U.S. balance of payments and on the other of the continued accretion of reserves to the greatest current creditor of the free world, namely Western Germany. These may be coincidental but they are also interrelated phenomena, for it is in the German current surplus that we can find the major reflection of the overall deficit which has for some time past been run by the United States.

The steps so far taken by the United States to ease this pressure on their balance of payments include a promised cut in their external military expenditure which will fall with particular severity on what might be called the trimmings of that expenditure, namely, the wives and children and the various facets of the American way of life that have in the past accompanied American soldiers serving abroad. Such economies cannot, however, account for more than a minor part of the problem with which the American authorities are dealing.

In addition, therefore, there are to be endeavours to secure from other countries a larger contribution to common defence and also to the economic aid given to countries in need. The matter was taken up in very specific terms when a United States delegation, including no less a person than Mr. Anderson, the Secretary to the U.S. Treasury and Mr. Dillon of the State Department, visited Bonn in order to press the West German Government on these points. The Americans suggested that given the persistent creditor status of Germany and recent spectacular reinforcement of its reserves, that country should play a much more important role in underwriting the support costs of American troops maintained in Germany. The specific demand made on the West German Government in this context was for an annual payment equivalent to $600 million.

Two supplementary demands were made by the American delegation. The first was that Germany should abandon some of its agricultural protectionist devices. It was argued that restrictions on imports of agricultural produce into Germany could no longer be justified on balance of payments ground and should therefore be abandoned. In addition it was suggested that a far greater contribution to economic assistance to less developed countries should be forthcoming from Germany in the future than had been provided in the recent past.

The only positive answer to these three suggestions came in respect of foreign aid on which Germany promised, though in decidedly vague terms, to earmark anything upto 3,000 million D-marks for overseas investment in an indeterminate future. The problem of agricultural protection was remitted to the impending discussions in Geneva between signatories of the General Agreement on Tariffs and Trade. As for larger German contribution to support costs, the answer, insofar as it can be read between the lines of the official communique was a point blank refusal.

The main reason for this refusal may well be tactical. Dr. Adenauer, the German Chancellor, is soon going to Washington to make the acquaintance of the new President of the United States. The German Chancellor may reserve his concessions to a time at which he can make them, not to an outgoing but to the new Kennedy Administration. The good marks that might be earned by Germany in acceding to American requests, would shine with greater virtue and more lasting effect if the arrangements were made with the new administration than if the German concessions merely added a few leaves to the meagre laurel crown of the departing President. It may be deemed good tactics on Germany's part to hold its hand for a few weeks.

Meanwhile, however, the problem of imbalance in international balances of payment persists. Germany is still pilling up vast surpluses and is investing, or rather sterlising them partly in gold but mainly in reserve balances in the United States. If, as a result of this disequilibrium the United States are forced to take defensive action, including a tightening of credit, creditor Germany could well become the immediate cause of deflationary infection in the free world.

Contractionist and defensive measures by the United States would quickly spread their unfortunate effects to other parts of the free world. That would be a far graver and more disruptive matter than mere resentment at the unfairness of the share borne by Germany in the collective defence of the West. It is, therefore, to be hoped that the rebuff which met the American delegation in Bonn, will not be the last word uttered in the debate on this all important issue.

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THE BUSINESS WORLD

Cement Yesterday, Today and Tomorrow

By

CROESUS

I THINK it would be a worthwhile essay for someone to find out the number of industries which have already got their licences, foreign exchange, technical know-how and even plant and machinery that are being stalled for want of cement. Actually, according to an industrialist, whereas he could secure all these things without much difficulty or waiting very long, it has not been possible for him to obtain cement for the release of which, he said, he had applied months ago. As much as this scarcity in cement, the suddenness with which cement shortages have been occurring all too frequently in our country requires to be carefully gone into.

Now, shortages may occur either due to an unprecedented increase in demand, or to an unforseen fall in production or to a failure of transport, if not a faulty system of distribution, or perhaps to a combination of all in varying degrees. There has certainly been an increase in the demand for cement, but it cannot be said that this increase has been unprecedented. Certainly the rise in demand that has eventuated was more in the realm of expected possibility than the target for the increase in cement under the Second Five-Year Plan from 4.9 million tons to 16 million tons that had been initially envisaged. Actually, the Government of India even issued industrial licences to raise the cement manufacturing capacity in the country to 15.4 million tons! Only the financial crisis that hit the country at the end of October, 1957 made it impossible for all the projected increases in plant capacity to materialise. As Dr. F. P. Antia of the Cement Marketing Company of India (Pvt.) Ltd., told a Rotary Club meeting, last week, some projected works had to be cancelled, while others had their pace and phase of construction slackened. This reflected itself in a steady decline in the demand for cement, so much so that the order-load on the factories fell very low and a surplus position developed. The position was worsened, atleast to some extent, by the considerable consumer resistance that followed the increase in the price of cement to Rs. 132 per ton in retail. The net result was a cement glut during 1958 and 1959 and even as late as the Spring of this year. In short, therefore, any unprecedented increase in the demand for cement as a contributory to the situation that has developed must be dismissed.

As regards the shortfall in capacity, while there has been a definite and drastic fall, especially as compared to the initial targets under the Second Five-Year Plan — 9.5 million tons (actual expected) as against 16 million tons (originally targeted) — one cannot argue that this has been the result of unforeseen factors. The non-materialisation of the targeted capacity is entirely due to the impossibility of the goal sought to be achieved. What was planned to be achieved was practically a three-fold increase in the capacity within five years. Referring to this Dr. Antia said: "I do not know if any industry anywhere in the world has aimed at or achieved such a target. We seemed to have lost all sense of reality". Anyway, in the event, the country bids fair to reach not 16 million tons as orginally envisaged, nor even 10.3 million tons as subsequently revised, but only 9.5 million tons (estimated) at the end of the year 1960-61.

This poor performance, combined with the demand that has picked up to satisfy the accelerated tempo of constructional activity with the approaching end of the Second Plan, has led to the scarcity that has now set in. But, more than this, it is the failure on the transport front, not to speak of faulty distribution, that must be mainly blamed for the avoidable scarcity that we are witnessing today. In this connection, what Dr. Antia had to say in worth quoting: "Notwithstanding the fact that it has claimed the largest single appropriation during the First and the Second Plans amounting to Rs. 1,525 crores, the Railways have found themselves completely incapable of coping with their normally expected assignment of keeping the industry (cement) supplied with coal, stores, and raw materials. Thanks to this inability, several plants are being closed wholly or partly even today. The dislocation of the railway transport caused by the July strike of the Central Government employees deepened the scarcity and, at some plants, the effect thereof is still being felt ..... The railways found themselves incapable of moving the full quantum from the factories to the consuming markets."

While on this point, I must refer to the magnificent efforts the industry has been making to supplement the transport facilities provided by the railways. Dr. Antia stated, in the course of his Rotary address referred to above, that the ACC has introduced, at as many factories as possible large-scale transport of cement by roads. He claimed that, currently, ACC plants are transporting by road at the rate of about 8 lakh tons of cement per year. But, as he added, not all cement plants in the country are so located as to be able to use roads for despatch of cement. In fact, the biggest unit of the ACC itself, namely its plant at Shahabad, which feeds as important a market as Bombay city and Maharashtra State, has no read communication at all! So also is another ACC factory at Lakheri. The fact that not only many of our villages but also some of the factory towns are thus handicapped for want of road communications must be news to many, not excluding the Planning Commission.

One can understand the absence of roads as a hindrance to transportation of goods. But, if there are obstacles in the way even where there are roads that could be put to use, it is something that cannot be tolerated. It was painful to note from Dr. Antia's talk that "some cement plants are so located that, with the present hostile attitude of Central and State Governments towards road transport, they find the consuming markets beyond the roadable distances. "Inter-State road transport," he said, "is even more of a problem, what with the present policy on road transport and the sales-tax hurdles." There can be no better proof of the anomalies presently prevailing in the cement transport than the fact that the Bombay market should be obliged to ship its cement from factories as far away as Tinnevelly via Tuticorin at the extreme southern tip of India.

And now, what are the prospects of adequate, assured and continuous supply of cement under the Third Five-Year Plan? While it is estimated that the demand for cement would rise to about 14 million tons by 1965-66, the target capacity of the industry has been pitched at about 15 million tons, or an effective capacity of about 14.25 million tons. In other words, the projected production would be on a par with the possible demand; nor is this an unrealistic projection, considering that the capacity of the industry rose from about 3.3 million tons in 1950-51 to 4.9 million tons (an increase of 1.6 million tons) at the end of the First Plan period and will further rise to 9.5 million tons (an increase of 4.5 million tons) at the end of the Second Plan. In other words, the increase contemplated over the Third Plan period is about the same as during the Second Plan or only slightly higher. Even so, after noting the many chronic problems that face the industry, one feels that this achievement too can be realised only with considerable difficulty. Unless, therefore, early and earnest attention is given to the solving of the difficulties that are being faced by the industry, the hope of a steady, abundant and assured supply of cement even throughout the Third Plan period may prove elusive.

Tata Hydro's Eloquent Testimony

IT was just as well that I chanced to come across the fascinating story of the Tata Hydro-Electric Power Company, Ltd., consequent on its completion of fifty years on November 7, 1960, as I was ruminating over one more of our Prime Minister's perpetrations at the recent Raipur session of the All-India Congress Committee. This was by no means new or novel, but, perhaps, as he was speaking more as a Congress leader, Mr. Nehru laid it so thick that even those who were not wont to take his criticism of the private sector seriously started sitting up and rubbing their eyes. Mr. Nehru solemnly told the A-ICC meeting that the private sector 'had neither the capacity nor the mental approach to set up heavy industries', because 'it was obsessed with securing quick dividends'. One has only to peruse "The Gift of Power", the brief story of Tata Electricity from 1910 to 1960 to dismiss this cavalier condemnation of private enterprise as not at all called for. The Tata Hydro-Electric Power story is a saga of imagination and initiative of an individual who had great capacity and a rare breadth of outlook. But this is just one instance, in one sphere only, of the capacity' and 'mental approach' of but one enterprise in the private sector. One can recall scores of such instances, although not every one of them has been recorded, let alone carefully compiled. I wish some one would take the trouble of collecting and publishing these instances, if only to prevent posterity from drawing wrong conclusions after reading such speeches as those of Mr. Nehru at Raipur and other misguided enthusiasts of socialism. May I commend to their notice—for a proper appreciation of the changing concept of Socialism—the excellent and thought-provoking article on "Welfare without Imbalance" in the latest issue of "Swarajya" by the veteran journalist, Mr. Pothan Joseph?

It was again the great Jamshedji Tata that gave us the first steel plant who first conceived the idea of harnessing electricity for industrial uses. He had watched the growing use of electricity abroad and its tremendous advantages. As early as in 1875, when electricity was still an undreamed of luxury, he, a spokesman of the private sector, chose to dream of electricity for this country. Long before coal supplies began to pose a problem to the industries of Bombay, it was this far-sighted 'entrepreneur' who thought in terms of making Bombay industries less dependent on coal. His "mental approach" to the problem of generating electricity whereby he proposed to achieve this was certainly not one of "securing quick dividends"—in fact, the first dividend on ordinary shares that the Tata Hydro Electric Power Company Limited gave was only in 1916 that is nearly six years after the starting of the company—but one prompted by his desire "to make Bombay a smokeless city". It was typical of him, we are told, that "the thought of making money never entered his head; he looked upon his scheme as a national endeavour initiated by Indians for Indian industries and homes".

What is striking about Tata Hydro Electric Power is not merely this "missionary spirit in business", but the magnitude of the project visualised by Jamshedji. It was indeed a prodigious scheme that he conceived for generating electricity. Discovering in the monsoons a vast potential for electricity, he turned his thoughts to how to harness the rainwater at its highest in the Western Ghats, to check the flow of two rivers that drained away the water and make them flow westward instead of eastward. Could it be that the success that attended these 'Bhagirathian' efforts inspired the diversion of waters of Koyna today to harness electricity? If so, the private sector could well claim to have blazed the trail for the public sector, though I am not sure how far the latter would accept the claim. Be that as it may, here is a brief but succinct description of the ambitious scheme referred to above:

> "Three great reservoirs were to be constructed to collect the rain water in the valleys dividing the Western Ghats. The first, the Lonavla Lake, at the Southern point, was near Lonavla at a height of 2000 ft. By means of a dam almost three-quarters of a mile long, water would be stored during the monsoon. This would mean a regular supply for the generating plant. The Walwhan Lake was to act as a storage reservoir for the dry season. In another corner the great Shirawta Lake would take up 5 square miles. If released, the combined waters of these three lakes would have flooded the entire city of Bombay as it stood in 1907 under 5 feet of water. The water then rushed through huge pipes, 7ft. in diameter to Khopoli, more than 1,700 ft. below, developing a pressure of 750 lbs. to the square inch by the time it reached the power house.
>
> "Here the hydraulic energy is converted into electrical energy through generators. The starting pressure of 5,000 volts is raised to 1,00,000 volts by

means of static transformation. The energy is then transmitted to the Parel Receiving Station 43 miles away."

I am tempted to assert that the success of the Tata Hydro Electric Power Company, as of several other utility and industrial undertakings in India, was greatly facilitated, because it began as a joint Indo-foreign enterprise. For this meant not only the ready availability of know-how, far more difficult to secure then, than it is now, but also the assured sympathy of even an alien government. The letter of Sir Richmound Ritchie the permanent Under-Secretary of the India Office, London, to Jamshedji, in which he said that, if the scheme for utilising the electric power generated in the heights of the 'ghats' for the purposes of Bombay and its neighbourhood is successful, "it will be an achievement of which you may indeed be proud" is a clear proof of that sympathy.

One of the bad names given to the managing agency system to hang it is that, since, under this system, the business passes from father to son and a great father does not always beget a great son, the business cannot be assured of the same high quality of leadership as before. Among the many business houses in India which have totally disproved this by deliberately giving proper education and training to the scions of the family, the House of Tatas is the most notable. So it is not surprising that, when Jamshedji passed away in 1904, that is six years before his dream was translated into reality, his elder son, Dorabji Tata, picked up the thread (or is it wire?) where his illustrious father had left and saw it soundly and firmly fastened to tower after tower that spans the distance from the 'ghats' to Bombay to give us the electricity we so freely use today. The following extract from the story puts it more aptly:

"The whole burden of succeeding a man of vision descended on Dorabji, after the death of his father. Although normally a clever father rarely has a clever son, the Tata family has continuously produced brilliant men, and Sir Dorab had no intention of allowing any of his father's schemes to lapse."

Even in this age of advanced planning, as we seem to believe we are living in, we find schemes envisaged in the one five-year plan being carried over to the next and the next and so on. But, without any high-sounding words like a plan, in almost four years to the day when the foundation stone had been laid, it is noteworthy, the power of Tata Hydro Electric Co. Ltd., was switched on by Lord Wellington.

Mr. Nehru charged the private sector as being "obsessed with securing quick dividends". If this were so, could the Tata Power Co. Ltd. make the claim, as it is able to make today, that "power was sold to the consumer at the lowest rates and these rates continued for the next 45 years to be lower than those charged in any other part of India?"

Again, if "quick dividends" were the only look out of the private sector, it would not think in terms of expansion. But the Tata Hydro Electric scheme has expanded so much since that today it serves an area of more than 1,000 sq. miles of the Bombay-Poona region.

Then, again, I do not know whether to describe the farsightenedness displayed by the Tatas in anticipating the demand for power and providing for it well in advance as "capacity" or "mental approach." As far as I am aware, it was certainly not the public sector that troubled itself to think of what would happen to all this supply of electric power if the one simple natural phenomenon on which the hydro-electric projects depended, namely the rains, failed. Whoever bothered about it, I know the Tata group of power companies saw the solution to it in thermal power, but it is common knowledge that, far from facilitating the full expansion of their thermal projects, needless obstacles were placed in the way, if only for a time. It is a comforting thought that, at least at times, the public sector does not take long to discover its faults and also make amends for it.

Business Notes

Company Law

THE TECHNIQUE OF ASSURANCES

ON FRIDAY last week the Lok Sabha adopted the clause on special audit of the accounts of specified companies during the second reading of the Companies (Amendment) Bill. This was one of most controversial clauses in the Amendment Bill incorporated at the instance of the Joint Committee. Some of the objections raised against this clause were that unqualified power to institute special audit should not be conferred upon the executive department and a show-cause notice should be issued to the company to explain how the situation really stands before an order for special audit is issued.

These objections cannot be said to have been rejected out of hand by the Government and at any rate the reasoning behind them was not disproved. On the other hand, it should be clear from the tenor of the reply of Mr. Nityanand Kanungo that he tacitly accepted the reasoning and propriety of the objections. At the fag-end of his reply he gave positive assurances to the effect that intimation would be given to the companies concerned as a matter of normal procedure, except in cases where it was deemed inexpedient in the interest of safeguarding evidence, that the Company Law Advisory Commission would be consulted in the matter of directing special audit and that the decision to order appointment of the special auditor would be taken at the ministerial level. It undoubtedly goes without saying that these assurances will be observed fully in the spirit in which they have been given by Mr. Kanungo.

This is beside the point. The fact remains that in a strict legal sense such assurances are no substitutes at all for express provisions of law. The plain legislative course was to amend the clause by inserting the assurances, verbally given, as its integral parts. In interpreting the law, the courts will be guided by the plain language in which its provisions are couched and the legislature will be taken to have conveyed its intention and meaning in the language actually used. Verbal assurances, or for that matter any other solemn commitments, that have been made in the course of parliamentary discussion cannot form any part of the law at all and the courts will be under an obligation to disregard them in their duty to interpret the law. On Monday this week again, on another controversial clause in the Bill regarding appointment of sole selling agents of companies, Mr. Kanungo gave the assurance

that the power to impose official controls on their appointment would be used sparingly. This novel technique of giving assurances has no place in the legislative process and the sooner it is dropped the better. Assurances must be incorporated in the relevant provisions of law so as to be binding on the courts in their duty to interpret law.

The Third Plan

INVESTMENT

COMMENTING ON the Estimates of Investment and Resources in the Draft Outline of the Third Five-Year Plan, the Working Committee of the All-India Manufacturers' Organisation (A.I.M.O.) has made a few observations which require to be widely disseminated, inasmuch as they follow a careful and severely objective assessment of the problem. "When current revenue is able to contribute as much as Rs. 195 crores for financing the Plan outlay of Rs. 1,080 crores in 1960-61," and AIMO Committee observes, "it is incumbent upon Government to maintain at least this rate of saving and investment throughout the Third Plan period." According to the original estimates of the Planning Commission, it may be recalled, there should have been a surplus of Rs. 350 crores from current revenue at the existing (1955-56) rates of taxation. Actually, however, even after taking into account additional taxation to the tune of Rs. 295 crores, the surplus that the Plan could benefit from was only Rs. 195 crores. In other words, there was a net shortfall of Rs. 100 crores, mainly because of the very large non-Plan expenditure, as witness the following extract from the Ninety-Second Report of the Estimates Committee of the Lok Sabha by the A.I.M.O.:

"The Committee considers that, in view of the phenomenal rise in non-Plan expenditure in spite of the reasonable size envisaged by the Planning Commission in that direction, it would be most desirable for the Planning Commission to have a special study made of the disproportionate rise and make suitable suggestions to see that such expenditure is kept under control and will not expand in the Third Plan as it has done during the Second Plan period."

The Estimates Committee has also indicated that as much as Rs. 604 crores of additional revenue raised by the Central Government have been absorbed by increases over the Plan estimates in non-Plan expenditure. Drawing pointed attention to this aspect, the A.I.M.O. has appealed to the Government to set an example at least now by maintaining, if not improving, the rate of surplus in order to be able to finance the Third Plan. As regards any further increase in non-Plan expenditure, the A.I.M.O. Committee is of the view that such should be met out of the increased revenue, which, it says, is possible, even at current levels of taxation in view of the likely expansion of the economy.

ADDITIONAL TAXATION

DEALING WITH the question of additional taxation to the tune of Rs. 1,650 crores envisaged by the Planning Commission during the Third Plan period, the A.I.M.O. Committee says it is frankly unable to appreciate the reasoning of the Planning Commission. Taking the percentage of tax revenues to National Income during 1960-61 as 9.5 (approximately) or Rs. 1,230.83 crores, it estimates that, over a period of five years, taxation at the current level, (even when there is no expansion in the economy) should yield Rs. 6,154.15 crores. If, however, the taxation is raised gradually from 9.5 per cent to 11 per cent of the National Income during 1961-66 as proposed, the total yield during the five years 1961-66 would be as much as Rs. 7,985.3 crores, that is Rs. 1,831.1 crores more. Deducting from this the yield from normal expansion that may be expected during the Third Plan period, in the light of the experience of the First and the Second Plans — this has been estimated by the A.I.M.O. at Rs. 850 crores — additional taxation will be Rs. 981.1 crores and not Rs. 1,650 crores as visualised by the Planning Commission. Instead of resorting to further additional taxation, therefore, the A.I.M.O. has emphasised the need for greater efficiency in tax collection and administration. There is large-scale tax evasion in the country and, if this is checked, opines the A.I.M.O., it should be possible for the Government to add to the tax revenue by at least Rs. 250 crores during the five year period—1961-66.

The A.I.M.O. has also gone into the question of the proposed share in the Plan outlay of the private sector and has urged that the investment outlay of this sector should be Rs. 4,700 crores, as against only Rs. 4,200 crores now allotted to it. In arriving at the former figure, the A.I.M.O. has taken the following three factors into account:

(i) Growth in population to the extent of 10 per cent during a five-year period which naturally enlarges the size of the private sector as it would comprise more people.

(ii) Increase in 'per capita' income to the extent of 20 per cent during the Third Plan period, and

(iii) the proposed increase in saving from 8 per cent to 11 per cent.

It is noteworthy that, out of the proposed investment of Rs. 4,700 crores as above, the A.I.M.O. wants at least Rs. 1,300 crores to be earmarked for large and medium industry and minerals.

Industry

TUBE INVESTMENTS

AT THE Eleventh Annual General Meeting of the shareholders of Tube Investments of India Limited, Sir A. Ramaswami Mudaliar, Chairman of the Company, had a satisfactory progress to report about the expansion schemes in connection with the cycle factory and the tube factory. The association in technical matters for the chain project has now been secured from Messrs. American Steel Foundries International, and a subsidiary of the Tube Investments of India Ltd. has been formed under the name of T.I. Diamond Chain Private Ltd. Another subsidiary company to manufacture lamps under the name of T.I. Miller Private Ltd. is likely to be established shortly in collaboration with Messrs. H. Miller & Company Limited of Birmingham. So far as the Tube factory is concerned, a second tube mill has been erected and is in operation. It is to be noted that all this expansion and the consequent foreign exchange outlay have been made available as a result of the co-operation of Tube Investments of Birmingham. The foreign exchange has been obtained partly in the increased equity capital allotted and partly in the form of loans.

Regarding industrial development in Madras State, Sir A. Ramaswami Mudaliar made it clear that shortage of power and to some extent the provisions regarding 'development rebate and how and when it is to be provided for', were the major factors responsible for its slow and inadequate growth. He stressed that this tax legislation stood in the way of expansion because the incidence of such a provision infringed seriously on a fair dividend policy which a company wanted to pursue.

Since adequate power supply is essential for rapid industrial development, it is imperative that possibilities be explored both by the Centre and the State Government to add to the power supply in that area.

Locomotives

MANUFACTURE OF DIESEL LOCOS

LAST WEEK, during question hour, the Railway Minister disclosed in a cryptic statement that the Government had arrived at a decision to start the manufacture of diesel locomotives in the public sector—apparently at the Chittaranjan workshops. This decision is as surprising as it is abrupt. India is about to make her debut in the export market with her recent tender for the supply of steam locomotives to Argentina. As reports indicate, there are also chances of exporting steam locomotives to Pakistan. One would have expected that the Railway Board would concentrate its efforts on utilising our loco-manufacturing capacity for competitive production to capture the export market rather than make a diversion in a dubitable direction. It is rather curious that Mr. Jagjivan Ram did not find it necessary to explain in detail the reasons for Government's decision in spite of the fact that it has far-reaching consequences.

It is true that the trend all over the world is to veer away from the use of steam traction to electrical and diesel traction. This is for reasons of efficient and cheap operation. But the decision to switch over to diesel locomotives cannot be taken in our country in a light-hearted manner. India is greatly deficient in oil resources and although some encouraging signs of oil finds have been available in the Cambay region, there is absolutely no warrant for the conclusion that production of indigenous oil in substantial and sufficient quantities for our domestic requirements is anywhere in sight. The change-over to diesel locomotives would mean that this country will have to spend its scanty foreign exchange on the import of diesel oil at a time when coal and electricity are available in the country. The current difficulties of suitable supplies of coal of the requisite quality are a passing phase. In the light of the discovery of coal deposits in the Bengal-Bihar region, it is reasonable to assume that the coal shortage will be tided over in course of time. The decision to manufacture diesel locomotives for use on Indian railways can only be a long-term decision. It should not be finalised unless there is a reasonable certainty that we can produce all the oil we require and in any situation it should not make our rail transport system vulnerable to the exigencies of fuel supplies from abroad. There is still time to reconsider and rescind this hasty decision.

Foreign Trade

INDO-BURMESE TRADE

ON THE Indo-Burmese Trade problems, there was a frank exchange of views between the Government of India officials and the Burmese Trade Delegation, which visited this country recently. It was made plain by the Burmese Delegation that they would not be prepared to buy from India unless the prices were competitive and deliveries prompt. In their discussions with the South Indian Chamber of Commerce, they emphasised that in future the prices of spices be quoted lower. They, of course, agreed to the procedure of calling for tenders in buying yarn and mill cloth from India. Burma is also prepared to pay in sterling for goods bought in India. Payment realized in sterling will be advantageous for this country as her sterling balances have now reached the bottom level of Rs. 141 crores.

During the talks the Burmese Delegation offered to sell and the Indian Delegation agreed to purchase 200,000 tons of rice out of 1961 crop for the present. The Burmese Delegation also agreed to offer an additional quantity later, if possible. The agreement was also reached that the volume of trade between these two neighbouring countries should be raised to as high a level as practicable and that the question of entering into another long-term trade agreement and also another long-term rice agreement should be considered. The existing five-year rice agreement between India and Burma is to be over by the end of this year.

Trade at present between India and Burma is governed under the Agreement signed on September 5, 1956. India had an unfavourable balance of trade to the tune of Rs. 50 lakhs in 1959 and during January-August 1960, it rose steeply to Rs. 1025 lakhs. The main imports from Burma are cereals and cereal preparations, wood, lumber and cork and base metals. Exports from India mainly consist of fish and fish preparations, coffee, tea, cocoa, spices, mineral fuels, animal and vegetable oils, textile yarn, fabrics, transport equipment and machinery other than electric.

While the anxiety on the part of Burmese to protect their own hand-weaving industry and to procure things on lower prices is understandable, it is worth considering to what extent Indian prices compare favourably or otherwise with those of supplies from the non-Communist countries. Burma is at present looking for light machinery, electrical goods, textiles, coal, jute goods, dry prawns, yarn and pulp for which the Burmese Trade Delegation had come here to make on-the-spot purchases. The encouraging factor is that India is in a position to supply these goods and the talks have concluded assuringly. It is now only to be hoped that a permanent arrangement will be arrived at in due course of time.

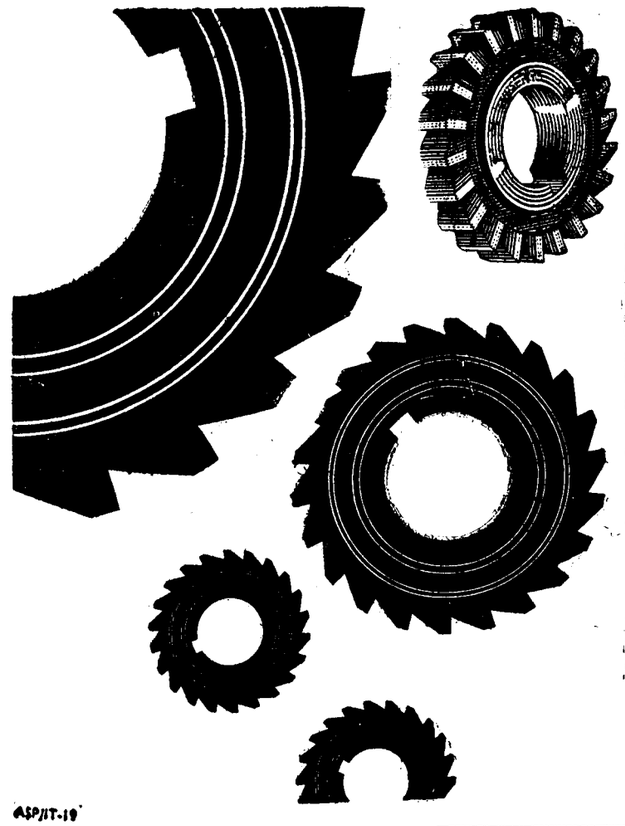
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FROM THE CAPITAL'S CORRIDORS

INDUSTRIAL POLICY RESOLUTION

THE statement of Sardar Swaran Singh, the Union Minister for Steel, Mines and Fuel, on the Government of India's coal production policy, made in the Lok Sabha about two weeks ago, has provoked a controversy in regard to the role of private sector in the industrial development of the country. It has been argued by economic commentators that the statement is a departure from the 1956 Industrial Policy Resolution. According to them, the departure has been warranted by the exigencies of the situation at present prevailing in the country.

Two questions have been posed in this respect: (a) Whether the development of the country and the industry has been retarded because the public sector has followed a dog-in-the-manger policy in the matter of coal and alloy metals in particular as also in exploration of oil and gas and (b) whether the proposed implementation in the Third Plan of the Industrial Policy Resolution of April, 1956, will lead to undue preponderence of the public sector.

The view held in the official circles is that the Government and the Planning Commission are still being guided by the Industrial Policy Resolution of 1956 which reserves for the public sector the establishment of new industrial units under some basic industries listed in Schedule "A" of the Resolution and extends its domain to the industries listed in Schedule "B" to enable the Government to assume control at some of the strategic points of the economy. Since, however, the Resolution provides for relaxations to be made in special circumstances, in practical application there have been quite a number of instances of relaxation in favour of private enterprise having regard to the circumstances which have developed in the last two to three years.

In respect of coal, official circles point out that the programme of development under the Second Plan gave adequate scope for the private sector to expand its production — the private sector was allowed to raise an additional 10 million tons of coal. The target set in the Second Plan — 60 million tons of coal — involved the raising of production by 22 million tons during the five years to 1960-61. The bulk of this additional production had to come from new mines and in terms of the Industrial Policy Resolution these mines had to be in the public sector. Since the policy did not rule out the expansion of existing private collieries — and such expansion being possible — the private sector was allowed to increase its production from the existing workings and immediately contiguous areas by 10 million tons. It is, therefore, not correct to say that the public sector has followed a dog-in-the-manger policy in the field of coal. If the target is not achieved in full, it is due to the inherent difficulties in establishing new production of the order envisaged — the areas had to be investigated in detail, which is a time-consuming process, before project reports could be prepared and an organisation set up and geared to shoulder this big task. Almost the whole of the equipment required had to be imported and this required a large amount of foreign exchange, the obtaining of which in the initial stages of the Plan was a little difficult. In spite of these difficulties, it is expected that by the end of the Second Plan period the capacity would have been established for a production of about the same magnitude as the target, though the actual production might fall short of it.

MINERAL OILS

The official contention in regard to mineral oils is as follows: "Mineral oils are listed under Schedule 'A' of the Industrial Policy Resolution. This means that all future development in this field will be in the public sector. The Policy Resolution does not, however, preclude the possibility of Government securing the co-operation of private enterprise in this field when national interests so require. Government's policy in regard to oil exploration and production enunciated in November, 1959, while laying down that Government can reserve certain areas for exclusive exploration through their own agency, also permits throwing open other areas for exploration by private enterprise. In permitting the private sector to explore for oil, it is necessary to ensure that natinal interests are safeguarded and these demand a careful consideration of the terms and conditions on which private parties can be allowed to enter the field. The Petroleum and Natural Gas Rules notified simultaneously with Government's policy on oil indicate in broad terms the scope for the private sector to enter the field. On the basis of this, Government invited offers from foreign parties with sufficient standing and experience in prospecting and mining of petroleum and natural gas resources. Offers received in response to this are under examination and Government will decide these applications after discussing with the parties concerned."

ALLOY METALS

In the case of alloy metals, it is pointed out that the schemes put forward by private enterprise for the manufacture of ferro-silicon, ferro-manganese, ferro-chrome and other ferro alloys were licensed by the Government and the delay, if any, arose on account of the need to make arrangements for foreign exchange for the import of plant and machinery which was a problem common to the projects both of the public as well as the private sectors. In the case of alloy tool and special steels, including stainless steel, the investment requirements are very large and, therefore, the need for evolving a co-ordinated programme of development embracing the schemes of the Government and the private sector assumed considerable importance. The assessment of the requirements for these products under different categories was also a somewhat time-consuming process as compared to other industries. These two factors are the principal reasons, rather than a doctranaire approach on the part of Government, which account for the loss of time in reaching sound decisions on the overall programme as well as individual schemes proposed for consideration. This phase of preparatory work on alloy steels is now over and the schemes of both the public and the private sectors can move forward with speed hereafter.

PUBLIC SECTOR'S ROLE

The place to be assigned to the private sector under the Third Plan, official sources contend, has to be judged mainly against the background of the overall requirements of diverse industrial products by the end of the Third Plan and the extent to which these could be met from industrial developments in the public sector.

The responsibilities of the State are much larger than those of private industry since it has to expand resources for the development of the overheads required for the entire national economy. Against this background, its responsibility in the industrial field has been conceived basically in terms of control at strategic points and in terms of the development of industries listed under Schedule 'A' of the Industrial Policy Resolution. By undertaking the manufacture of commodities like iron and steel and a wide range of capital goods, the State has a controlling position in relation to the activities of the private sector. Though in terms of financial outlay the investments under the private sector are larger than under the public sector, the preponderance of the former is more apparent than real, if due regard is taken of the importance of the fields for development proposed for these two agencies.

It is perhaps inevitable that in the early stages of

industrial development the number of firms in a position to command larger financial resources should be limited and that consequently these firms should play at the outset a disproportionately large role in the industrial expansion, particularly in fields requiring heavy capital investment. In addition, the following factors have contributed to a substantial part of industrial growth in many fields being fostered by a few big houses.

(i) A large part of the capacity established during the First and Second Plan periods has been the result of expansion of existing undertakings, i.e. main steel plants, aluminium plants, cement plants, paper plants, rayon plants etc.

(ii) The existing units operating in the field of consumer and producer goods have sought to extend their manufacturing activities into allied fields, e.g., rayon and staple fibre plants extending their operation to the manufacture of caustic soda and chemical pulp, paper plants undertaking the manufacture of caustic soda, arrangements of some automobile manufactures (TELCO) for production of rubber tyres and of the main steel producers (TISCO) for the production of pipes, refractories and ferro-manganese.

(iii) Foreign houses operating in India and able to command considerable financial resources have extended their manufacturing activities through their subsidiaries in this country, sometimes in financial collaboration with Indian enterprises, e.g., ICI expansion through the Alkali Chemical Corporation of India (Polythelene and Rubber Chemicals), Indian Explosives Ltd., and ICI-Atul.

In the circumstances, it is pointed out by official sources, industrialisation has entailed a substantial enlargement of the activities of certain industrial groups and at best one could only hope that this tendency would be kept within reasonable bounds. That the need to check trends towards excessive concentration has not been overlooked is evidence from the fact that there are quite a few instances where in the matter of licensing new units, preference has been deliberately given to new-comers rather than to concerns already established in the line. Other measures to be taken consistent with the requirements of the situation during the Third Plan are matters for further detailed study. A start has been made on these further studies by the appointment of a Committee, headed by Professor Mahalanobis, recently.

OVER-CONCENTRATION

Over the last 10 years, it is asserted, while a few big houses have undoubtedly expanded, there has also been a considerable addition to the total number of industrial entrepreneurs in this country and at the same time a number of small industrialists have moved up to the middle rank and soms of those in the middle rank having enlarged the scope of their enterprises will soon begin to stand comparison with the giants. This process already set in motion will, to some extent, itself provide a cure for the disease of over-concentration.

Since the commencement of the First Plan, there has been a significant increase in the investment outlays under industry as compared to the earlier period. The step-up of investment was specially significant from 1954-55 onwards. The importance of the growth of the public sector has to be assessed in terms of the control which it is expected to obtain in basic industries which will set the pace for expansion in the rest of the industrial sector as well as the economy as a whole e.g. iron and steel, fertilisers, machine building plants, heavy industrial machinery, mineral oils, basic chemicals and essential drugs, rather than in terms of the figures of actual outlays made by it as compared to the private sector.

The rising levels of investment in the successive Plan periods since 1950-51 and the rapid expansion of the public and the private sectors in the industrial field are illustrated by the following data:

(Rupees crores)

	Estimated Gross Fixed investment in large and medium industries		
	Public Sector	**Private Sector**	**Total**
At the commencement of First Plan	48	750	798
At the commencement of Second Plan	109	1080	1189
At the commencement of Third Plan	834	1905	2789
At the end of the Third Plan	1770	3100	4870

THIRD PLAN

Some re-thinking, it is understood, is going on in Government circles on the allocations for power, mining and transport provided in the Draft Outline of the Third Plan. It is increasingly being recognised that bigger allocations for these projects may have to be made if the bottlenecks experienced during the Second Plan period are to be avoided. It is now agreed that lack of power is holding up rapid industrialisation, particularly in the South. It is also well-known that inadequate planning of mining of coal and its movement by railways has hampered production in the three public sector steel plants. The final decision on the matter, however, rests with the Planning Commission which has to accord priorities for various developmental activities.

COAL TARGET

The Coal Council at its meeting here last week-end adopted a production target of 37 million tons of additional coal for the Third Plan. 17 million tons of this would be raised by the private sector and 20 million tons by the public sector. The private sector target includes coal to be raised in new areas.

The Coal Council has asked the Council of Scientific and Industrial Research to appoint a Committee to go into the question of feasibility of underground gassification of coal for generation of power and to locate suitable areas where this could be tried out on a commercial scale. The Committee would also be required to indicate the economics of the proposal.

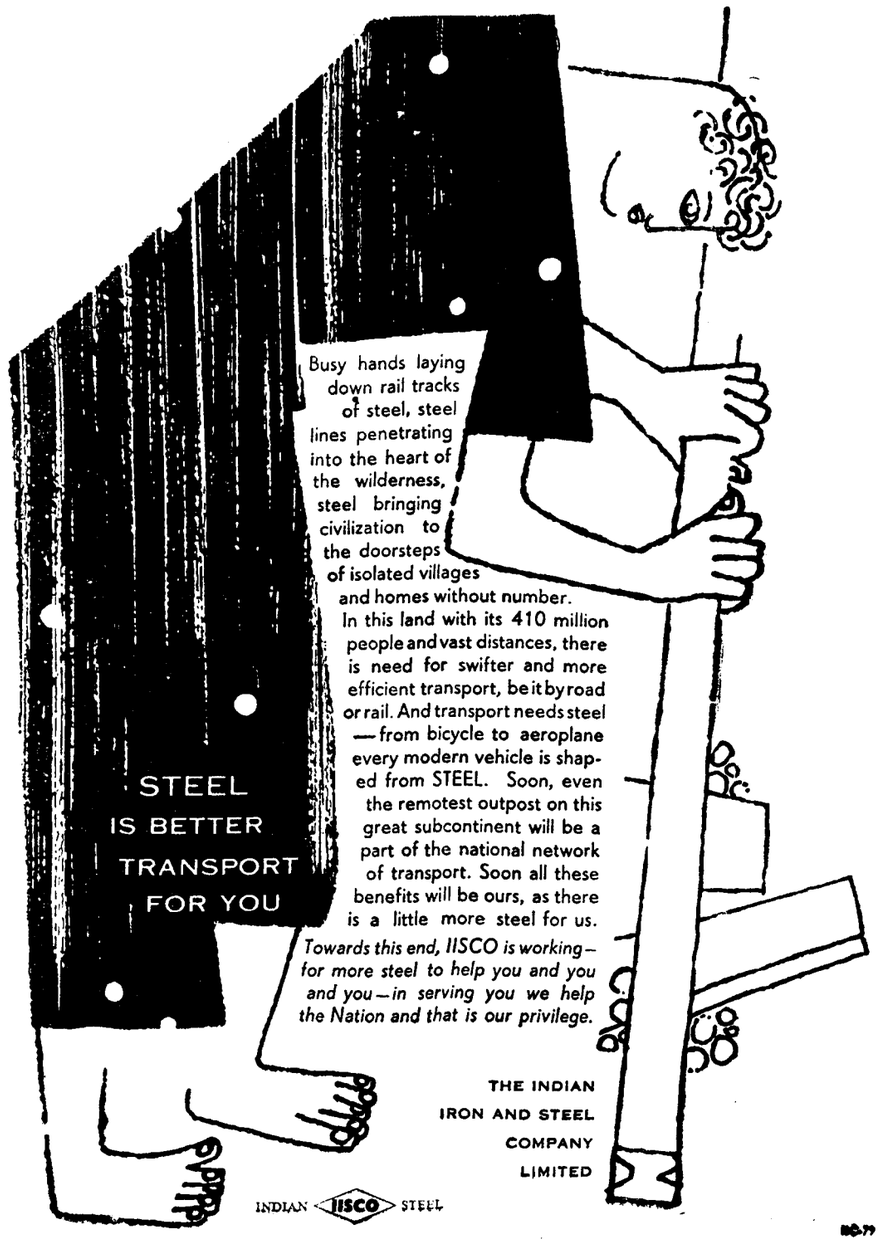
The Coal Council's Committee on Requirements and Utilization has suggested that the Government should go ahead with the production of smokeless domestic fuel from coal and the Planning Commission should be approached to give it the necessary priority.

About the movement of coal, a spokesman of the Railways is understood to have assured at the meeting that everything possible was being done to cope with the demand for wagons. But there had been difficulties, he said, the blame for which had to be shared by other departments also.

The Government of India has decided that colliery-owners may be paid, in addition to the existing coking coal prices, the following further amounts with effect from August 24, 1960.

In the case of Selected Grade 'A' coal:

(i) If the ash content is less than 14 per cent	a sum of Re. 1 per ton of 2,240 pounds (Re. 0.98 per tonne of 1,000 kilograms) over the price of Selected Grade 'A'.
(ii) If the ash content is 14 per cent or more but is less than 14.5 per cent	a sum of Re. 0.50 per ton of 2,240 pounds (Rs. 0.49 per tonne of 1000 kilograms) over the price of Selected Grade 'A'.



towards the Quarter Million mark

INDIAN TUBE is expanding again ! A licence has just been granted to instal a second high-speed, continuous weld mill, with a capacity of 90,000 metric tonnes a year, at the Jamshedpur works, taking the total in this category of tubes to 200,000 tonnes.

Adding to this the 30,000 tonnes of seamless, and 20,000 tonnes of electric resistance weld tubes made at Jamshedpur, the total tube capacity will stand at a quarter million tonnes—an impressive advance since the first mill went into operation five years ago. In addition, Indian Tube makes tubular steel poles for which it has a capacity of 150,000 a year.

With all the technical and service facilities already available at Jamshedpur, this latest expansion will, like the others, be speedily completed to provide a substantial increase in output, bridging the present gap between demand and supply.

INDIAN TUBE

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In the case of Selected Grade 'B' coal:

If the ash content exceeds 15 per cent but is less than 16 per cent	a sum of Re. 0.50 per ton of 2,240 pounds (Rs. 0.49 per tonne of 1000 kilograms) over the price of Selected Grade 'B'.

In the case of Grade I coal:

If the ash content exceeds 17 per cent but is less than 18 per cent	a sum of Re. 0.50 per ton of 2,240 pounds (Rs. 0.49 per tonne of 1000 kilograms) over the price of Grade I.

OIL AGAIN

Oil has figured prominently in the Lok Sabha during the past one week. The Union Minister for Oil, Mr. K. D. Malaviya, has assured, in clear and unequivocal terms, the existing oil companies that the Government had no intention to drive them out. This is in line with his earlier statement that the Government had no intention to revise the agreements with the oil companies unilaterally; they could be modified only with the consent of the companies concerned. He, however, made it clear that the Government had every intention to press as hard as possible to get the best terms and most favourable conditions from the oil companies in all spheres, exploration, production, refining and distribution. He declared that the public sector Indian Oil Company had come to stay and would discharge its functions, if possible in collaboration with the private distribution companies and if not independently.

Replying to a question in the Lok Sabha, Mr. Malaviya said the first phase of the working plan of the Indian Oil Company Ltd., which covers the period ending March 31, 1962, had been received by the Government on November 14 and was under scrutiny. The scheme broadly provides for the construction of adequate bulk shortage installations at the main ports and storage depots and retail dispensation points at various places in the economic supply areas. It also lays down (i) the details of organisational set-up for handling distribution and marketing of deficit petroleum products that are being imported from USSR and the products of Nunmati Refinery which is likely to go on stream early in 1962, (ii) a programme of imports from USSR, (iii) a programme of distribution and (iv) details of capital outlay. The Minister thus confirmed the contention made in this column a few weeks ago that the Indian Oil Company had no distribution organisation when the Russian oil reached this country.

Replying to three other questions, Mr. Malaviya said:

"In regard to the transport of petroleum products, the programme of laying pipelines is being considered and it may take some time before decisions are taken after techno-economic studies.

"The crude oil found in the oilfields in Assam will be transported by a 720-mile long pipeline to Nunmati, in Assam, and further to Barauni, in Bihar. The latest estimated cost of this project is Rs. 41.48 crores... The decision to transport crude oil from Assam by pipeline was reached after considering the comparative economics of other available means of transport in that area.

"The crude oil pipeline will be 720 miles long. The first leg of the pipeline from Nahorkatiya to Nunmati will be 260 miles and of 16" diameter. The second leg of the pipeline from Nunmati to Barauni will be 460 miles and of 14" diameter. To facilitate the transport of crude oil by this pipeline, there will be 8 pumping stations enroute. The work on this project has already commenced.

"That, the Government had decided to establish a refinery with a capacity of about 1 to 1.5 million tons per annum, if possible in Gujarat."

The Minister also said that two new types of Rumanian 4-LD Rigs for Cambay had been purchased and purchase of one more Rig of the same type was under negotiation.

MANUFACTURE OF DRUGS AND PHARMACEUTICALS

Three corporations are being set up to undertake the manufacture of drugs and pharmaceuticals in India. One of these corporations will handle the four projects — (i) Antibiotic Project (Rishikesh), (ii) Surgical Instruments and Medical Appliances Project (Madras), (iii) Synthetic Drugs Plant (Hyderabad), and (iv) Phyto-chemical (Alkaloids) Project (Munnar, Kerala) — to be financed with aid from Russia. The combined output of these projects will be worth about Rs. 30 to Rs. 40 crores a year. The second corporation will look after the manufacture of organic intermediates required by the dye-stuff industry and by the first corporation. The third corporaton will take care of the Pimpri factory which is being expanded with assistance from the World Health Organisation, UNICEF and the U.S. firm Sharpe, Mark and Dome. This corporation will also manufacture Vitamin C and tetra-cyclines.

To secure an effective co-operation and combination amongst these corporations, it is proposed to constitute a technical committee consisting of their top representatives. This body, it is expected, will lay down the broad policy for the industry.

The representatives of Bayers, the West German combine which is participating to the extent of 10 per cent in the equity capital of the plant to be set up to manufacture organic intermediates under the supervision of the second corporation, are here these days. They would select a site for the plant and would prepare lists of equipments to be ordered from Germany, other foreign countries and from Indian sources. They will also discuss with the Government the organisational set-up for this project and the provision of training facilities to Indian personnel in this country and in Germany.

ALLOY STEEL PLANT

The Government has finally decided to locate the Alloy Steel Plant at Durgapur. This project would cost Rs. 50 crores. The Canadian firm Atlas is expected to provide technical know-how for it.

There appears to be some uncertainty about the availability of finances required to meet the foreign exchange component of the cost of this project. As the British interests have already offered £20 million for the Durgapur Steel Plant, £15 million for some other tied projects such as the expansion of the Bhopal Heavy Electrical Plant and a Fertilizer Plant to be set up in Assam and another £15 million for the purchase of some other types of machinery and equipment, it is very unlikely that they will be coming forth with a credit for this project. The Canadian firm too is not likely to offer any credit for the project, though it will provide the technical know-how. No chedit is also expected from the Canadian Government. Under the circumstances, the Government of India may have to arrange a number of credits from various sources for buying some parts of the equipment required for this project from Britain, some other parts from West Germany and yet some other parts from the United States.

HEAVY MACHINE TOOLS PROJECT REPORT

Negotiations are in progress here with the Czechoslovaks to settle the terms under which the preparation of the Project Report for the Heavy Machine Tools Building Plant is to be entrusted to them. The Heavy Machine Tools Plant is to be designed for the manufacture of 22 types of machines falling in seven cate-

gories. The following are the different categories:

Category	Models
1. Central lathes	6
2. Planers	3
3. Horizental borers	4
4. Vertical boring and turning mills ..	3
5. Plano-milling machines	2
6. Grinding machines	2
7. Radial drilling machines	2
Total ..	22

The savings in foreign exchange likely to be effected as a result of the establishment of the plant would be about Rs. 5 to Rs. 6 crores per year.

METRE GAUGE LOCOMOTIVES FOR RAILWAYS

Negotiations having been finalised, a supply contract will be shortly concluded between the Railway Board and TELCO for the supply of 325 metre gauge locomotives to Indian Railways during the period from June 1, 1961, to March 31, 1966. The present 16-year contract between the two parties terminates on May 31, 1961.

The agreed prices are Rs. 3,80,750 per Y.G. locomotive and Rs. 3,78,750 per Y.P. locomotive. These prices are below the price of Rs. 3,80,917 per Y.G. locomotive settled by the last arbitration award for the period 1958-60, covering the supply of 200 locomotives or an average annual supply of 100 locomotives. The average annual supply by TELCO between 1961 and 1966 will be only about 65 locomotives.

AVOIDANCE OF DOUBLE TAXATION

Mr. Brooks of the British Board of Central Revenues is expected here shortly from Pakistan where he is negotiating an agreement for avoidance of double taxation between the two countries. A similar agreement between India and the United Kingdom is also envisaged. Taxation of profits from shipping has been the main bottleneck in reaching this agreement so far. During his stay in Delhi, Mr. Brooks is expected to make an attempt to resolve this deadlock.

MANUFACTURE OF CAST IRON PIPES

The Government of India has issued a licence under the Industries Development (Regulation) Act to Mr. Gyalo Thondup, New Delhi, to set up a company under the name "The Gayday Iron and Steel Company Ltd." to undertake the manufacture of 30,000 tons of cast iron spun pipes and fittings per annum. The plant is proposed to be located at Kodarma, in Bihar State.

A part of the finance required for this project, according to Mr. Gyalo Thondup, might be provided by His Holiness the Dalai Lama. The Government has been informed that the project would indirectly provide employment opportunities or other assistance to Tibetan refugees.

INTERNATIONAL INDUSTRIAL EXHIBITION

The United Kingdom has decided to participate in a big way in the International Industrial Exhibition to be held in New Delhi next winter. Mr. Michael Belfour, Head of the Exhibition Division of the British Board of Trade, is in India at present having discussions with the British industrial interests in this country on their plans to participate in the exhibition. During his recent stay in New Delhi, he visited the exhibition grounds to select a site for the British pavillion.

TRAINING OF INDIAN PERSONNEL

Mr. A.H.P. Humphrey, Director of the U.K. Technical Assistance Programme, is visiting India shortly and will stay here for about 10 days. He will discuss with the Government and the authorities incharge of Ranchi and Durgapur projects a long-term programme for training of Indian technicians and employment of British technical personnel in this country till Indians are sufficiently trained to undertake every operation of some of the public sector enterprises. A similar training programme is being arranged with the West German Government which will bear half the cost of training.

INDO-BURMESE TRADE AGREEMENT

Burma will be supplying India two lakh tons of rice out of its 1961 crop. An agreement to this effect was signed here last week between the Government of India and a Burmese trade delegation which had been touring this country to make some on-the-spot purchases of light machinery, electrical goods, textiles, coal, jute goods, dry prawns, yarn and pulp. The Burmese delegation agreed to offer some more rice later, if possible. It was also agreed that the volume of trade between India and Burma should be raised to as high a level as practicable and the question of entering into another long-term trade agreement and a rice pact should be considered.

INDIA'S DEBT TO FOREIGN COUNTRIES

The total outstanding debt of the Government of India to foreign countries, including the debt due to the International Bank of Reconstruction and Development, as on October 1, 1960, was approximately Rs. 670.80 crores. This was exclusive of the amount of Rs. 93.18 crores representing foreign debt on account of public sector non-Governmental organisations and private sector agencies and Rs. 60.71 crores due to the International Monetary Fund for the repurchase of rupees. It also did not include deferred payment liabilities of the public and the private sectors.

The repayment liability of the Rs. 670.80 crores debt during the next ten years is estimated to be as followed:

Year	(Rs. crores)
1961-62	27.14
1962-63	36.89
1963-64	50.06
1964-65	30.90
1965-66	34.11
1966-67	39.00
1967-68	39.10
1968-69	37.73
1969-70	39.57
1970-71	31.89
Total ..	366.39

BRIEFS

The State Trading Corporation has been negotiating with an Italian firm for the import of fertilizers and other commodities in exchange for Indian goods. The arrangements have not yet been finalised. Meanwhile, some quantities of fertilizers have been imported on an 'ad hoc' basis and exports of Indian goods in exchange are in the process of being made.

* * * *

There is no specific proposal under consideration for subsidising Indian shipping companies for the carriage of the foodgrains cargo under the recent PL 480 agreement concluded with the U.S.A. Indian ships are even now offered as much foodgrains cargo as they can lift at the prevailing rates of freight in the world market.

* * * *

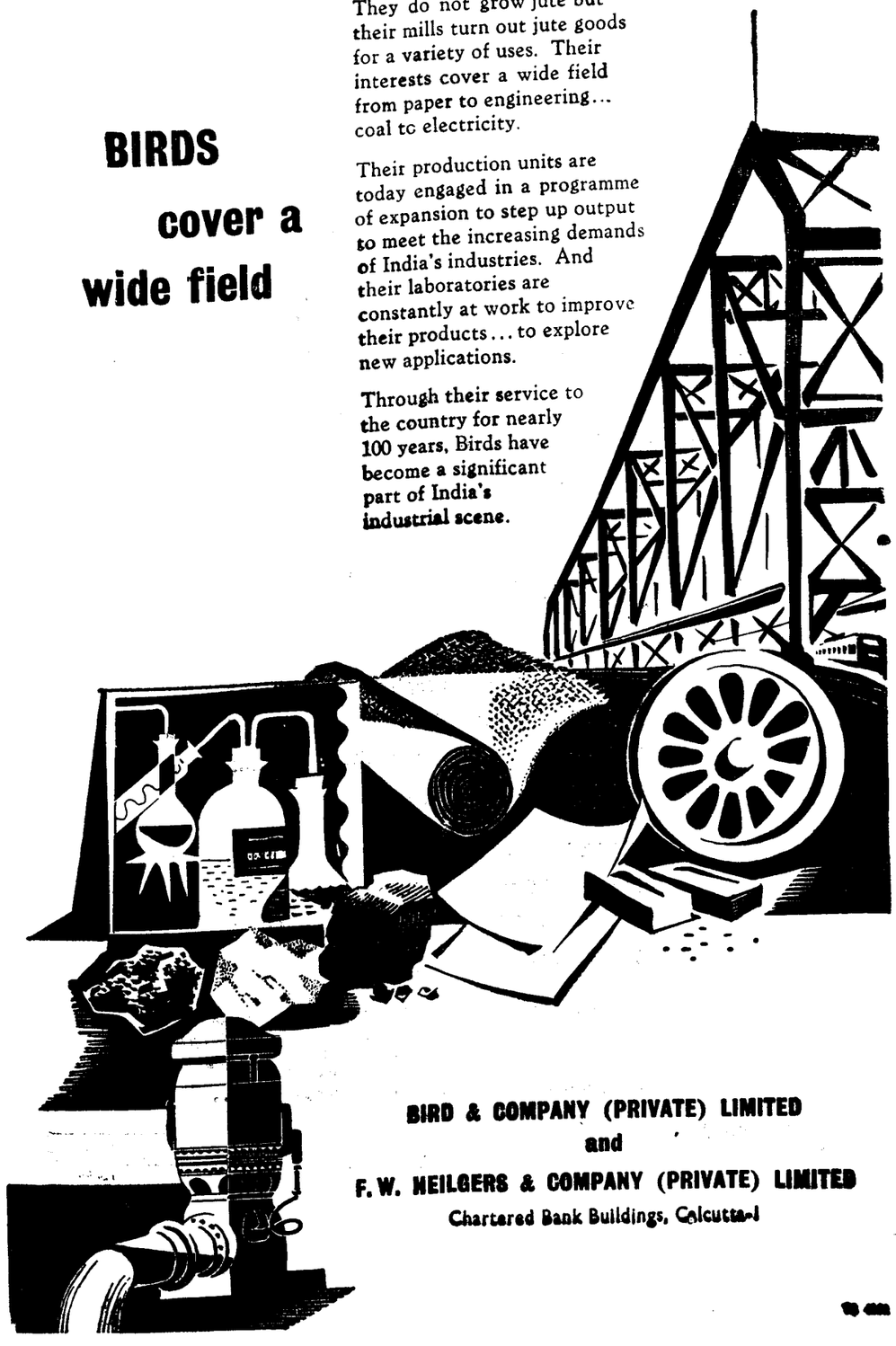
The Madhya Pradesh Government has issued an order under which the wholesale dealers of Madhya Pradesh, Maharashtra and Gujarat States who want to undertake export of wheat and rice from Madhya Pradesh will be granted licences freely for this purpose. Such licenced dealers will have the authority to export wheat and rice from Madhya Pradesh to Maharashtra or Gujarat without any export permit.

BIRDS cover a wide field

The Birds/Heilgers group do not produce steel. But they provide the vital raw materials that go into the making of steel—iron ore, coal, manganese ore, limestone, dolomite, refractories... They do not grow jute but their mills turn out jute goods for a variety of uses. Their interests cover a wide field from paper to engineering... coal to electricity.

Their production units are today engaged in a programme of expansion to step up output to meet the increasing demands of India's industries. And their laboratories are constantly at work to improve their products... to explore new applications.

Through their service to the country for nearly 100 years, Birds have become a significant part of India's industrial scene.



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and
F. W. HEILGERS & COMPANY (PRIVATE) LIMITED
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man's faith

Faith that makes man aspire, strive ...
awakening him to tasks in the early-glow of dawn.
That melts rock, shapes granite; transforms
still waters to surging power.

A faith in the living future:
in a world that offers a little more—
a little less of the care, a little more of the joy.
Faith that gives meaning to life.

Today, as in the past, our products help to make homes cleaner, healthier, happier. But today we are also working for ... Tomorrow, when the evergrowing urge for better living will demand still greater efforts. And we shall be ready with wider service, new ideas, new products ...

Today and Tomorrow... Hindustan Lever serves the home

HL 6-X52

COMPANY AFFAIRS

HIGHER OUTPUT FOR INDIAN IRON

The production of steel ingots at the Burnpur Works of the Indian Iron and Steel Company Ltd. during the year to March 31, 1960 showed an increase of 218,867 tons over the previous year. Production of saleable steel improved to the extent of 164,562 tons. The output of the Kulti Foundries was again satisfactory and recorded an increase in tonnage of approximately 19 per cent over the previous year. These increases are reflected in the improved trading results achieved for the year under review. Some of the details are given below.

	1959-60 (Tons)	1958-59 (Tons)
Pig Iron	1,053,612	959,933
Steel Ingots and Castings ..	827,072	608,205
Bars	55,870	52,124
Structurals	156,387	112,370
Black Sheets	75,617	64,463
Galvanised Sheets	70,208	73,355
Rails	63,669	43,048
Blooms, Slabs and Billets ..	240,062	152,191
Coke	1,343,069	1,232.301
Castings	175,881	147,325
Coal Raisings	339,082	362,648
Coal Tar	55,619	51,028
Sulphuric Acid	22,889	18,753
Sulphate of Ammonia ..	20,218	16,137

This increased production of the Company is primarily due to the fact that all the major items of plant installations scheduled under the 1953 and 1955 expansion programmes have now been commissioned though it will be some time yet before the provision of the many subsidiary facilities required for the full and efficient working of the expanded plant is finally completed.

Increase in the steel retention prices in compensation for those increases in production cost subject to the agreement with Government was notified by Government on the 10th November, 1960 and as in previous years has been granted by averaging the incidence over the five year period ended 31st March, 1960.

In accordance with the recommendation of the former Tariff Board a sum of Rs. 51.15 lakhs has been transferred to Plant Rehabilitation Reserve and under the terms of the Company's agreement with Government an amount of Rs. 30.51 lakhs has been carried to the Extensions Special Reserve. Consequent upon the further large additions to fixed capital expenditure under the expansion programme the provision for depreciation has been raised from Rs. 2 crores to Rs. 3 crores.

After making normal provisions for loan interest, taxation, etc., there is a profit of Rs. 2.04 crores which is a significantly higher figure than the previous year's Rs. 17.49 lakhs. The Directors had declared on August 9, 1960 an interim dividend on the Ordinary Share Capital of Rs. 1.50 gross per share, payable under deduction of tax at the prescribed rates, on the understanding that although termed "interm" this would in fact constitute the full dividend for the year. No further distribution in respect of the year under review is accordingly recommended by the Directors. In comparison with the dividend of 10 per cent "free of tax" paid in respect of previous years, the present dividend of 15 per cent gross affords compensation in full to shareholders for the withdrawal, consequent upon the amendment of the Income-tax Act, of the former national credit on their dividends in respect of income-tax paid by the Company.

MYSORE CHEMICALS AND FERTILIZERS

The Directors of the Mysore Chemicals and Fertilizers Ltd., Mysore, have pointed out that during the year to March 31, 1960 the results of the Company have shown a change for the better and the production and sales are the highest recorded so far. The Factory worked continuously during the year only with minor interruptions, thereby resulting in improved production in all departments. Sales realisation during the year under review was Rs. 47.55 lakhs as against Rs. 31.72 lakhs of the previous year. The manufacture of Fertiliser mixture was undertaken on a large scale during the year and there has been good demand for this product.

The Directors have expressed their concern over the fact that the charges levied on the Company for the supply of electrical energy are normally unworkable. However this heavy and abnormal expenditure has been met with great dfficulty by the Company.

Recognising the urgency of speedy rehabilitation and renovation of the several Units in the Factory the Directors took steps to examine this essential question with particular reference to the equipments which have already worked for more than 20 years. While on the one hand action was taken to improve the all-round efficiency of that Plant with a view to securing both increased production and better quality, the Directors also decided to expand the Superphosphate Plant by adding suitable equipment which was got manufactured indigenously. The production of Superphosphate was thus stepped up to a considerable extent.

Profit during the year came to Rs. 3.42 lakhs. The Directors have proposed the payment of a dividend at the rate of 10 per cent subject to tax.

SCINDIA STEAM'S DIVIDEND

The Board of Directors of the Scindia Steam Navigation Company Ltd., at their meeting held on 23rd November, 1960, decided to recommend to the shareholders, for declaration at the forthcoming annual general meeting of the Company, a dividend at the rate of 60 Naye Paise per share, subject to deduction of tax, for the year ended 30th June, 1960.

THE MYSORE KIRLOSKAR LTD.

YANTRAPUR, P.O., HARIHAR.

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Monday the 26th December, 1960 at 11 A.M. (I.S.T.) at the Registered Office of the Company at Harihar, to transact the usual business and also special business, the details of which have been made known to the shareholders separately by notice sent along with the Balance Sheet and Profit & Loss Account and Directors' Report.

The Share Transfer Books and Membership Register shall remain closed from 19th December, 1960 to the 2nd January, 1961 (both days inclusive).

By Order of the Board,
For THE MYSORE KIRLOSKAR LIMITED,

Sd/- M. S. VARTAK,
Secretary.

30th October, 1960.

COMMODITY NEWS AND NOTES

EXPORT OF MANGANESE ORE

The Government of India announced the policy for export of manganese ore for a three-year period beginning from January 1, 1961. During this period, the export of manganese ore will be regulated as follows: Export quotas will be allotted as in 1959-60 for the period beginning January 1, 1961. The releases of quotas for October, November and December 1960 will be made on a pro-rata basis. In order to co-ordinate movement capacity with export potential and ensure supplies of ore according to the qualities and schedule of deliveries desired by overseas buyers, all export transactions of manganese ore will have to be registered with the State Trading Corporation. A copy of the relevant sale contract should be filed for this purpose with the Corporation. All shipments will be made by the shippers/owners including State Trading Corporation in their own name. To enable established exporters and mine-owners to maintain and develop their relationship with the traditional buyers of Indian manganese ore, they will have opportunity under the Joint Marketing Arrangements of the STC to negotiate, sign and execute contracts and ship the ore, as agents of the STC in respect of the quantities out of the STC's quota placed at their disposal. Newcomers, i.e. the parties, who had no quotas to their credit in 1959-60, have been advised to offer their tonnages to the STC and may export as agents to the STC.

In order to make rail movement free to the maximum extent practicable, it has been decided that no movement quota slips will be necessary for any grade of ore on the Western Railway sectors to the Bombay port, i.e. from loading stations of Dohad, Shivrajpur, Nathpuri and Pani in Panchmahal Districts of Bombay and Rajasthan stations. Movement quota slips will be freely issued for the railing of low grade ores analysing 40 per cent and below from Garividi, Sri Kakulam, Bobbli, Salur, Raygada and Nallimaria stations for export through Vishakapatnam, on the production of foreign sales contracts to the railway authorities. To facilitate and continue rail movements on and from January 1, 1961, all Joint Chief Controller of Imports and Exports will be asked to issue movement slips to all parties who had quotas in 1959-60 to the extent of half of their tonnages covered by such quotas. A meeting will be arranged in the Ministry of Commerce and Industry in the second week of December to examine how best the total rail movement capacity for all ores on different sectors like Barajamda to Calcutta could be best utilised for the movement of various ores from the point of view of foreign exchange earnings and other factors. All barter transactions will be handled only by the STC; the export tonnages under such transactions will be procured under the Joint Marketing Arrangements according to the qualities, ports of shipment, schedule of delivery, etc. In order to enable parties, who held quotas in 1959-60 and were unable to fulfil their firm commitments owing to rail transport difficulties, the validity of quotas against unfulfilled commitments has been extended up to December 31, 1960 in respect of tonnages lying at the port or in transit on September 30, 1960.

PRODUCTION OF COPPER ORE IN INDIA

The production of copper ore during January-September, 1960 was 330,549 metric tons, according to the Indian Bureau of Mines. This represents an increase of about 9 per cent as compared to the output of 302,190 metric tons in the corresponding period of the preceding year. The entire production was reported from Singhbhum district of Bihar State. The production of copper metal during January-September 1960 was 6,651 metric tons as compared to 5,885 metric tons in the corresponding period of 1959.

RAISINGS AND DESPATCHES OF COAL

The raisings and despatches of coal during September, 1960, from all fields in India were 4,216,502 and 3,976,109 metric tons respectively. The corresponding figures for the previous month were 4,203,506 and 3,926,017 metric tons respectively. The daily average loading for the month of October, 1960, from the West Bengal and Bihar fields was 4,782 wagons as against 4,627 wagons in the month of September. The highest loading on any day during October was 5,456 wagons and the lowest 3,956 wagons, the corresponding figures for September being 5,442 and 3,142 wagons respectively. A daily average of 208 wagons was allotted for shipment traffic during October, 1960 as against 151 in September. A daily average allotment of 198.03 wagons was made to Pakistan during October, 1960. About 135,058 tons of coal were despatched to Pakistan during the month.

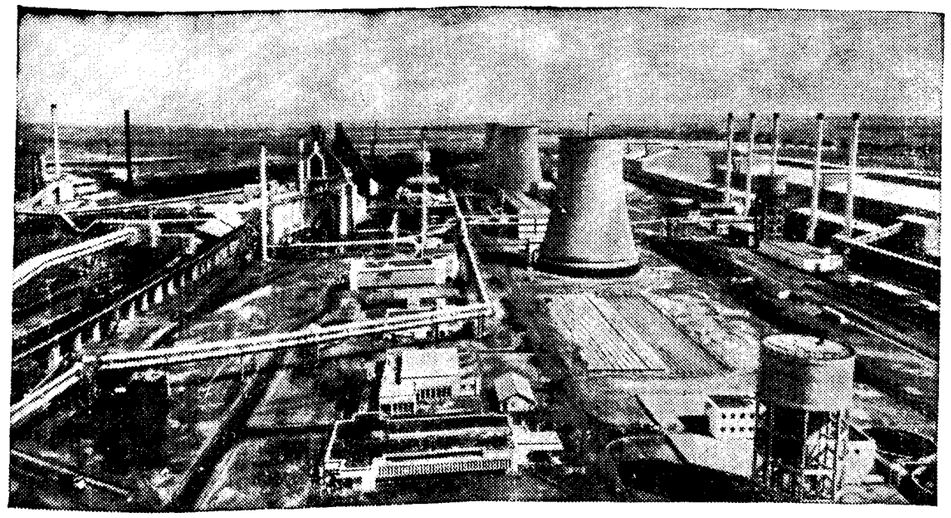
IMPORT OF COTTON FROM USA

The Minister of Commerce, Mr. Nityanand Kanungo, disclosed in the Lok Sabha the other day that negotiations were in progress for import of further quantities of cotton from USA under the PL 480 Programme. Mr. Kanungo, who was replying to a question by Mr. Rajendra Singh and five others said that this would be in addition to the cotton which had already been imported. Mr. Kanungo added that the proposal was to pay for the cotton in Indian rupees. Since the proposal was under negotiation, the quantity that might be available was uncertain.

Banking Services?—
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BANK OF INDIA LTD.
of Course!

TOWARDS ACHIEVEMENT

In three brief years a wilderness of swamp and paddy fields has been transformed into the giant steelworks at Durgapur. This remarkable achievement has been made possible by ISCON—a consortium of thirteen leading British firms who are responsible together for the construction of the steelworks. When completed, the steelworks will have capacity for one million ingot tons of steel and a wide range of end products for the industrial markets of India.

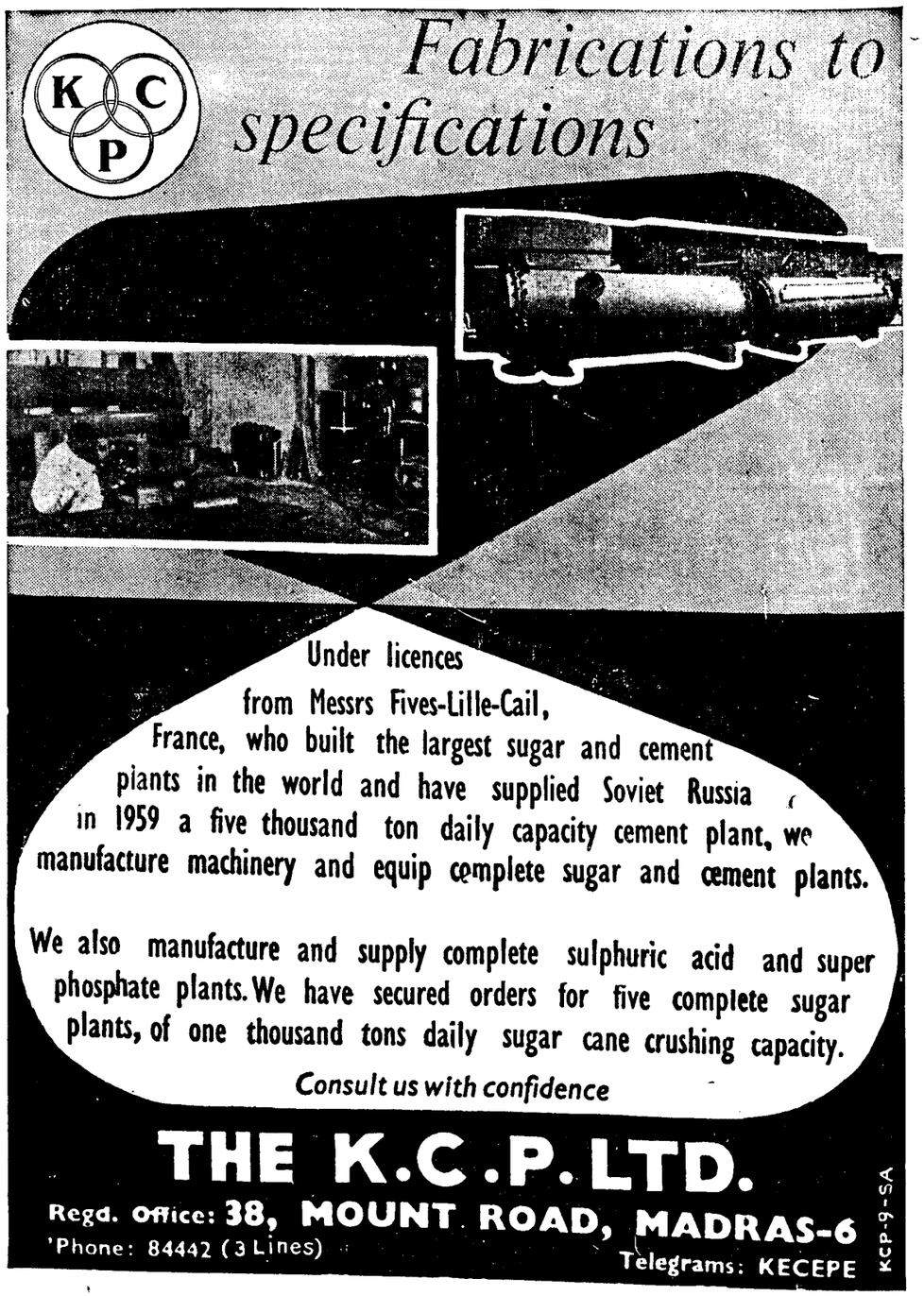


ISCON
INDIAN STEELWORKS CONSTRUCTION CO. LTD.

Davy and United Engineering Company Limited.
Head Wrightson & Company Ltd, Simon-Carves Ltd.
The Wellman Smith Owen Eng. Corp. Ltd.
The Cementation Company Ltd.
British Thomson-Houston Co. Ltd. The English Electric Co. Ltd. The General Electric Co. Limited.
Metropolitan-Vickers Electrical Export Co. Ltd.
Sir William Arrol & Company Ltd.
Cleveland Bridge & Engineering Co. Ltd.
Dorman Long (Bridge & Engineering) Ltd.
Joseph Parks & Son Ltd. Iscon Cable Group
(Siemens Edison Swan Ltd.
and Pirelli General Cable Works Ltd.)

BRITISH COMPANIES WORKING FOR INDIA

PSIC-20



Company Meeting

TUBE INVESTMENTS OF INDIA LIMITED

Address delivered by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), Chairman, at the Eleventh Annual General Meeting held in Madras on 28th November, 1960

Gentlemen,

I have much pleasure in extending to you a cordial welcome to this the Eleventh Annual General Meeting of the Shareholders of Tube Investments of India Limited.

The Directors' Report, the Balance Sheet and the Audited Accounts for the year ended 31st July, 1960 have been in your hands for some time and with your permission, I shall take them as read.

In my last Report, I referred to various expansion schemes which were in progress, both in connection with the Cycle factory and the Tube factory. The year under review has seen the completion of some of these projects. Your factory now produces Bottom Bracket Axles and Bottom Brackets, and these are expected to be available to manufacturers by January next. I referred to the Chain project in my speech last year. It is our object in establishing the Chain project, to produce industrial chains as well as chains for bicycles. Owing to a change in the foreign collaborators whose technical know-how was specially desired for industrial chain production, the project was a little delayed. We have now secured the association in technical matters of Messrs. American Steel Foundries International, who are associates of Diamond Chain Company of Indianapolis, U.S.A., and a subsidiary of your Company has been formed under the name T.I. Diamond Chain Private Limited. Another subsidiary company, TI Miller Private Limited, will shortly be established for the manufacture of lamps for all kinds of automatic vehicles, bicycle dynamo lamps, etc., in collaboration with Messrs. H. Miller & Company Limited of Birmingham.

The manufacture of Wright saddles to which reference was made last year has been slightly delayed owing to the fact that it has since been decided that the factory should be situated at Ambattur and not at Avadi. The machinery for the purpose has started coming and production will begin during the current year.

So far as the Tube factory is concerned, a second Tube Mill has been erected and is in operation. The work and preparation for the installation of the Cold Rolling Mill is proceeding and we hope to have it in production during the current financial year.

All this expansion and the consequent foreign exchange outlay have been made possible by the unhesitating co-operation which Tube Investments of Birmingham, has extended to us. The foreign exchange has been obtained partly in the increased equity capital allotted to them and partly in the form of loans. While these developments are in themselves satisfactory and while further progress is anticipated, there are certain factors which I hope will be resolved to enable the smooth evolution of the productive capacity of our work in several directions.

One of the urgent needs in this State for proper industrial development is adequate power supply, a fact which has been frequently brought to the notice of the authorities. The resources from hydro-electric power have virtually been exhausted. Thermal power is stated to be costly as coal is not available within the State itself. The power proposed to be derived from the lignite at Neyveli, is virtually earmarked for industrial development round that area. It is, therefore, of the highest importance that the State Government and the Central Government should explore the possibilities of adding to the power supply in this area, if industrial development adequate to the needs of the population has to be ensured. I look forward partly to the collaboration in this regard of the neighbourng southern Indian States which may have power supply in excess of their needs; but I look forward even more to the Central authority which, by its planned programme of industrialisation, has taken the responsibility of ensuring for each area, at least a minimum standard of industrialisation and therefore of industrial employment, to see that the essential factor in industrialisation, namely, power supply, is ensured for this State.

A second factor which has to some extent affected rapid development is the law that has been enacted regarding Development Rebate, and how and when it is to be provided for. The present legislation on the subject makes it very difficult for industrial units which desire to expand rapidly, and find their own foreign resources to do so, as the incidence of such a provision seriously impinges on a fair dividend policy which a company wishes to pursue. I still hope that the Finance Minister will reconsider this aspect of the question and provide for a substantial period of time during which the amount of Development Rebate may be spread over.

There is a third factor which has caused concern to industrialists and intending industrialists, particularly in areas like the southern region. It has been stated that the policy of the Government is to see that no particular industry is over developed in any particular region. If, for instance, the bicycle industry is developed in West Bengal or Madras, new units for the production of cycles should be licensed elsewhere than in these States. 'Prima facie' this looks reasonable, but there is a serious fallacy behind this reasoning.

If every industry could be so distributed, equally or proportionately, in every part of the State, such a decision may not be incorrect. But the position that would arise if this were to be followed to any degree will be that the under-industrialised areas, are even more at a disadvantage with resultant over-prosperity in one area and under-employment and sub-prosperity in another area, for it is quite patent that certain areas can only develop certain kind of industries. The fact is that the total industrial development of an area has to be taken into consideration and not the development and distribution of a particular industry alone. The public projects established by the Central Government have created enough disharmony among the various States and I venture to utter a caution that this disharmony may be aggravated and added to, by the policy of distributing any particular industry to all parts of the country.

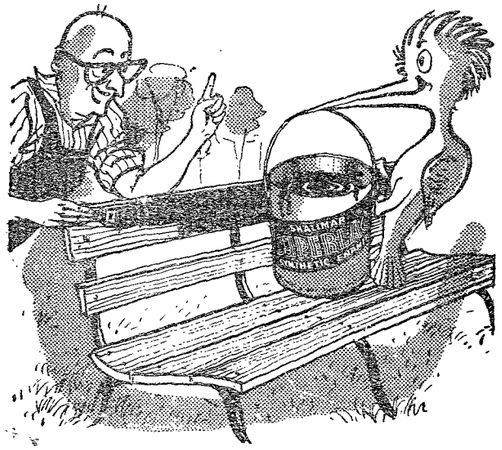
Let me turn now to our own specific problems. As you may have noted from the Directors' Report, there was an unfortunate strike in the Cycle factory for a period of six weeks, due more to misunderstandings than to lack of sympathy or co-operation on the part of the Management. I am, however, glad to state that a five-year agreement has been reached, between the Management and the workers, whereby conditions of peace and progress will prevail during the period.

Your Company, as I pointed out in a previous report, is aware of the part it should play towards society, and especially towards the society around which it is situated. The profits that it earns are not only divided between the Governments and the shareholders, but a substantial portion of them has been diverted towards promoting the social needs of the population in the area. The Polytechnic established in the area is one of the best in the State. The Higher Secondary School which has recently been inaugurated and the Hospital which is contemplated and the foundation stone of which will be shortly laid, are evidences of the enlightened policy of the Management, a policy in which the British shareholders participate with equal enthusiasm along with the Indian shareholders. I should add that these projects costing several lakhs of rupees have been made possible by a very substantial contribution by the A.M.M. Charities Trust, the trustees of which are also among your Directors. Whatever comment may be made about the Private Sector and its policy of profit making, I trust that you have sufficient evidence to show that this Company and your shareholders are trying to march with the times and are conscious of the dictates of the times.

I should only like to say a final word about the excellent and enthusiastic co-operation we have received from all our Officers and from our workers both in the administration office and in the factories, during the year under review.

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

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* NAVRANG
A riot of colours in poplins for every day use
* JALTARANG
Choicest Shirtings
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Shrink resistant sarees

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CANNANORE and PALGHAT.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
August 1959 ..	127.1	98.3	115.5	119.4	109.2	109.5	109.5	117.1
September „ ..	129.6	99.7	116.3	122.6	111.3	109.8	110.0	117.2
October „ ..	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
August 1960 ..	123.9	106.7	119.5	137.0	130.1	121.0	122.3	125.0
September „ ..	123.9	104.5	119.8	138.7	129.5	121.5	122.7	125.3
October „ ..	121.9	113.5	119.9	146.3	130.1	123.7	124.6	126.2
22-10-1960 ..	121.5	119.0*	120.0	147.0	130.6	124.1	125.0	126.4*
29-10-1960 ..	121.6	118.4	119.9	146.9	130.8	124.2	125.1	126.4
5-11-1960 ..	121.0	117.8	119.9	149.9	131.5	124.6	125.6	126.7
12-11-1960 ...	120.8	117.8	119.9	149.2	131.4	125.1	126.0	126.6

*Revised.

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Bengal Calcutta	U.P Kanpur	Central Provinces Nagpur	Central Provinces Jubbulpur†	Madras June 1936=100	E.P. Ludhiana†	Bihar Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	188*
1959 December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174*
August	402	421	302*	160	410	484*	515	—	470	169	—	174*
September	399	418	—	161	—	485	520	—	472	167	—	174*
October	402	421	—	162	—	—	517	—	477	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 11-11-1960 High	Low	Average	4-11-1960 High	Low	Average	28-10-1960 High	Low	Average	21-10-1960 High	Low	Average
Gold (per 10 grams) ..	115.65	114.65	115.31	116.00	114.80	115.36	115.95	114.40	115.06	114.20	113.15	113.66
Silver (per kilogram) ..	196.85	194.65	195.80	195.60	192.75	194.80	193.90	192.60	193.14	193.20	191.25	192.03

RESERVE BANK OF INDIA
ISSUE DEPARTMENT
(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106.87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	454,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117.76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1 179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333,83	1,750,77
Average of Fridays										
August 1959 ..	1,670,76	23,63	1,694,39	117,76	163,01	280,77	16.57	134,95	1,278,68	1,694,39
September „ ..	1,658,75	24,40	1,683,16	117,76	163,01	280,77	16,68	136,13	1,266,26	1,683,16
October „ ..	1,674,25	19,70	1,693,95	117,76	163,01	280,77	16.57	135,67	1,277,51	1,693,95
August 1960 ..	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
September „	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.30	131,80	1,437,70	1,810,26
October „ ..	1,806,43	16,56	1,823,00	117,76	123,01	240,77	13.21	130.37	1,451,87	1,823,00
Week-Ending										
28-10-1960 ..	1,794,18	29,18	1,823,36	117,76	123,01	240,77	13.20	130,60	1,451,99	1,823,36
4-11-1960 ..	1,808,30	13,78	1,822,08	117,76	123,01	240,77	13.21	129,28	1,452,03	1,822,08
11-11-1960 ...	1,827,22	14,50	1,841,72	117,76	123,01	240,77	13.07	128,89	1,472,06	1,841,72
18-11-1960 ...	1,820,31	22,35	1,842,66	117,76	123,01	240,77	13,07	129.84	1.472,66	1,842,66

BANKING DEPARTMENT
(Rs. Lakhs)

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad‡	Loans & Advances to Governments	Other Loans and Advances	Investments	Other assets
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,79	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1.73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51.82	13,60
1957-58* ..	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,81	25,57	28,23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
Aug. 1959 ..	57,38	37,65	84,17	155,45	334,65	63,80	488,44	23,70	3,88	15,23	21,44	74,08	340,57	9,55
Sept. „ ..	61,55	20,48	78,06	120,78	280,88	65,03	430,91	24,51	4,30	20,60	17,35	76,50	278,28	9,36
Oct. „ ..	58,32	18,90	76,83	118,73	272,78	69,69	427,47	19,82	27,98	22,48	20,23	84,61	242,36	9,99
Aug. 1960 ..	60,44	23,00	118,40	120,40	322,25	76,19	483,44	19,92	23,55	21,65	37,69	117,00	251,73	11,90
Sept. „ ..	67,44	30,26	108,27	92,64	298,59	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85	12,03
Oct. „ ..	56,65	28,05	104,94	89,43	279,07	85,39	449,45	16,64	14,98	18,33	29,93	125,78	231,40	12,40
Week-Ending														
28-10-1960 ..	65,36	24,25	100,56	93,06	283,22	93,14	461,36	29,26	11,96	19,74	28,40	115,87	243,46	12,67
4-11-1960 ..	74,52	10,20	103,80	92,31	280,84	87,70	453,55	13,87	7,67	18,27	34,96	122,75	243,28	12,74
11-11-1960 ...	53,61	14,86	105.09	88,98	262,54	101,68	449,21	14,58	19,95	18,10	34,81	125,99	223,04	12,74
18-11-1960 ...	53,69	23,49	95,17	86,79	259,13	99,86	443,99	22,43	8,48	16,62	30,28	118,42	234,98	12,83

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡ Includes cash and short-term securities.

INDEX NUMBERS OF INDUSTRIAL PROFITS AFTER TAX

(Base : 1950 100)

(Based on 750 Companies for 1950-55 and 1001 Companies for 1956 and 1958)

Industry	1951	1952	1953	1954	1955	1956	1957	1958§
I. Agriculture and Allied Activities	63.2	5.4	123.6	199.2	82.1	127.7	55.0	70.8
Tea plantations	53.2	—	142.6	238.6	69.3	146.6	50.7	82.7
Coffee plantations	148.3	85.1	120.7	114.3	128.9	179.6	107.2	114.1
Rubber plantations	135.7	133.7	132.8	136.9	148.8	130.2	99.0	113.1
II. Mining and Quarrying	121.3	199.4	154.1	144.8	199.7	154.0	226.2	291.1
Coal	96.1	128.3	76.4	91.5	135.4	63.2	119.4	148.5
III. Processing and manufacture — Foodstuffs, Textiles and Products thereof	150.3	54.0	82.2	77.8	139.0	121.2	41.3	66.4
Vegetable oil	—	—	218.4	—	374.7	159.6	—	242.7
Sugar	169.0	122.5	154.7	150.2	172.4	207.2	225.0	201.2
Cotton textiles	156.5	35.1	63.3	62.9	150.3	139.8	—	5.5
Jute textiles	150.2	28.5	62.1	58.6	43.2	—	196.6	508.5
Silk and woollen textiles	55.7	17.4	9.9	108.3	524.5	613.7	509.4	602.1
IV. Processing and Manufacture — Metals Chemicals and Products thereof	127.8	105.8	107.1	162.5	269.0	263.4	251.8	190.9
Iron and steel	157.1	168.7	166.2	232.0	326.5	282.2	279.7	318.9
Engineering*	116.1	109.0	100.1	158.7	338.2	369.7	347.5	398.6
Chemicals†	96.7	11.0	29.8	77.1	162.1	171.8	183.0	226.2
Matches	96.2	114.1	92.3	92.9	88.4	35.7	37.2	104.6
V. Processing and Manufacture—Not Elsewhere classified	154.4	141.0	125.8	139.6	165.4	224.9	200.4	215.0
Cement	119.9	129.5	114.3	136.4	151.8	150.6	124.8	102.2
Paper	149.0	138.6	132.7	112.8	174.2	109.4	137.8	222.1
VI. Other Industries	129.9	98.9	77.3	75.3	98.5	128.4	132.3	130.1
Electricity	110.4	122.5	130.6	143.6	157.4	159.9	191.4	205.4
Trading	103.6	51.2	36.3	16.3	42.4	49.7	34.3	56.9
Shipping	723.3	605.6	157.0	178.0	409.0	1989.0	2337.1	1112.5
ALL INDUSTRIES	131.6	78.8	98.1	115.2	149.8	158.3	116.4	114.4

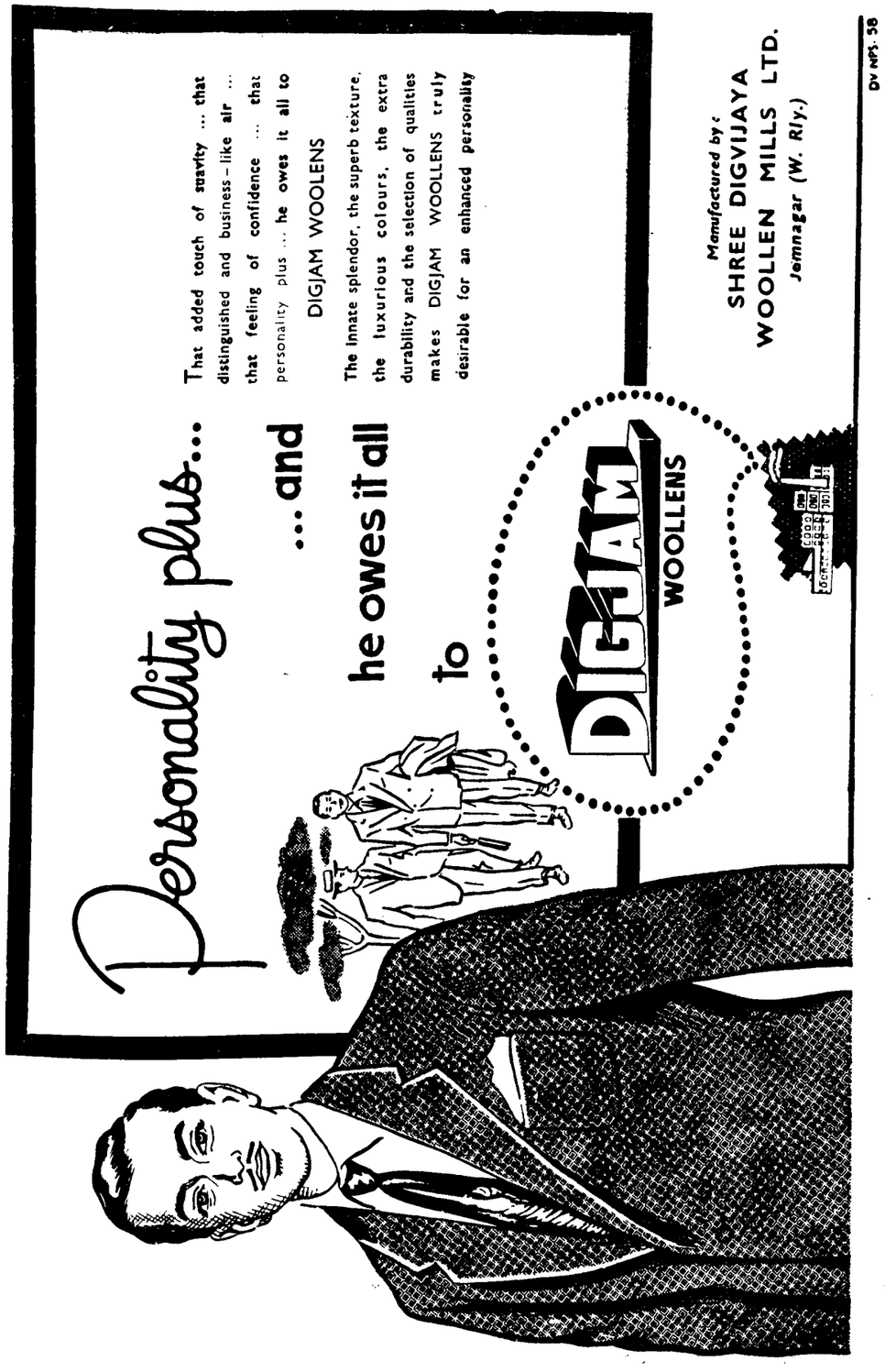
*Includes (1) Non-ferrous metals, (2) Transport equipment, (3) Electrical machinery and (4) Machinery (other than transport and electrical).

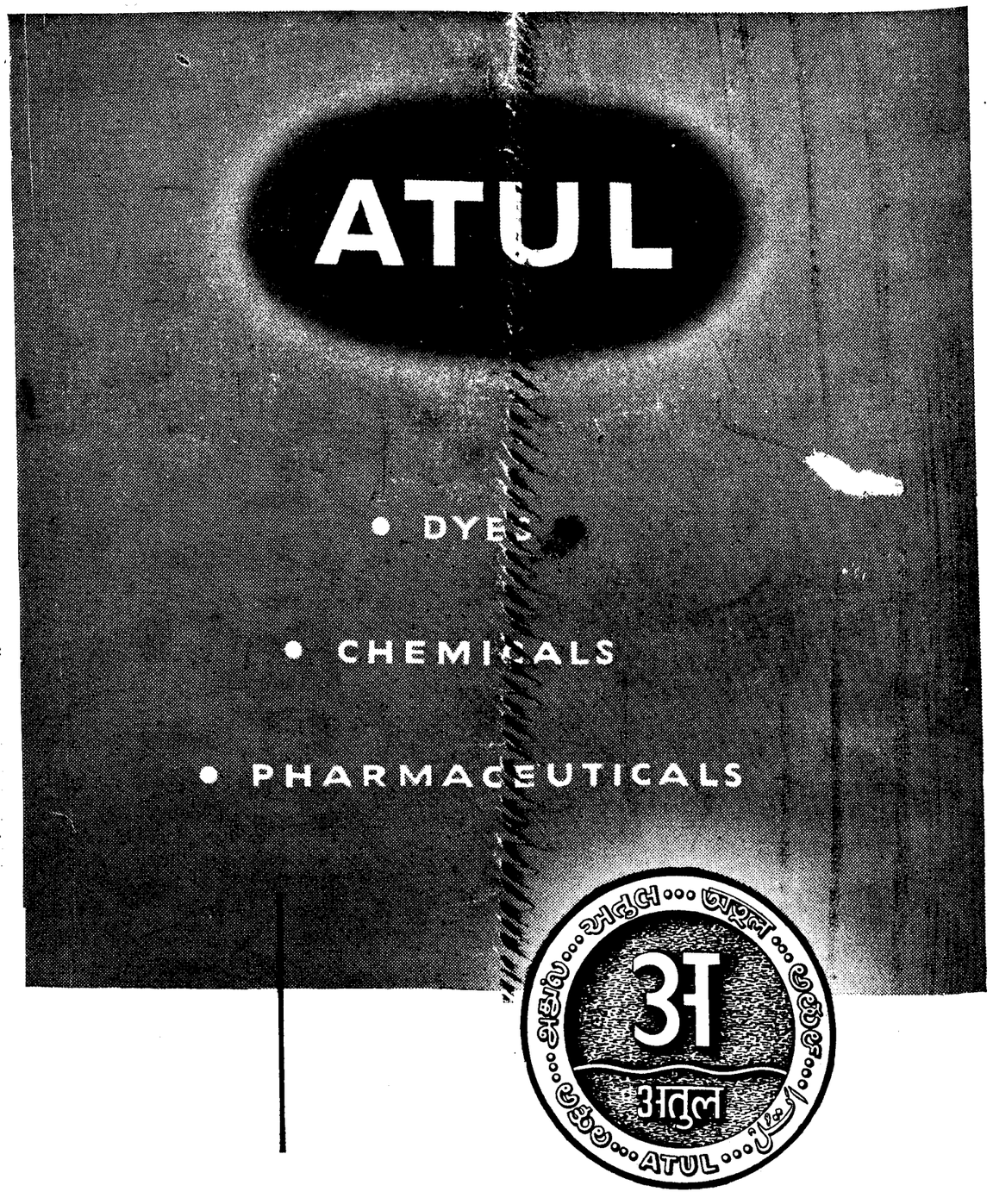
†Includes (1) Basic industrial chemicals, (2) Medicines and pharmaceuticals and (3) Other chemicals.

§The data in this column are not strictly comparable with those for the earlier years as the tax cut at source on dividend income of shareholders is included, not in "Tax provision" but in "Dividends."

'—' Denotes that numerator is negative.

Source: Reserve Bank of India Bulletin.





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The Eastern Economist

DECEMBER 9, 1960

The Lessons of Lucknow

EVENTS this week in Lucknow, from whatever angle they are viewed, must be deeply disturbing. In the country as a whole cynical views are being expressed on the manner in which the Congress High Command has chosen to browbeat opposition in the election of a leader, whom the Congress Legislature Party was unwilling to elect. The repeated urge—or rather appeals—to maintain the Prime Minister's "prestige" only made the act of command more humiliating than it might otherwise have been. But, quite apart from the fact that the Congress High Command used its influence improperly, there is the naked fact that the purpose of the operation, which was to secure full co-operation between the "organisational" and "ministerial" units of the State Congress has not been achieved. Nineteen of the Ministers of the old Cabinet have not chosen to accept invitations to join the new Ministry. If "fixing" can be applied to any political operation, here has been one of the most notorious cases of "fixing" that India has even seen.

It is not, at present, important to remember that Mr. Gupta has been twice defeated in elections and his election as President by the Uttar Pradesh Congress Party is no substitute for a popular election. But it is relevant to argue that the Prime Minister, when Mr. Gupta was first defeated in 1957, made it clear that he would not allow a Ministership to be given to a defeated candidate unless his defeat was rectified by election prior to such appointment. One notable principle of the Congress Party has thus succumbed to political expediency. Secondly, a major constitutional principle that the Governor should only call upon some one in the House with a proved following to form the Cabinet has been jettisoned to accommodate the Congress High Command. Finally, the principle of a free election has been vitally injured by the blatant orders which the Home Minister himself carried to Lucknow that opposition to Mr Gupta had to be "suspended" in the Prime Minister's name. Three central principles of democratic procedure have thus been violated. This is a far greater loss to the country than the continued split of the State Congress Party.

It is difficult for those who have been in virtual absolute power now for thirteen years at a stretch, to understand the extent to which their prestige has been undermined by the mere efflux of time. The revolution is receding, and with it, inevitably, the authority of the leading heroes of the revolution. It is unthinkable that the events of this week at Lucknow and Calcutta (on Berubari) could have occured two years ago. What has emerged is a solid fact, that the revolution has been greatly dimmed and the heroes of the revolution are now almost mortal men. Even the legend of Mahatma Gandhi is wearing thin; Jawaharlal Nehru is now unable to exorcise the ghosts which five years ago responded even to his unexpressed wish. To attempt, at a time such as this, to employ 'prestige', not once but many times in the course of three days, is additional proof of the fact that the currency has declined. It was a serious mistake for the Prime Minister to put his own prestige to the test. He has barely succeeded this time, but the decreasing marginal utility of his name has been impressed on the entire country.

The lessons that have to be learnt from Lucknow should be plain. Firstly, if 'grass roots' democracy is to grow, a healthy convention of non-intervention must be created. The Congress High Command should exist for resolving disputes for which no democratic procedure has been prescribed, but it should not be the means of supplanting legitimate local opinion on the choice of leaders. Secondly, if a political managerial problem arises, it should be settled by persuasion, not by virtual force. If, on second thoughts, Dr. Sampurnanand wished to stay on as Chief Minister for a year, until the elections and a working agreement could have been reached—as was not impossible between Dr. Sampurnanand and Mr. Gupta—it was obviously right and proper for the Congress High Command to revise its original opinion and let the Ministerial Party elect Dr. Sampurnanand again. Thirdly, the convention that the Governor should only call upon a Member of the House duly elected by popular vote to form Ministry should never be called in question. Finally,—and this might be the hardest of all—the Prime Minister of India must recognise that personalities are no substitutes for principles, and that the use of his name repeatedly and under pressure to enforce an obviously unprincipled decision, is one which is doing further damage to his good name and to the healthy growth of democratic conventions in a country which is all-too-ready to adopt authoritarian short-cuts to power. If the Congress High Command does not correct its ways, the future of the country will be bleak.

The Revised Railway Convention

THE recommendations of the Railway Convention Committee, which were approved by the Lok Sabha this week and are being transmitted to the Rajya Sabha, are based on the forthright assumption that during the next five years railway finances will be confronted with an outlook of stringency. In essence, the scheme of the revised Railway Financial Convention is to make concessions to railway finances in their liability to the General Revenues to ease this stringency.

Of the fact of shortage and, therefore, the need for relief there need be no doubt.

The major concession comes in the form of the rate of dividend prescribed for payment to the General Revenues as a fixed percentage of the capital-at-charge of the railways. This dividend is not equivalent to the net contribution of the railways to the General Revenues, because the liability to pay interest on the capital-at-charge is borne by the latter. The net contribution is to be computed after deducting the interest payment. Apparently, the rate of dividend has been increased from 4 per cent, as prevalent during the last eleven years, to 4.25 per cent for the quinquennial period of the revised convention. The reality of the situation, however, is that the average rate of interest during the current convention period is estimated to rule around 3.17 per cent, but it has now hardened and at the beginning of the next convention period it will stand at an average of 3.53 per cent. In effect, the net contribution which the General Revenues will receive from the railway finances out of the dividend will be reduced from 0.83 per cent as at present to 0.67 per cent during the next convention period synchronising with the period of the Third Plan.

Adequate appropriation to the Depreciation Reserve Fund has become a matter of great urgency, but at the same time one which hardly admits of a satisfactory solution. The capital-at-charge of the railways will increase from Rs. 1,563 crores at the end of the Second Plan to Rs. 2,313 crores at the end of the Third Plan. Allocations to the Depreciation Fund, in the light of this order of expansion of capital, need to be massive—but they hardly can be. During the Third Plan, expenditure on replacement of assets is estimated to be Rs. 350 crores. The Railway Convention Committee has recommended that allocation to the Fund should be at an average annual rate of Rs. 70 crores. This is barely sufficient to cover the cost of replacement, as estimated at current prices. There is another crucial factor to be borne in mind. At the commencement of the Second Plan, the Depreciation Fund had a cushion of the order of Rs. 103 crores in the form of the opening balance. At the commencement of the Third Plan it will have shrunk to Rs. 18 crores.

The Development Fund has been a source of much concern to the Committee. During the Second Plan period, the final net surplus of the railways (after paying the dividend to the General Revenues) was appropriated in toto to the Development Fund, leaving the Revenue Reserve Fund high and dry. Of course, no debits were made to the latter. It was found incumbent for the Development Fund to take loans from the General Revenues during the last three years of the Second Plan aggregating Rs. 33 crores. It is now proposed that these "temporary" loans should be liquidated by adjusting the charge of the outlay partly against capital and partly against the Revenue Reserve Fund. This device has become inevitable to enable the Fund to start with a clean slate in the next period. Even so, what is the outlook? With dividend fixed at 4.25 per cent, the net surplus of the railways during the period of the revised convention is estimated at Rs. 11.44 crores, which is all that can be allocated to the Development Fund. As against this, the liability of the Fund to contribute to the Third Plan outlay is of the order of Rs. 115 crores. The implication is that the Fund would borrow not less than Rs. 100 crores as "temporary" loans from the exchequer.

This "temporary" character is underlined by the fact that the deficit in the Fund during the convention period will be nine times as high as the allocations. The sooner this fiction of the railways providing a good part of development outlay out of their internal resources is ended the better. The truth of the situation is that a new and radical view of railway finances needs to be taken. The railways are under high pressure of rapid expansion. They form, along with other sectors of communications, power and irrigation, the core of the infra-structure of the economy which it is the function of the General Revenues to make sufficiently broad-based.

Guest Editorial

A Pause in World Trade

By WILLIAM REES-MOGG

THERE are various times when the economy of the world seems to pause uncertainly, and we are all of us a great deal happier when the moment passes and some new trend seems to have been established. One of these moments has come upon us now, and has not yet been resolved.

The most remarkable point about this situation is that the old landmarks, which used to look so certain, are now almost without exception being called into question. Not since the war has the monetary framework of world trade been the subject of so much anxiety and dispute. Admittedly, of course, sterling has been under pressure on a number of occasions since the war, but behind sterling there have always been comfortable certainties of gold and the dollar. Now neither of those certainties is any longer sure.

We certainly cannot expect to know how the gold and dollar situation is going to work itself out until the new American administration has had time to start work. My own feeling is that there will not in fact be an increase in the gold price, and that President Kennedy will defend the dollar successfully. But at this stage such a view cannot be more than a personal impression. The next two or three months at least will have to pass before one can be sure how the new administration is working out its financial policy. If, which as I write is still a rumour, Mr. Eugene Black does become the Secretary of the Treasury, then that in itself will add to world confidence. Mr. Black has an enviable reputation for continuing orthodoxy, liberalism, international experience and good plain common sense.

To the currency uncertainty must be added a great uncertainty about trade. Whichever area one looks at the trade prospect is unsettled. International trade as a whole has ceased to rise, and could easily fall back in 1961. The United States shows signs of another recession, and the efforts to strengthen her balance of payments position and put the dollar right have already affected the trade of other countries.

The primary producing countries have started to feel anxious about the future course of commodity prices. In the sterling area Australia has already run into a serious balance of payments problem, and the under-developed countries all have their own anxieties about the prospect for their development plans.

In Europe the initial impetus of the Common Market seems to have worked its way through, and a more leisurely rate of growth will probably have to be accepted for 1961. Some of the rather narrowly based European security markets show extraordinarily low yields and would seem to be very vulnerable to any change of climate. In Britain stock exchange values have throughout been much more realistic. Just recently we have been having a sharp setback which has made some investors and some business men feel rather nervous. Indeed stock exchange upsets seem to be a world-wide phenomenon.

The British position is nevertheless a worrying one. British exports have been lagging behind those of the rest of the world, and 1960 has been a worse year in the balance of trade than any since 1955. Part of the deterioration has been caused by the heavy building up of stocks of imports, but the weakness of exports has been more disturbing.

When one looks round the world one does, therefore, see few countries in which the immediate economic prospect is not one of some degree of recession or of slowing down in expansion. Even in the Communist world the recent devaluation of the Russian rouble, while it does little or nothing to make the rouble an acceptable international currency, does suggest that the Soviet system has been facing some degree of monetary difficulty.

This world situation would be even more worrying if there were not the strong stabilising influences which do in fact exist at present. The high levels of government expenditure in all countries, the acceptance by most nations of full employment policies as a national commitment, the existence of unemployment insurance in most industrial countries, the continued rate of technological and scientific discovery, the pressure for international investment,—all these are factors which make a prolonged downturn of international trade seem very unlikely. The election of a strongly expansionist administration in the United States is also an obvious and very important influence in favour of recovery in world trade.

Nevertheless this is going to be a testing period for the policies both of nations and of individuals. The world has got used to a prolonged phase in which it has paid to be over-committed, in which most people have got into the habit of investing rather more than their cash would really support. Both individuals and countries have come to regard conservative finance as an unnecessary restriction on the pursuit of their objectives.

Certainly for the next few months and perhaps for longer than that the climate of uncertainty is likely to penalise those who have pushed this policy too far. In Britain at any rate one can feel the growing preference for liquidity, the desire for cash and the improvement in the relative bargaining position of cash which one would normally expect to accompany the beginning of a new phase of recession. The next few months could easily upset many of the comfortable doctrines of permanent inflation.

D.L.F. to the Rescue?

THE recent visit of Mr Vance Brand, Managing Director, US Development Loan Fund, is significant in the sense that it has helped to clarify the implications of the 'buy American' policy which governs the issue of future DLF loans for India's development projects. The policy lays down that, in financing the foreign exchange costs of development projects and programmes, DLF will place primary emphasis on the financing of goods and services of US origin.

This change in policy has been motivated by various reasons; the apparent ones being the outflow of gold from the United States, accumulation of large dollar reserves by Western European countries and growing competition in US export markets. Under the circumstances, it is quite natural that the USA should like to correct her own balance of payments position. The new approach, incidentally, goes to show that the United States will conform more closely to aid-policies followed by other nations.

What distinguishes the aid given by DLF from that given by other countries is that the local currencies acquired by DLF are not to be utilised for the purchase of goods to be exported to the United States. Another attractive feature of DLF loans is that the rate of interest on them is comparatively low (3½ per cent), especially when they are utilised for projects which constitute the 'infra-structure' of the economy.

The factor of high cost of American goods is probably exaggerated over the whole range of capital goods. In respect of several items, American prices are competitive; how else could America export so much equipment? Again, against relatively higher costs for certain goods, there are distinct advantages of delivery on schedule, lower maintenance costs and longer trouble-free performance. The fact that India spent a considerable portion of DLF funds to buy goods in the United States when it could easily ultilise funds in the past to make purchases elsewhere, itself goes to prove that the American goods have certain positive merits.

In the context of India's difficult foreign exchange position, the help rendered by DLF, apart from its being timely, should be of special value. DLF will not merely encourage private investors to extend loans to developing countries (these unlike the World Bank loans, need not necessarily have Government guarantee), but also make for greater participation by American private investors in joint undertakings in India. So far the total credits extended to India by DLF amount to $423.3 million (Rs. 201.5 crores). A number of agreements covering loans totalling $114.1 million (Rs. 54.3 crores) were signed last Monday.

To what extent these loans would be helpful in promoting small-scale industries, which have greater employment potential and which assure a broad and decentralised base to the national economy? For small enterprises requiring not more than $100,000 (Rs. 4.75 lakhs) in foreign exchange, DLF—IFC loans would be helpful, since the dollars would be spendable anywhere outside Communist countries. Because DLF is to be slanted towards small industry, it may at long last happen that small entrepreneurs will head the long queue on foreign exchange.

A DELHI DIARY

HIGH FINANCE

I AM giving myself up this week to high finance and not-so-high politics. The sudden interest in High Finance has been projected—I believe this is the correct word—by the Finance Minister's 'firm' indications in regard to his intentions. Apparently he is not in favour of dearer money, and no increase in the Bank Rate is, therefore, contemplated. Secondly, the relations between the Ministry of Finance and the Reserve Bank, contrary to popular belief, are cordial, and, in fact, on policy matters, "identical". Thirdly, and not least important of all, notwithstanding the fact that the States have so obligingly agreed to raise additional revenue if they are given larger allocations for the Third Plan, the Third Plan can be made no bigger than it is at the present time. On the last point my only comment is, if this was the Government of India's "firm" intention, why on earth was the Planning Commission not informed earlier so that many futile discussions could be avoided and the States were not led up the garden path? I applaud the Finance Minister's decision which is "realistic"—happy word!—though from time to time I consider that even the size of the Third Plan, before the "additional" figures were added, was a nice leap in the dark. The Finance Minister described himself as "reasonably hopeful" about obtaining the required assisance from abroad. Careful observers note that the word 'hopeful' has now been qualified by the word 'reasonable.' Is reasonably hopeful hopeful with reason, or does 'reasonably' mean only 'moderately'? That is a new question which I entrust to students of technical literature—and psychology!

Meanwhile, Mr. Jagjivan Ram, holding another court, which purported to relate the Railways' performance to the socialist objectives of the country, said, even more hopefully, that the Railways would have to depend to an increased extent on their own finances for development. If he implied that the earnings of the Railways, after meeting their costs, were going to rise per unit of capital employed, he was arguing flatly in the face of the evidence of the last few years. How then is self-reliance to be imposed upon the Railways? One of the proposed devices to secure "self-reliance" is to reduce the contribution to General Revenues. Thus it comes about that the Railways will be self-reliant simply by robbing Peter to pay Paul. Considering that Peter and Paul are two names of the same pocket (a certain very distinguished economist tells me), the self-reliance thus practised is an extremely generous word for default. On the other hand, since economists are, by no means, of one mind—did not Keynes say that, if six economists are gathered together, there would be seven opinions?—I have sought another authoritative view. This is to the effect that, notwithstanding Mr. Jagjivan Ram and his "self-reliance"—moral or otherwise—it is essential that the country should get used to the idea that additions to the infra-structure or "basic" overheads must be made irrespective of whether or not they earn a profit in a commercial sense. For years we have allowed ourselves to be deceived by the belief that the Railways were a "commercial" organisation, which could "pay" their way. In truth, they belong to that great group of public enterprises, sometimes called public utility undertakings, which are supposed to provide a basis for someone else's profits, but not for their own owners. I am inclined to agree with the view that Mr. Jagjivan Ram has chosen the wrong year in which to proclaim self-reliance. The Railways have now moved to a point at which they are receding into the "infra-structure"; after some time they will be happily settled there. This is a great advantage for him, since he will not have to justify the absence of profitability. Why does he not seize the opportunity with both hands?

LOW POLITICS

The whole of the week has been filled with blasts and counterblasts in political affairs. I shall not refer—since I am told by the Editor that he has already done this—to sad goings-on in Lucknow, but I must have my say—the Editor notwithstanding—on Berubari. How on earth has it come about that the Prime Minister of India and the Chief Minister of Bengal should be squabbling on who said what and how much was endorsed by the other party and how much was done by the Prime Minister on his own? Indeed, the observation has been made that Dr. B. C. Roy's statement in West Bengal Assembly belongs far more to the Opposition than to the Congress Government. We all understand his political difficulties. There is a widespread suspicion here that the Prime Minister made his consultations with the West Bengal Government far too casually for a matter of this importance. Certainly, the West Bengal Government should have agreed in writing to his proposal before it was finally put through. But even if Dr B. C. Roy's verdict on the facts is accepted—and he slipped up on the receipt of copies of the Bill—it does not carry us very far. Surely, granting that the Prime Minister made an error in that consultation was imperfect, nobody in his senses wishes, in an international agreement of this kind, to argue that, apart from recognising a mistake, India should denounce the Prime Minister's signature on an international treaty. Why then is a great team of people coming here to pursuade Members of Parliament to take a different line on Berubari? The Prime Minister has said that the Supreme Court now agrees that the procedure adopted is in order. Why this Convention which is being arranged on Saturday? Is it likely to make things easier for anyone?

As usual I append, without explanation, my naughty cartoonist's view of the umpiring that is taking place on this particular game of cricket. I think we are going to hear more, as the years go on, on the controversies between the States and the Centre. Now at least one of the illusions, which was that, so long as Jawaharlal Nehru was Prime Minister, we would not have any Centre-State trouble, has been rudely shattered. Such is the inexorable march of history in predestined grooves. Not a bus, not a bus, but a tram!



"And I say he's NOT out!"

Courtesy: The 'Hindustan Times'

—ARGUS

THE WEEK'S NOTES

Parliament

FINANCIAL AUTHORITY OF THE HOUSE

ONE OF THE most regrettable features of the proceedings in Parliament which culminate in feelings running high is the incomprehensible attitude of some of the Ministers—the Defence Minister, to make a conspicuous mention—in attempting to keep deals or transactions, to which the Government of India is a party, shrouded in mystery. Naturally, the reaction is that these special efforts are motivated by a desire to withhold information from the House. Controversies about financial obligations incurred by the Government —sometimes rashly or extravagantly—form part of agreements with private parties or treaties with foreign governments. In so far as the power of entering into these treaties or agreements is concerned, the executive has the full power to conclude them and it is nobody's case that the House should be consulted in such matters in advance. But once these matters reach the final stage of signature by both the parties, the straightforward course for the executive is to place the cards before Parliament. This is for the simple reason that the final power to sanction the funds required rests with the Lok Sabha.

In the current winter session two occasions of this type arose. The first related to the liability which the Government has incurred under the Indus Waters Treaty to pay Rs. 83 crores in foreign exchange to the Government of Pakistan. In this particular case, it is clear that misunderstanding which gave rise to heat and passion in debate was misplaced. The simple fact is that this Treaty, which opens a new chapter in Indo-Pakistan relations and is to the permanent benefit of both the countries, must be honoured. The liability accepted by India to pay Rs. 83 crores to Pakistan is neither unwarranted nor excessive. Actually, Pakistan had pitched her demand as high as Rs. 300 crores and as Mr. N. D. Gulhati, India's principal negotiator for the Treaty, has explained the amount agreed was arrived at by Indian engineers on the most economical and careful calculations.

But the case of the Defence Ministry's deal with Messrs. Garden Reach Workshop (Private) Ltd., Calcutta, which involves an undisclosed amount of money to be paid in sterling, stands in a category quite apart. The plain facts about this deal now are that the agreement has been completed and each party knows how it stands in relation to it and there is no question of modifying or changing it. Mr. Krishna Menon, as usual, offended the House by his refusal to divulge the particulars of a completed agreement. All sections of the House, without party affiliations, united to assert its financial authority and it is a matter for gratification that the lead was taken by members of the Congress Party. It redounds to the Speaker's deep sense of discharge of the duty of his high office that he upheld the contention of members of the House and made it clear to the Defence Minister that the plea of "non-disclosure in the public interest" could not be claimed by him in respect of the financial part of the agreement.

It is amazing that, in spite of the Speaker's admonition, Mr. Krishna Menon advanced the faltering excuse that the other party ought to be consulted before facts are made known to the House. The inevitable intervention of the Prime Minister on behalf of the Defence Minister occurred on this occasion also. Mr. Nehru pleaded that this deal would not be kept a permanent secret from the House. The financial particulars of the deal, however, were not still disclosed. It is to be trusted that this sort of intransigence will be abondoned and the constitutional rights of the House respected without reserve. Or, do the Ministers need the embarrassing posture from the House of a blunt refusal to grant demands for funds?

Nehru-Noon Agreement

BERUBARI

THE UNFORTUNATE controversy between the Prime Minister of India and the Chief Minister of West Bengal, over the transfer of Berubari to Pakistan under the Nehru-Noon agreement of 1958 has brought home two important lessons. In the first place, it has emphasised the fact that, whatever the constitutional proprieties, the Prime Minister should have consulted the Chief Minister of West Bengal before committing himself in regard to the transfer of Berubari and in future also, he should take into confidence the Chief Minister of the particular State involved. In the present case, the presumption that the decision had the assent of the West Bengal officials who attended the conference was not sufficient. Secondly, the Prime Minister may—for setting healthier traditions of democratic Government—consult the leaders of Opposition as well. Both these steps would definitely go a long way in obliviating chances of similar ugly controversies in the future.

Now that the time for honouring the agreement has arrived and the Pakistan President has exhibited his disinclination to amend it in any manner, it is essential that all sections of the Indian public opinion should back the Prime Minister so that he may honour his word. With due regard to the dislocation and discomfort that might be caused to more than 1,000 inhabitants of Berubari, the "prestige" of the Prime Minister of India is indeed more important, especially when the decision that he took was in over-all terms not against the Indian Union. The present agitation which is being whipped up in West Bengal is, indeed, unwarranted and sooner the saner elements prevail the better it will be for the country.

Congo

NEED TO ENLARGE U.N. MANDATE

THE SITUATION in the Congo has been changing so rapidly during the past one month that it has been quite a difficult job to keep track of all the events happening in that country. By all accounts, it appears it has not only deteriorated fast, but has also become more confusing. Although President Kasavubu's representatives have been seated in the U.N.—thus giving recognition to the authority of his office—he is not the person who is the real repository of power in the Congo. He has not yet been able to invite the proposed U.N. Conciliation Commission to his country. Nor has he been able to exercise restraint on the activities of Col. Mobutu and his armed forces, who besides indulging in unwarranted attacks on the U.N. personnel and mem-

bers of the Diplomatic Corps, have not hesitated from raiding even the President's Palace.

Meanwhile, Mr. Lumumba, the ousted Premier, has been the main target of Col. Mobutu's wrath after his unsuccessful attempt to escape from Leopoldville. He is now reported to be lying seriously ill in detention in a cell at the Thysville military camp. Nobody is allowed to meet him, not even his wife and the U.N. representatives. Following his re-arrest, fighting is reported to have started on the borders of Orientale and Equateur, two pro-Lumumba Provinces which, like the Kasai Province, may secede from the Republic at none-too-distant a date. The Katanga Chief, Mr. Tshombe is said to have been dashing between Brussels and Elizabethville with a view to strengthen his position in this break-away Province.

While the Congo Republic thus faces a break-up and there are dangers of civil war breaking out any moment, the United Arab Republic, Ghana, Ceylon and Yugoslavia have decided, or threatened, to withdraw their contingents from the Congo. Col. Mobutu has placed restrictions on the transport of strategic UN materials within the Republic. The UN Treasury is depleted to near-bankruptcy and Russia has refused to contribute any further sum to meet the cost of keeping the UN Force in the Congo unless Col. Mobutu's troops are disarmed. In the Security Council and in the UN Assembly, cold war rivalries, at the height, are preventing any dispassionate discussion on the issue. In the circumstances, the UN Force under its limited mandate is finding itself helpless in retrieving the position. Is it not time to enlarge the mandate of the UN Secretary-General's representative in the Congo so that he may be able to meet the menace of Col. Mobutu effectively? Curbing of Col. Mobutu's activities is obviously the first step towards restoring of peace in the unhappy land of the Congo Republic. Total withdrawal of the UN Force is obviously ruled out. The consequences of such an action can be well imagined.

National Income

ESTIMATES OF REGIONAL INCOME

IN A leading article last week in the "Eastern Economist" attention was invited to the paramount necessity of computing an index, based on a number of relevant factors, for guidance in making financial allocations to the States under the Third Five Year Plan. It was also indicated that one of the important factors to be considered was that of backwardness and that there could be no better measure of backwardness than the per capita income of a State or a region. Happily, the forthcoming ninth conference of Central and State Statisticians to be held in the third week of this month at Jaipur will discuss not only the technique of estimating State income but also the manner in which the difficulties in the way of computing regional incomes are to be overcome.

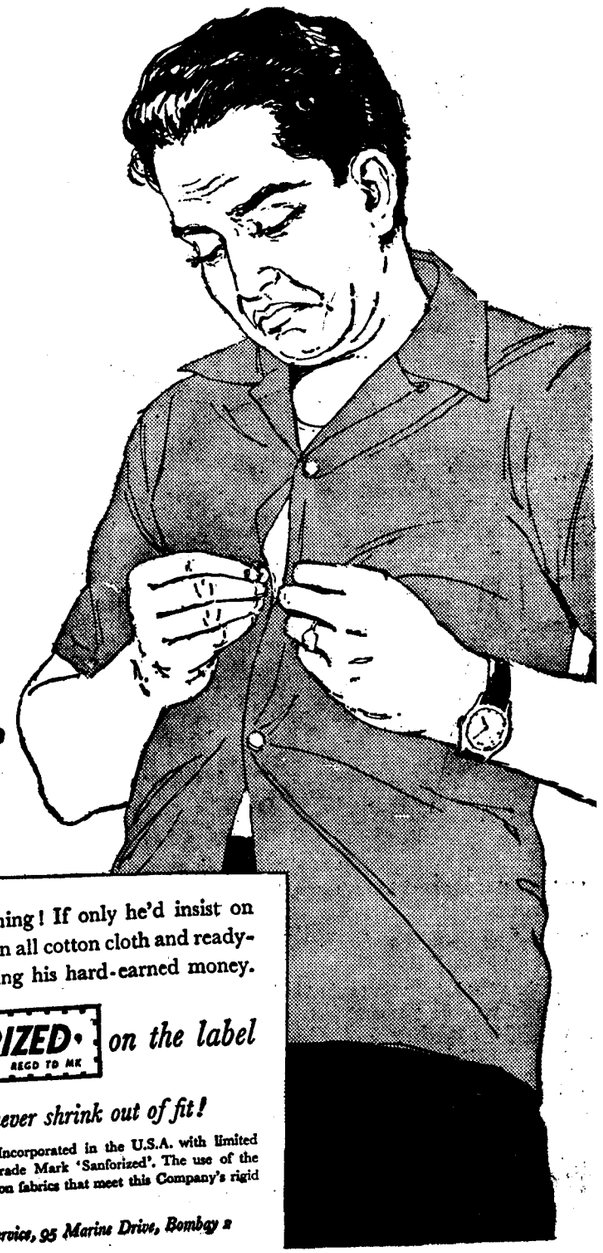
There is no doubt the purists will run down the attempts made so far by the pioneers in this field. A large number of States have attempted estimates of their State incomes broadly on the pattern set down in the final report of the National Income Committee, with marginal adjustments. These attempts need to be praised and encouraged. The only drawback in these estimates, however, lies in the fact that they may not be strictly comparable. Attempts have recently been made by some non-official agencies such as the Indian Institute of Public Opinion to set forth similar estimates on a comparable basis.

When the leading statisticians of the country put their heads together at Jaipur, it is certain that some formula acceptable to all—even the purists—will be evolved so as to compute an acceptable series. Research work in the tertiary sector at the State level needs to be encouraged if the reliability of the regional estimates is to be enhanced.

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The World Abroad

FREE TRADE

By

ODYSSEUS

"TO REDUCE the tariff protecting the British motor car industry would result in increased imports of foreign cars. I do not see how this could increase exports." This extract from a recent letter to the "Times" of London sums up the popular view of the benefits of Protection.

Now, it so happens that within minutes of reading this "Times" letter I received for review "The Seven: A Provisional Appraisal of the European Free Trade Association" (Barrie & Rockcliff. Pall Mall Press. London. 18sh.) by F. V. Meyer, a brilliant young economist of Exeter University, who gives the simplest, and most convincing, case for free trade that it has been my good fortune to come across.

Mr. Meyer points out that manufacturing lends itself to specialisation among firms. Two cultivators may produce identical maunds of wheat of the same grade. Two firms seldom, if ever, produce, say, electric heaters that are identical for all purposes. Unimpeded expansion of manufactures is normally accompanied by a more than proportionate increase in inter-regional and international trade.

Firms export either because prices abroad are higher than domestic prices for their products, so that the extra trouble of exporting is compensated for; or they export because they produce more than can be profitably sold at home.

If firms export more because the price abroad is better than the home price, they divert more goods from the home to export markets. This causes a scarcity of their goods in the home market, so that people who want these goods at home must pay the international price. The general domestic price level need not catch up with the international level, partly because home sales give less trouble, so that exportable goods can be sold rather more cheaply at home than abroad; partly because the domestic price level is not only influenced by exportable goods. But exporters, who sell to whosoever values their products most highly, find that a rising export market protects their home market. In such circumstances, businessmen do not need official exhortations to export: they find that exporting ensures rising profits in both foreign and home trade. They are prosperous exporters because their enterprise meets a rising world demand even more than a rising domestic demand, as proved by the higher international price. Should foreign governments then tax imports, their profits are reduced, because the exporter must accept lower prices if he wants to keep his market. With lower profits, the stimulus to further expansion is reduced. This is even more marked when the world price ceases to be above the home price, so that the domestic market too becomes less profitable: the domestic market is no longer protected by the higher world price. Economic expansion slows.

PROTECTION HOLDS BACK WORLD EXPANSION

When the international market is second best to the home market, because the world price is below the home price, international trade does not expand in response to rising international demand. International demand is not so intense as to be ready to pay a higher price. If foreign governments impose tariffs, the exporter has to pay all, or most, of the duty or be content with lower sales or loss of markets abroad. He must then either sell more at home, which will spoil the domestic price, or he must contract output. Domestic protection and the monopolistic exploitation of the home market usually go together. There are no natural monopolies in manufacturing industry. The world price is lower than the domestic price because the home market is kept short, and/or because the protected industry's international efficiency is not as great as its domestic efficiency.

When foreign protection makes exporting less profitable, exports become too cheap (from the producer's viewpoint) to be maintained profitably at their free trade level, so that expansion is halted and contraction may set in. The home market is weakened as well as the international market. Profits and employment fall in the exporting country. (It is here relevant to remember that while the trend throughout Europe is towards tariff reduction, the UK now remains one of the highest tariff countries in the world).

Protection falls first on the most rapidly expanding sector of the world economy, i.e., manufacturing. If protection were once again to become widespread, profits and employment would be reduced throughout the world. Renewed protection would do this, directly, by denying the best opportunities for expansion, and, indirectly, by its repercussions on the raw material producing countries, demand for whose products would fall because they are wanted for their contribution to manufacturing and for nothing else.

Food producers, too, are hit by protection of manufactures in industrial countries. The retardation of the growth of manufacturing delays the transfer of workers and resources from agriculture to industry. There is too much food producing in areas that would do better in manufacturing. The whole of Europe and North America is bedevilled by too much relatively inefficiently produced food, often heavily subsidised at the expense of industry. The ironical result is to limit the incomes, profits, and opportunities for expansion, of the more efficient food producers.

Let us consider prices for a moment. A rise in prices reflects a rise in real values if it results from an increase in the production of goods that are more in demand. In a progressive economy, new goods should be more valuable than old ones. An electric light bulb should be dearer than a candle, a TV set dearer than a sound radio. All this is changed if protection enables the production of the same old things to continue in more expensive ways, or if it forces the copying of one economy by every other.

THE HEART OF THE PROBLEM

At this point Mr. Meyer asks two questions that pin-point the case for free trade in the simplest possible terms: Must every economy have a Chicago? Is Chicago rich (a) because there is a pork-canning industry there, or (b) because pork-canning is done well there? Naturally, if the answer is that wealth depends on canning pork, every country must can pork, and local pork-canning must be protected lest the original innovators of pork-canning in Chicago do it so well that

they sell more cheaply than the local industry in an unprotected market.

In a world of rising protection of manufactures, manufactures become too cheap in the world market, too dear in the protecting countries' home markets, and too cheap in the home markets of the countries excluded from selling abroad by tariffs against them. This invites counter-protection in order to raise prices in the excluding countries' home markets, which, in turn, lowers export opportunities and domestic prices in the countries which protected first.

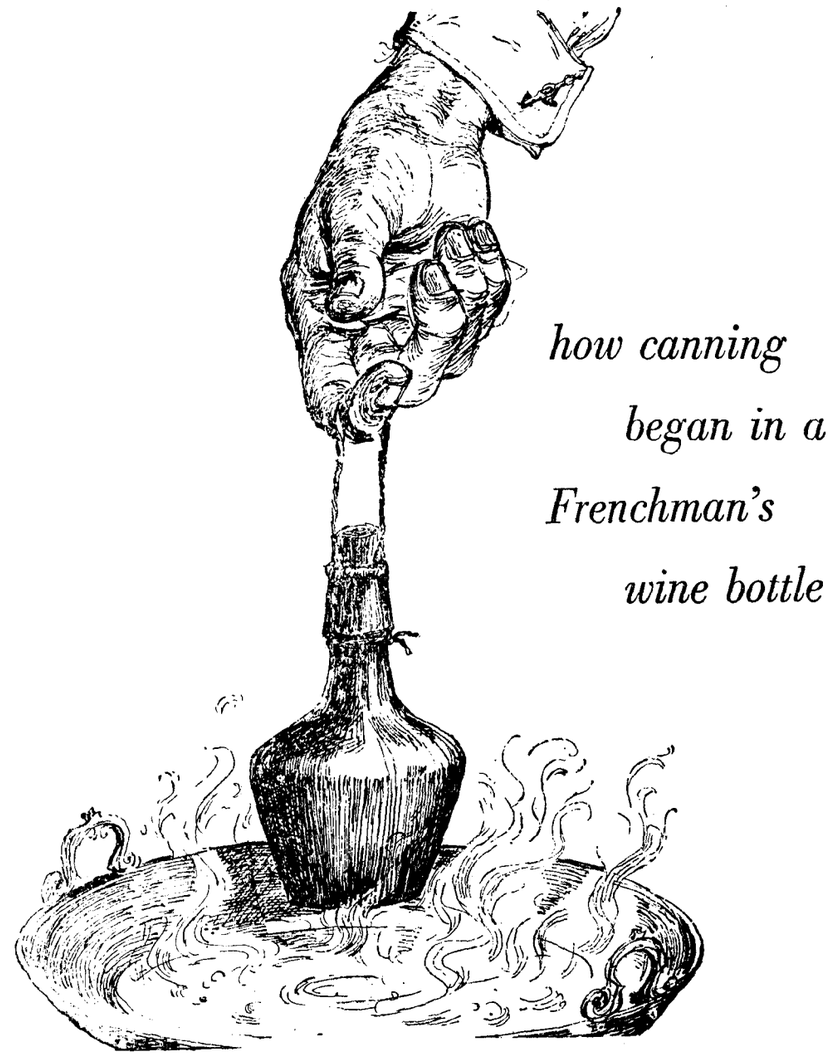
In a Protectionist world, all industrial countries exclude and are excluded. They exclude what others can do more cheaply and are excluded from selling what they can do more cheaply.

As protection becomes more widespread, the various manufacturing economies become more and more alike. After all, the object of protection is to exclude the foreigner in order to do just as he does! As more economies become alike, more do what each can do as well, rather than what each can do best. Consequently, the manufacturing economies offer more like goods in the international market. They have less to offer each other and must rely on third markets, i.e. primary producers where wealth grows more slowly than in manufacturing countries. Primary producers are impoverished because of reduced sales opportunities, and/or low prices, for their goods in a restrictionist manufacturing world. Thus, world trade in manufactures becomes more and more a trade in like goods for the poor.

Glancing back over history, Mr. Meyer allows that in the state of economic development and technological knowledge in the 1870's, there may have been sound reasons why the countries of Europe sought to copy the UK rather than specialize in somewhat different goods. But whatever mixture of sound and unsound economic and political arguments carried the day in each country, the result was the rejection of the UK's free trade example and a return to protection and economic nationalism. Mr. Meyer suggests that had industrial inventiveness come to an end in 1880, protectionism might have been justified, but points out that in fact the economic nationalists saw that the UK was rich because she produced textiles and steel well. By ignoring the word "well," they made the UK's wealth the grounds for their own duplication of her production. Thereafter duplication preponderated over diversification in the development of European manufactures from the 1880's to 1950. While Europe duplicated, the USA developed into the dominating commercial power. Certainly the USA achieved this behind protection, but there are points to be noted. A fair amount of local savings in European countries were used to buy out British capital, while US savings were not diverted from creating new capital; foreign lenders were repaid in the commercial course of events. Secondly, the US market was large enough, and had a rapidly growing population, eager for industrial products, to support a domestic industrial revolution. It is only now that the US economy is bursting out of her frontiers. Would European growth have fallen so much behind US growth had European protection not impeded the access of European manufactures to large numbers of industrially conscious consumers? (US protection, of course, also impeded their access).

From this argument, it follows that Mr. Meyers concludes that regional groupings, surrounded by external tariff walls, such as the European Free Trade Association of the Seven, and the European Economic Community of the Six cannot be regarded as ends in themselves, but only as stepping stones to a wider extension of free trade.





how canning began in a Frenchman's wine bottle

Fascinating experiments, 150 years ago, which have changed the habits of the world

When Napoleon declared that an army marches on its stomach he said it perhaps in a moment of despair. For starvation was taking a heavy toll of his far-flung forces. So much so that in 1795 a prize of 12,000 francs was offered to anyone who could invent an effective means of preserving food for France's hungry soldiers in distant lands.

Nicholas Appert, an obscure Parisian confectioner, took up the challenge ··· and after 14 years of patient experiment achieved success. Appert sealed partially cooked food in wine bottles and then immersed them in boiling water. Opened after many months the bottled food was found to be perfectly edible.

Appert's experiments sparked an idea which Peter Durand, an English merchant, advanced by using a cylindrical cannister made of crude tinplate instead of the Frenchman's wine bottle.

This was so successful that in August 1810 Durand was granted a patent for vessels of "pottery, tin or other metals or fit materials".

Since then the food processing industry has come a long way. Today the world produces 50,000 million cans of food annually, accounting for 20% of all food consumed in some countries of the West. The Indian canning industry offers a variety of excellent products from many parts of the land and Indian canned foods — such as prawns — are now finding markets all over the world.

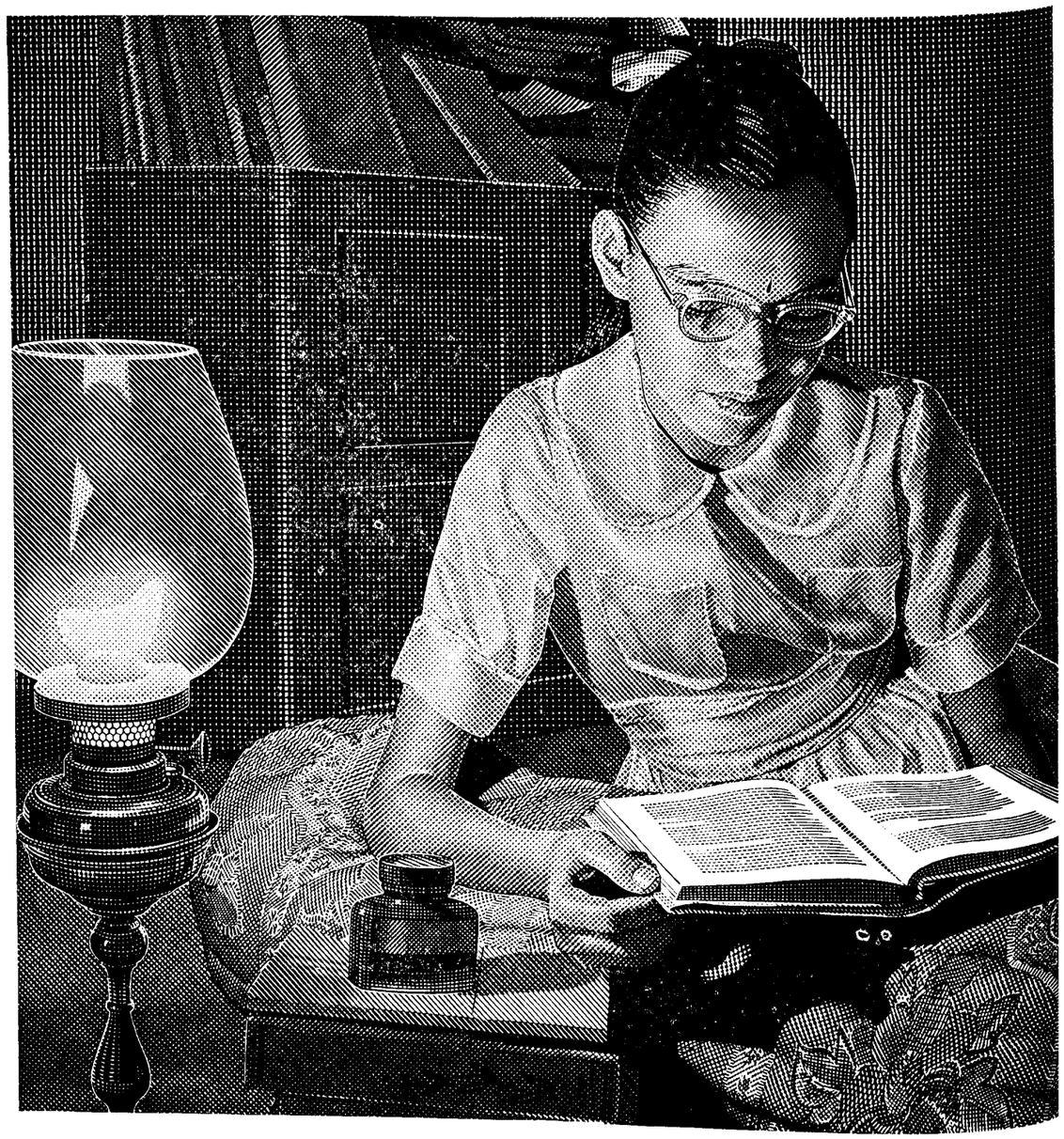
As the pioneers and leaders of India's can-making industry, Metal Box take great pleasure in relating the fascinating story of the beginnings of today's versatile can — the vessel of "fit material" which in 150 years has changed the habits of the world.

Inserted on the 150th Anniversary of the Metal Can by The Metal Box Company of India Ltd



IWTMB 4709

The comforts of life are spreading



Rising standards of living are finding their way into the remotest village and are coming within the reach of people with quite modest means. Consider Kerosine, for instance, which by bringing illumination to the humblest home is playing a part in this welcome development. By the end of the Third Plan, Burmah-Shell estimates that demand for Kerosine will be around 2.9 million tons, or well over 800 million gallons a year. There can be no question that the first priority should be exploration and the production of indigenous crude oil; the second priority must be to expand refining capacity in India. Oil is essential to economic growth and Burmah-Shell believes that

for tomorrow's needs we must act today

The European Scene

AUTOMOBILE LABOUR FEARS SLUMP

From Our Special West European Correspondent

PARIS, December 3.

FOR four days in Paris this week labour representatives from 15 countries, including India, belonging to the World Federation of Free Trade Unions, discussed the threat of crisis in the automobile industry. Trade unionists came from the majority of non-Communist countries interested in car manufacture: from the big five (USA, UK, Germany, France and Italy) who between them make almost all the world's cars, from minor producing countries such as Sweden, from European countries specialising in assembling parts made elsewhere (Holland and Belgium), and from the newcomers in the field such as India, Australia and Japan. One delegate declared that the purpose of the conference was "to find ways of ensuring that the development of man will dominate the development of machines". Less poetically, this means that the trade unions want to ensure that if the automobile crisis deepens, their members do not bear the full burden of restrictions. More specifically still, they want to prevent their employers exploiting the willingness of workers in various countries to accept widely varying wage rates by transferring the production of cars from high-wage to low-wage regions. The means the trade unions have in mind to prevent this transfer is international collective bargaining designed to close the gap between different countries' wage rates in this industry.

Stated thus baldly, the objective is plainly utopian. Wage rates are not going to be equalised around the world by trade union action, and if they were the gain would be all in favour of the American unions. One supposes that the Indian delegate did not need to be told that if producers in his country were obliged to pay the hourly rates paid in Detriot, the Indian industry would fold up. So what the unions are getting at is the need to co-ordinate their action internationally because their employers are doing so. Employers negotiate wage agreements only with the workers in one factory or at most in one country. Yet there are no more purely national automobile industries: the purchase by Ford of all the shares in its British affiliate has just illustrated the fact, by transferring over half the British industry into foreign hands and by increasing the stake of the American producers abroad. The mergers and pacts between the industries of the Common Market have the same effect, and in any event all major producers have assembly lines (at least) in a number of foreign countries. Thus the producers are organising their business on a global scale, and one of the facts they take into account in doing so is the variation in labour costs. Not unnaturally, the unions see here the need to collaborate in a similar way, especially when the forecast for the motor industry is "white water ahead".

As if to justify the anxiety of the labour representatives on this last point, the news from the industry during the conference was all bad. The UK Ford organisation had barely got the Commons' approval for the sale of shares to the parent company when it put 18,000 more men on a four-day instead of a five-day week. So there are now 100,000 auto workers in the UK, out of 442,000, on short time. US car stocks were reported to be 900,000 new vehicles, of which 300,000 are last year's models and thus virtually unsaleable at catalogue prices. Order books were reported slimmer in the UK, West Germany, France and Belgium. The trouble at Renault, where 3,000 out of 65,000 workers were laid off recently (trouble that led to some violence), had barely died down when French figures for October showed that industry output had fallen to 113,000 vehicles against 128,000 in September and 122,000 in October last year. Chrysler International revealed that sales of its French-made Simca had been hit by the recession in Britain, and its director forecast that West European producers could only hope to hold US sales at between 400,000 and 450,000 a year, "but it would be hard selling all the way".

For the European workers, news from North America suggested that it would be difficult to maintain sales even with very "hard selling". Representatives of Volkswagen and of the British Society of Motor Manufacturers and Traders have been battling before the Canadian Royal Commission on the Automotive Industry to convince the Canadians that they should not raise tariffs on European cars. Meanwhile, persistent rumours from the USA credit Detriot with the intention of moving into the "super-compact" car market, i.e. making a really small car of the dimensions of a Dauphine. Chrysler denied this for their part, but "US News and World Report" last week insisted that plans for a baby car were under study, despite denials. At least, when M. Dreyfus, boss of Renault, lately suggested that the USA should leave baby cars alone so that the "free world" could distribute its energies as rationally as the Communist countries do, he got a lecture on the virtues of competition from leading US newspapers.

The spate of bad news dominated the workers' conference, but it was not without relief. The Italian spokesman, was able to report a flourishing home market that was years away from saturation, although Fiat (who make 90 per cent of Italian vehicles) have had to cut prices to meet growing competition in the Common Market. The West German delegate was pessimistic about the future, but the figures (apart from some short time at Bord Ward) are not alarming yet. French unionists could point out that only Renault has been hard hit so far because Renault is the biggest exporter, and this illustrates the fact that the French producers are in trouble because they have been over-exporting on the basis of a too narrow home market; during the conference the French Government promised cheaper petrol next year, which should widen domestic demand.

Yet the part of the discussion that must have most interested the Indian trade unionists was the one that saw most unanimity among the representatives of the Big Five: the threat of "dumping" by cheap-labour countries. You may not have guessed it, but what the US and other unionists meant by "dumping" was the practice of installing assembly lines in developing countries, who thereby benefit from the capital investments and technological knowledge of the big producers, while these latter gain from the low wages paid to local workers. Assembly chains have been built all around the world by the major manufacturers, at a very fast rate in the last two years. During the conference came news that Citroen was setting up another in Yugoslavia to build 2CV's, while Fiat and Simca (i.e. Chrysler) were planning a joint assembly line in Morocco. Mr. Victor Reuther (US delegate and brother

of Walter Reuther, vice-president of the AFL-CIO) dwelt at length on this danger, taking Japan as a typical case. The Swiss and Canadian delegates had this in mind in urging international collective bargaining aimed at preventing employers exploiting wage differences around the world, or at least exploiting them to the too obvious detriment of Western workers.

It would be easy to reply that in setting up assembly lines in India, Argentina or Morocco the big automobile producers are not seeking so much to take advantage of cheaper labour as to safeguard their markets in those countries in the only possible way. The choice is not between assembling a car with expensive Western labour or assembling it with cheap local labour, but between selling cars in knocked-down condition or not selling them at all. The developing countries are short of money and find it cheaper to import knocked-down parts and assemble them locally, and they know that assembly lines are a sensible way to start mechanical industries in countries that have none and want to industrialise. So their governments have numerous reasons for prohibiting imports of cars, and some of them have done so, suddenly and brutally. The big Western producers are reckoning with the fact of economic nationalism (more or less rational in various countries) rather than with the circumstance of varying labour costs. The intelligent exploitation of lower labour costs does indeed account for much US manufacturing investment in West Europe (not in the developing countries) but even there it began as an attempt to get around the bans on dollar imports imposed during the dollar-shortage.

Still, granting that from the point of view of the Western worker the setting up of an assembly line in Asia or Africa or Latin America looks like an attempt by his boss to exploit cheap foreign labour, one may ask: so what? Western workers, and none more than automobile labour, have been living for years in a fools' paradise. They have preferred, as Keynes said, higher prices with higher wages to stable prices with stable wages (let alone lower prices with lower wages). This preference is economically irrational, but within the Western economies, granted that they were all inflating at roughly the same rate, it has worked out fairly satisfactorily. It has not worked at all satisfactorily, however, from the point of view of the developing nations—who have had to pay higher prices for Western manufactures while still receiving the same low wages. The prices of their commodities and raw materials have not risen comparably, for a number of reasons (Western demand is restrained by technological progress, there are too many producers of raw materials, etc.), but they have had to pay ever-higher prices for industrial goods and notably for cars and other vehicles. If Western workers had been willing to accept higher real wages instead of ever-higher money wages, the international division of labour would have had some ghost of a chance of working (though it would still have been unacceptable on other grounds), because the price of manufactures expressed in the moneys of the non-industrial economies would not have risen so fast. As it is, Western labour chose a different course and it will not now be able to stop the recourse to cheaper foreign workers by trying to enforce international collective bargaining.

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DEEDS
....Not merely words
PERFORMANCE
.....Not only promises

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Economic Report from the U.S.

POPULATION GROWTH

By

GUY SIMS FITCH

WASHINGTON, Nov. 29.

THE birth here last week of John F. Kennedy, Junior, first son of the President-elect of the United States, has been but the most notable of many births all over the nation during the year. In 1960, as in previous recent years, some 4 million new Americans have seen or will see the light of day for the first time. This represents a birth rate more than twice that of the 1930's. In fact, the statisticians tell us that more American babies were born this past September than in any other month in US history. In all, more than 40 million babies have been born in the United States since the end of the World War II. To give an idea of what this means in terms of population growth, it is as many as were born in the United States in the entire preceding century and a half. And given the current trends, some experts are predicting that the annual number of births in the US will exceed six million by 1975.

This statistical recital is of more than passing interest. It is significant to the economist and businessman, no less than to the obstetrician and pediatrician. For it holds out the promise of an economic growth that truly dazzles the imagination. Let us explore some of the potentialities. At the moment, the "baby boom," as it is some times called, is having its most obvious effect on those industries which cater directly to the "infant"or "child" trade. Sales of high chairs, baby carriages, cribs, and similar equipment, are up 50 per cent just in the past decade. Similarly affected have been sales of vaccines, baby foods, powders and other special concoctions for the nation's juniors. These totalled an astounding $1,300 million in the one year of 1959 alone. Makers of children's shoes and publishers of children's books are among others reaping a record harvest of earnings. But the full impact of the population boom is yet to be felt and appreciated. These youngsters are growing up. Soon, in increasing numbers, they will be marrying and raising their own families. The conclusion is inescapable: an intensification beyond anything yet experienced of the need for more clothing, more public facilities, more goods and services of all kinds.

Recent projections in two important industries furnish a clue to the kind of demands the nation's rising population will stimulate. Home builders estimate that the number of new dwelling units put in place each year will have to rise from the current level of about 1.4 million to more than 2 million within a decade or so. And automobile makers see the annual new car market expanding from six million to eight million in the decade ahead. These trends also may go far toward explaining what has been happening to the US economy in the past year. It may well be that the old post-war demands at last have been met, while the new demands of a new era have yet to flower. Thus, this past year, and perhaps the next as well, may be viewed by future economic historians as a kind of transition. If this analysis is correct, it is certainly understandable that the 1960 American economy is marked more by stability than by rapid growth, more by a diminution of earlier inflationary pressures than by a sharp new upsurge of demand. In such a setting, business fluctuations tend to be narrower, and the pace of economic advance somewhat slower. So, American business men are turning their attention increasingly to cutting costs, to keeping a rein on inventories, to meeting the growing foreign competition.

This is a period, too, when the US government is putting renewed emphasis on bringing under control the troublesome deficit in its international balance of payments—a deficit which is largely the legacy of earlier post-war years, when the United States to all intents and purposes was the world's sole economic support in the struggle for freedom, security and prosperity. The important thing is that the US economy seems to be making this transition—if such it is—without suffering a serious relapse, and while generally maintaining a strong and healthy condition. In the meantime, a sound groundwork is being laid for the unparalleled progress that lies ahead.

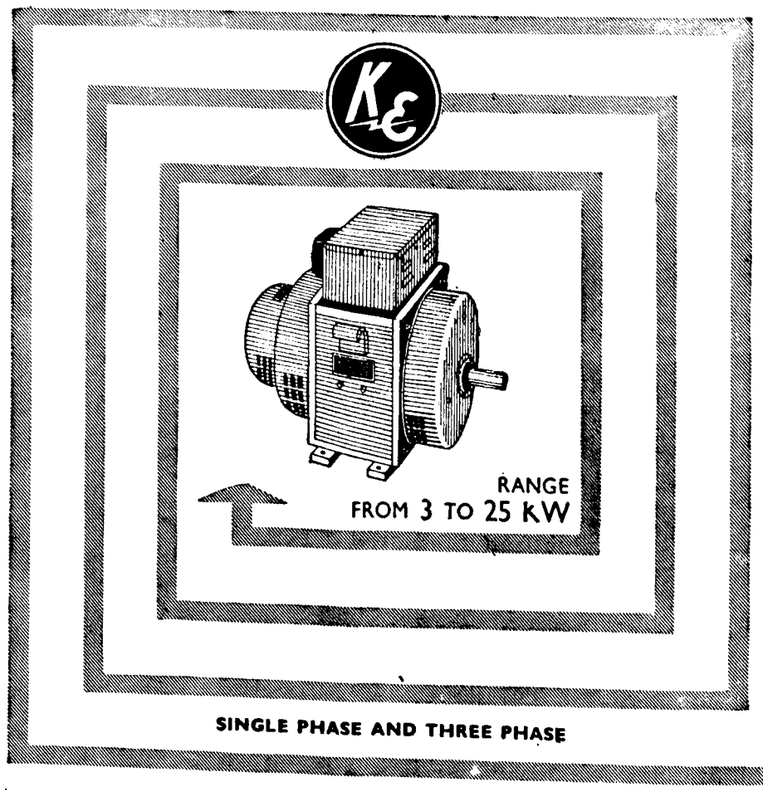
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WORLDGRAM

India

DLF: The Finance Minister, Mr. Morarji Desai, revealed in the Lok Sabha that subsequent to the information given in reply to a question in the House on August 20, 1960, the United States Development Loan Fund have announced their intention to grant the following loans:

Name of Loan	Amount of Loan	Rate of interest & period of repayment	Object of Loan
1. Industrial Credit and Investment Corporation	5 million	5 per cent 15 years after 1st disbursement	To assist in financing the foreign exchange costs of medium and long-term loan to private industries.
2. Trombay Fertilizers	30 million	5¾ per cent 10 years after 1st disbursement	To assist in financing the foreign exchange costs of constructing a fertilizer Plant at Trombay by Hindustan Chemicals & Fertilizers Ltd.
3. Private Sector Capital equipment	25 million	5¾ per cent 10 years after 1st disbursement	To assist in financing the acquisition and importation of capital machinery and equipment by private industrial firms in India.
4. Importation of Steel for Industrial enterprises	25 million	5¾ per cent 10 years after 1st disbursement	To assist in financing the acquisition and import of items of steel for private and public enterprises in India.

Mr. Desai said the loan agreements had not yet been signed.

*

Aid and Loans Given by India: The Finance Minister, Mr. Morarji Desai, gave in the Lok Sabha the available information regarding the aid and loans given by India from 1955-56 to 1959-60 under the Colombo Plan for Co-operative Economic Development in South and South-East Asia. He said information regarding aid and loans given outside the Colombo Plan were being collected and would be placed on the table of the House. Mr. Desai said, the amount of aid given by India to Nepal for her development works from April 1st, 1960 to October 31, 1960 was estimated to be Rs. 52,82,952. No part of this aid was given as loan.

Statement Showing Technical Assistance Under the Colombo Plan for Co-operative Economic Development in South and South-East Asia

(Figures in Indian Rupees)

Name of the receipient country	1955-56	1956-57		1957-58	1958-59	1959-60
		1-7-56 to 31-12-56	1-1-57 to 30-6-57			
Australia	The Monetary value of assistance given was Rs. 12,77,133. The countrywise breakup of this figure is not available.	The monetary value of assistance given was Rs. 6,68,333. The countrywise breakup of this figure is not available.	—	7,265	7,200	6,779
Burma			18,590	23,255	20,640	13,969
Ceylon			41,716	84,833	81,541	88,562
Indonesia			26,118	2,420	30,213	53,014
Japan			13,327	5,316	10,183	6,541
Laos			—	—	2,241	2,199
Malaya			3,000	9,000	39,531	36,571
Nepal			3,37,626	10,12,713	10,29,634	13,27,645
New Zealand			8,000	2,000	—	2,199
N. Borneo			2,593	2,262	4,419	13,699
Pakistan			17,748	4,590	—	—
Philipines			23,070	31,607	57,263	73,465
Sarawak			—	—	—	5,606
Singapore			21,287	52,475	8,346	5,080
Thailand			3,711	14,415	32,818	41,222
Viet Nam			—	10,782	1,85,134	1,515
Economic Aid Under the Colombo Plan for Co-operative Economic Development in South and South-East Asia.						
Nepal	1,86,25,871	91,16,949		60,36,179	10,67,799	121,92,196
		Loans				
Burma				15,00,00,000 (the remaining Rs. 5 crores out of Rs. 20 crores promised in 1957 was actually paid in 1960-61).		

Note: Figures of technical assistance relate to Colombo Plan years (i.e. 1st July to 30th June).

Motor Cycles and Scooters: The production of motor cycles and scooters during this year up to September had been 12,233 as against the Second Plan target of 11,000 numbers annually. Production in the country had commenced in 1955 and the 1956 level of production had amounted to 1,022 numbers for motor cycles and 4,735 for scooters. By the end of the Second Plan period, the production of motor cycles and scooters would rise to 24,000 annually. No separate financial allocations have been made to the two industries. The fixed investment in these industries roughly amounted to Rs. 2.34 crores.

*

Machine Building Plant at Ranchi: It has been estimated that 10,883 workers would be required for the heavy machine-building and foundry forge plant at Ranchi and for the coal mining machinery plant at Durgapur. Categorywise the number of highly skilled workers required would be 2,283 and skilled workers 5,649. For semi-skilled workers, the number required would be 1,626, while the requirements of unskilled workers would be 1,325.

*

Premier Automobiles: The Premier Automobiles today is one of the largest automobiles concerns in India. It employs over 7,500 people in its 90 acre factory at Kurla, Bombay, to produce Dodge, Plymouth and Fiat cars and Dodge and Fargo trucks, in collaboration with Chrysler Corporation of U.S.A. and Fiat of Italy. As Mr. Walchand always wanted it, it is the full-fledged Indian company with Indian capital and Indian technicians.

On 9th December, 1960, Dr. Rajendra Prasad, the President of India, will visit the Premier Automobile Factory in Bombay and unveil the bust of the great industrialist of our time, the late Mr. Walchand Hirachand, founder of the Premier Automobiles Ltd.

United States

Unemployment in the United States: "The Wall Street Journal" reports from Washington that according to preliminary estimates there were over 4.2 million unemployed in the United States in November, and it is possible that unemployment reached as many as 4.5 million. This is the highest level for November in the past 15 years. In October, the number of unemployed in the United States was 3,579,000. It follows from the weekly report of the Department of Labour that only 1,962,000 unemployed receive unemploment benefits.

*

Investments in Cuba: United States Private Enterprise has sent to Cuba and re-invested in that country much more than has been taken out of Cuba in profits. The National Foreign Trade Council, Inc., leading spokesman for American overseas commercial interests, states "that the U.S. firms spent nearly $300 million to purchase material and services in Cuba $170 million for wage and salary payments, $30 million for income-taxes, $40 million for other taxes in 1957. The number of jobs created by the U.S. companies in Cuba was 1,60,000 virtually all of which were held by Cuban citizens. Earnings of the U.S. direct investments in Cuba were $73 million, of which remittances to the United States in dividends, interests, and branch profits amounted to $48 million. This latter, classified as income, represented only 6 per cent of the total $8,49 million value of these investments in 1957. In 1959, U.S. firms added $76 million to their investments in Cuba, including $62 million of net capital outflow from the United States and $14 million of undistributed subsidiary earnings, which were kept in Cuba, the Council's report added. Payments to the United States in dividends, interest and branch profits amounted to $22 million, or 2.3 per cent of the $955 million U.S. investments in Cuba.

U.S.S.R.

Production of Cement: The new cement plant near Leningrad, construction of which is in the finishing stages, will have an annual output of nearly 1 million tons. It will be one of the world's most modern, fully automatic plants. Its sacking machines, for instance, will have an hourly output of 2,000 sacks. This huge enterprise will have a staff of only 20 workers and engineers — a fraction of the personnel at any cement plant abroad. Six such plants are now being built in the U.S.S.R. This year the Soviet cement output will reach 45 million tons, much more than produced in Britain, Italy and France taken together. In the seven year period cement production will double.

United Kingdom

BOAC to Start New Jet Service to Los Angeles: BOAC will introduce the fastest jet service between Los Angeles and London on March 2, 1961. Boeing 707's will operate twice a week each way on this direct service, increasing to three times weekly in the peak summer season. The flight schedule from Los Angeles to London will be 11 hours. This is the first time that BOAC will be operating into Los Angeles. The service will operate on Thursdays and Saturdays in each direction. Initially the Bocings will carry 32 First and 97 Economy passengers. In the peak period 21 First and 111 Economy passengers will be carried.

France

Construction of an Alcohol Plant in Ceylon: The Ceylon Development Bureau has made the Societe Lepage et Urbain responsible for the construction of a plant for the transformation of molasses into alcohol at Colombo. The production capacity of the plant would be 9,000 litres a day. This French Company is now working practically exclusively on foreign projects.

*

Renewal of the Franco Japanese Trade Agreement: The Franco-Japanese Trade Agreement signed in 1959, which expired on June 30, 1960 and which had been extended for 3 months, has been renewed for the period between October 1960 and March 31, 1961. During the first 6 months of 1960, a considerable increase in Franco-Japanese trade was registered. As a result, the figure for Japanese imports into France totalled a value of 39,333,000 new francs compared with 18,547,000 new francs for the first half of 1959. During the same period French imports by Japan totalled a value of 66,970,000 new francs compared with 48,747,000 new francs for the first half of 1959.

Germany

Foreign Trade: According to the East Asiatic Society in Hamburg, the volume of foreign trade of the Federal Republic of Germany with the countries of East Asia in the first nine months of 1960 advanced by about 17 per cent as compared to the position during the corresponding period of the last year. The German imports, to the value of 1.58 billion DM (nearly Rs. 1,800 crores) as against 1.14 billion were higher by about 38.7 per cent whereas the exports, valued at 2.18 billion, as against 2.06 billion DM, showed an increase of 5.8 per cent only. This upward trend in imports led to a decline of German export surplus from 920 billion (nearly Rs. 1,000 crores) to 600 million DM (about Rs. 675 crores).

NEWS IN BRIEF

INDIAN

The Government of India have accepted the Tariff Commission's recommendations that protection to the Industry manufacturing plywood, including plywood panels for teachests and battens for teachests should not be continued beyond December 31, 1960.

*

The International Telex service has become available with the USA. The rates will be Rs. 51 for the first three minutes or part thereof and Rs. 17 for every additional minute or part thereof. Report fee will be Rs. 4.

*

Mr. Manubhai Shah revealed in the Lok Sabha the other day that arrangements had been made to import about 1.2 lakh tyres through the State Trading Corporation. The Minister added that out of this, orders for 50,000 tyres had already been placed.

*

Mr. Manubhai Shah, Minister of Industry, disclosed in the Lok Sabha that it had been arranged with the Iron and Steel Controller to plan one-third of the indigenous allocation of steel on a priority basis, to be distributed immediately to small scale units in the industrial estates and outside.

*

It is reported the Coffee Board has released 560,700 kilograms of coffee for export out of the 1959-60 crop. Over the years, the membership of the Colombo Plan has grown to 22-16 countries within South and South East Asia and six countries outside it.

*

The proposed opthalmic glass plant at Durgapur in West Bengal is likely to go into production some time in 1963. Durgapur project would manufacture 300 tons of opthalmic glass per year and the revised project report for the project would be received shortly.

*

The Minister of Revenue and Civil Expenditure, Dr. B. Gopala Reddi, disclosed in the Lok Sabha recently that the number of non-company wealth-tax assessees as on 31st March, 1960 with net wealth over a crore of rupees was 28.

*

Generation of electric power for the year ending March 31, 1960, in all the States and Union Territories was 14,991,501 million kWh. The installed thermal and hydro plant capacities for the year ending March 31, 1960 were respectively 2,343,021 and 1,530,145 kW.

*

According to quick estimates of national income at 1948-49 prices, prepared by the Central Statistical Organisation, the per capita income of India has declined from Rs. 293.6 in 1958-59 to Rs. 291.3 in 1959-60. National income in 1959-60 was 0.5 per cent more than the national income in 1958-59 but since the population increased at a higher rate, there was fall in the per capita income.

*

More items have been added to the export list on either side in respect of trade between India and Pakistan under the Indo-Pakistan trade agreement of March last.

FOREIGN

A £42 million deal is now on the point of being finalised between Anglo American Corporation and Guest-Keen and Nettlefolds on one hand and a Japanese group representing the Yawata and Fuji iron and steel companies on the other for the supply of 1.2 million tons of iron ore annually for the next ten years from deposits in the Bombou Ridge in Switzerland.

*

Full agreement has been reached between the Finnish and Soviet Governments on Finland's association with the European Free Trade Association.

*

It is reported, the existing investment of £18 million in Irish airports and aircraft would be increased by £6 million in the next three to four years.

*

A 'talking magazine' is expected to appear on news stands in Formosa some time in December. Named the 'Four Seas', it will contain plastic records.

*

The International Atomic Energy Agency (IAEA) is arranging at the invitation of the Indian Government, a symposium on radio isotopes and radiation in entomology at Trombay from December 5 to 9.

*

The Government of Ceylon has reduced the export tax on rubber from 38 cents a pound to 30 cents.

*

The U.S. Agriculture Department predicted that a record 57,722,000 short tons of sugar would be produced throughout the world in the crop year ending next April 30. World sugar production in the previous year totalled 53,539,000 tons.

*

Caltex has completed a survey of sites near South African ports with a view to establishing a £35 million refinery in the Union and is now awaiting a decision from the Company's headquarters in New York.

*

Gold and foreign currency reserves of the Netherlands Bank increased by Fls. 3.8 million to Fls. 5,965 million during the week ended November 21. Bank notes in circulation increased by Fls. 2.3 million to Fls. 4,551 million.

*

A new selective weedkiller — Carbyne — for application to cereal crops has now been introduced by Fistons Pest Control. Treatment with the new product, which is designed to prevent the rapid build-up of wide varieties of oats among all types of cereal crops, is stated to cost about 70 shillings per acre.

*

Kaiser Aluminium and Chemical Corporation is to take over the role, previously held by British Aluminium, of an equal partner with Consolidated Zinc Corporation in the establishment of a £100 million Australian aluminium industry.

*

Corn drilling from the air is being carried out by Auster aircraft for what is believed to be the first time in Britain on a farm just outside Holsworth (Suffolk).

(ESTD. 1919)

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Special Article

DEVELOPMENT SAVINGS BANKS AND INDIA'S THIRD PLAN

FOR some years Mr. C. Loganathan's provocative scheme of development savings bank has been under active discussion. A resolution is being passed this week at the International Chamber of Commerce meeting at Karachi supporting it in principle. It has been approved over the last two years, by the highest banking and fiscal authorities in many countries of the world. It now forms a central pillar of Ceylon's Ten Year Plan. The question naturally arises as to whether India's Planning Commission has given to this scheme the same study as it has received elsewhere. Unhappily the answer is in the negative. This is the more surprising because it is not being clearly realised that for the mobilisation of vast additional internal resources, access must be had predominantly to low income groups and, in particular, to the wages and salaries sector of the economy. Mr. Loganathan, with great foresight, has seen the relationship between the growth of development income and the mobilisation of resources. He has recognised that, when saving schemes are linked in a direct manner with development, the willingness to save can be substantially created. On the other hand, he has not been so unrealistic as to assume that there is an automatic matching of saving with development needs. While, therefore, his scheme is essentially a voluntary one in terms of assisting democratic effort in the economic sphere, it does not exclude compulsion required once a country has democratically chosen to decide for itself on a higher rate of development than voluntary saving will support. The discussion of some such scheme and its inclusion in the Third Plan is not merely timely but essential. Some description, mostly in Mr. Loganathan's words, of the scheme will, therefore, be of high topical interest:

"The Development Savings Bank scheme provides for a part of the gifts granted by foreign governments to be invested in the private sector, and for the investments or the benefits of the investments to be distributed on some equitable basis among the low-income groups subscribing to the scheme.

"Some international private or governmental lending institutions financed directly or indirectly by private institutions or Western democratic governments, do finance the private sector in the less developed countries to some extent, but those at the receiving end in the private sector are only enterprises owned by a relatively few capitalists. Political power is in reality vested in the low-income groups through adult suffrage. In other words, international lending institutions should also finance the low-income groups so as to enable them to have a stake in the private sector and to have an abiding interest in it.

"The Development Savings Bank scheme is an institutional device which will provide the means of achieving this and other ends to which reference has already been made.

"The Development Savings Bank scheme combines features of social security, savings and investment schemes embracing the people in general, and more particularly, the workers in the government and private sector, urban and rural sector and also peasants. This scheme is applicable to all types of economic activity including agriculture, commerce and industry. The primary purpose of this scheme is to effect through the joint stock device, a new fiscal policy, induced savings and foreign aid, a rapid increase in the wealth of the country, and at the same time, to enable the common man himself to have a stake in the different enterprises of the country.

"The Development Savings Bank scheme provides for voluntary and compulsory contributions from wages and salaries and for these to be credited to the accounts of the salary and wage earners themselves in their individual names in the Development Savings Bank.

"This scheme also provides for contribution by employers both in the Government sector and private sector to the accounts of the employees either as a percentage of salaries and/or of net profits voluntarily or compulsorily under government regulations or Tribunal awards.

"This scheme further visualises tax rebates to taxpayers to be used for productive purposes in the private sector in their own names with the approval of the government, so that the incentive of a person to earn is not stifled, and at the same time, he is compelled or induced to use a part of his wealth in diversifying the country's economy in the interests of society and himself.

"A part of the tax rebates, however, will be used for investment in the private sector for the benefit of the members of the Development Savings Bank below a certain income.

"A part of the gifts granted by foreign countries will also be invested in the private sector for the benefit of the lower income groups in the Development Savings Bank.

"Employees in the different enterprises (government or private, urban or rural) will be permitted to transfer their provident fund balances into their accounts in the Development Savings Bank for investment in the private sector, if they so desire.

"Freedom of choice is also permitted in the matter of investment, but official advisory bodies would be available at any time to give advice to the members. Trade Unions themselves could have their own financial advisers. The investment could take the form of Governments Bonds and Shares in companies and also units in Unit Trusts embracing many enterprises so that the risks will be spread over many enterprises.

"The Development Savings Bank scheme means, therefore, not only the siphoning off of savings and a part of the current purchasing power in the hands of the nation and the people into productive investment for the purpose of increasing the country's national wealth and employment, but also the creation of a society in which the people in general, in increasing numbers with increasing employment, would own the means of production in the form of investment that will appreciate in terms of money unlike most of the existing types of savings."

THE BUSINESS WORLD

Woes of the Woollen Industry

By

CROESUS

NOTABLE among the few industries that have not asked for a higher target under the Third Five-Year Plan than the Planning Commission has outlined and one that has demanded "a working basis for the industry which is really workable" is the Indian Woollen Industry. I am glad it has had the courage to tell the Government of India that first things must come first and that paper plans for further development might well wait until the Government has decided the question of modernisation and rehabilitation of the industry. It is primarily with a view to exploring the possibilities for securing machinery (against rupee payment or under deferred credit schemes) for rehabilitating the industry, one thought, that a delegation of the Indian woollen industry was sent abroad by the Government of India recently. Strangely enough, neither the report of this delegation nor the report of the Working Group for the Rehabilitation of the Woollen Industry, which was appointed much earlier, has been made public, although both the reports have already been submitted to the Government of India. One is at a loss whether to describe this as secretive or callous. However, without intruding on the secrecy of these documents on which the Government seems to be sitting tight, it is possible for one who has followed the fortunes of this unfortunate industry to make out that the main burden of their recommendations must perforce relate to rehabilitation and modernisation of the industry. Indeed, without rehabilitation, not only will the quality of Indian woollen products tend to deteriorate, but it will also not be possible for this country to establish itself in the international markets against powerful competition, as Mr V. Calloway, Chairman of the Federation of Woollen Manufacturers in India (F.W.M.I.), observed at the Annual General Meeting of the Federation last week.

As was to be expected, Mr Calloway dwelt at great length on the recent Control Order and the prospects of a further extension of the said Order. There seems to be something mysterious about this Order, for neither the F.W.M.I. nor the All India Woollen Mills Association, the two bodies at least who ought to know, has been able to elicit from the Government the basis for fixing the percentages for manufacture of worsted yarn for weaving, hoisery, and knitting, respectively. It is not clear why the authorities should be so secretive about this basis of formula and keep the industry guessing. For instance, even the President of the F.W.M.I., after perusing statistics compiled on the basis of reports by the Federation members found it difficult to understand how the Government had established the pattern of production that it has decided upon. But, whatever the formula, according to Mr Calloway, there is a lacuna in it. While a representation has already been made by the Federation to the Governmnt on the subject, which, I am sure, will receive careful consideration, reference may be made to the few pertinent questions that Mr Calloway raised. Surely these questions need to be answered by the authorities, if they have to justify their stand. The first question is: whether all the units of the industry have the necessary equipment installed in their mills to produce all the different types of yarn as envisaged by the Order? Secondly, are there not at least some units of the industry which have never sold worsted yarn but have produced it only for their own weaving sections? Thirdly, is it reasonable that mills should be compelled to change their production pattern overnight by a Government Order, especially when they have evolved a pattern of production over several years for producing worsted yarns in given proportions for weaving, hosiery, and knitting? Again, will not such diversion of the production pattern result in starving composite units and compel them to purchase their requirements from the market? Further, if such diversions of production pattern continue, is there not the danger of the composite units becoming disintegrated? And, finally, have the authorities at all considered the repercussions of their Order on the employment situation in the leading units of the composite sector?

From the questions posed above, it is clear that, far from remedying the situation the Control Order has actually brought about near chaotic conditions. It is not very often that responsible spokesmen of industry speak so vehemently about a particular order unless, according to them, it is "technically not feasible and thoroughly impracticable." It does not appear, however, as though the authorities are still convinced that great harm is being done to the industry, judging from the fact that, instead of revising it to make it more workable, they are reported to be contemplating the establishment of a production pattern for woollen fabrics also. In the words of Mr Calloway, this would be "the last straw on the camel's back." Of course, when the last straw is put on the camel's back, the camel is not consulted, and on this reckoning, it is not surprising that the Government has not cared to consult the industry before resorting to this action. The F.W.M.I. Chairman was expecting too much if he thought the Government would do this, and that too when it had not cared to consult the industry at an earlier stage, that is, before imposing the production pattern for worsted yarn, as it should have. It is a pity that, even at such a critical hour for the industry, the industry is not able to speak with one voice. As a matter of fact, it is this unfortunate development viz., the existence of more than one association, that is now being exploited by the authorities to intervene and intervene too in a way which means no good to either of the sections of the industry.

In conclusion, I should make a pointed reference to Mr Calloway's observation regarding the Government's attempt to impose on the industry "a production pattern on egalitarian principles." Let me quote his own words: "Even in other parts of the world where the egalitarian ideology is the cornerstone of the State's policy not only are the organised sectors of the industry not allowed to disintegrate, but they have gradually been converted into large-sized units incorporating the latest methods, principles, and techniques of modernisaton, rationalisation, and automation." But the F.W.M.I. Chairman evidently forgot that, just as the so-called Indian version of socialism is distinct from all known forms of Socialism in other countries, our Socialistic Pattern of Society also is quite distinctive. It is only arising from this that the attempt is being made to impose a production pattern on egalitarian principles on the Indian woollen industry. Whatever may be the justification for the Government's beliefs in these things, it cannot be too strongly asserted that even the Government's declared aims of industrialisation cannot be reconciled with the measures that it has now adopted. These measures, as a responsible spokesman of the Woollen Industry has pointed out, are calculated to destroy, rather than build up, efficient manufacturing units. It is to be hoped, therefore, that wiser counsels would prevail before further damage is caused to an industry, the export potentialities of which have only recently been recognised, and on which the country must needs rely, especially at the present juncture.

Business Notes

Marketing Research

INCOME, URBANISATION AND COTTON TEXTILES

THE COTTON TEXTILES FUND COMMITTEE has just released a report "on the pattern of consumption of cotton textiles and competing fabrics in Uttar Pradesh." This report is based on a pilot survey conducted by the Marketing Research Corporation of India, New Delhi, in March 1959 employing the technique of sampling surveys in the villages, towns and cities of Uttar Pradesh for determining the structure of demand for cotton textiles and the volume of pressure from competing textiles such as artificial silk, silk and woollens, largely in relation to changing income.

Mr. R. G. Saraiya, Chairman of the Cotton Textiles Fund Committee, has rightly stressed in his foreword the need for the industry "to keep constantly abreast of the changes in demand for textiles from time to time". In the words of the Chairman, the report "traces the relation between the income and consumption pattern of fabrics; the consumption pattern of mill-made cloth as affected by alternative and competitive fabrics and the changing preferences and structure of the demand for cotton cloth." The report has drawn, in the opinion of the Chairman, certain important conclusions which are "of sufficient interest to stimulate thought and warrant further study by the textile industry."

It has been shown, for the first time, that "the pattern of cotton textiles consumption known to be paradoxical in its income component, can be explained, in large measure, by the pressures on cotton textiles consumption arising from: firstly, the pressure of substitutes on certain critical income levels (different for each competing group), and secondly from the pattern of "other" expenditure which, again, varies at each income group". Another interesting result of this survey is the extent to which the small town is closely allied to the village. The process of urbanisation, which is the determining factor in producing the differential in consumption patterns in the three areas of rural sector, small towns, and cities, does not seem to have proceeded far enough in the case of small towns in Uttar Pradesh. An interesting but somewhat paradoxical conclusion is that "the peak consumption in terms of rupees appears in a low income group, where there is a massive rural population, but there is an almost equally massive demand in the rural groups of Rs. 101-150 and Rs. 151-200 as well as Rs. 201-300. Higher income is offset by a smaller population, so that the paradoxical result is reached that the highest sales are actually recorded in some of the lowest income groups". From the point of view of where and how to direct advertising, this conclusion should be useful. A second and a very encouraging conclusion at that is "the village, so far as Indian cotton textiles sales are concerned, is the most hopeful place for increased textile consumption"...."A larger percentage of current expenditure will be expended on cotton cloth in the village than either in towns or cities". This means that the industry should now turn more and more to the villages. True, the bulk of our cloth consumption even today is in our small towns and villages, for even the India of the sixties is essentially rural, about 80 per cent of our people still living in the villages. Nevertheless as suggested by the study, though we have in these villages a large potential market not enough has been done to carry the message of the industry to these areas.

State Trading

STC UNDER FIRE

THE DISCUSSION in the Rajya Sabha on the report of the State Trading Corporation for the year 1958-59 was highly critical in its general tone. What is particularly striking about the criticism is that strong views were expressed by several members of the Congress Party who participated in the debate and also by a spokesman of the Praja Socialist Party. This complexion of the critics is an important factor in taking note of the criticism.

The major attack was on the excessive expansion of the staff of the Corporation, the total strength of whose employees now swells into 1,600. This size of personnel, it was sharply pointed out, was absolutely out of proportion to the business transacted. Mr. Nityanand Kanungo had a flimsy defence to make, when he made reference to a stray case of absence of the appointment of the senior official. But much more important than the criticism of the number of employees was the forthright criticism of the composition of the Board of Directors. A majority of the critics drawn from the Congress and the P.S.P. bluntly spoke of the high degree of bureaucratization of the Corporation's Board of Directors. Most of them placed special and repeated emphasis on the necessity of inviting at least some element of business men with proved practical experience of foreign trade. Here again, Mr. Kanungo's defence was flimsy. He said that in course of time—not a distant time, perhaps—persons from the "ranks" with business talent would be elevated to the Board. Probably he means upgradation of the employees themselves. How this is going to fill the vacuum of lack of business acumen and experience outside the narrow operation of the Corporation, Mr. Kanungo conveniently omitted to explain.

The other criticism centred round the uncertainty about the Corporation's programme of future extension of its actvities in fresh lines of business. Nobody could conjecture which line it would enter and when. It was

pointed out that it had selected business "on the soft side", implying either bulk deals by direct negotiations or lines of trade entrusted to it by the Government for exclusive import or distribution. Another important point made was that the Corporation was not as alert in safeguarding the interests of Indian shipping in its requirements as it can be by emulating the universally acknowledged practice in other countries. This is a hardy annual to which the Chairmen of Indian shipping companies find themselves constrained to make a reference.

While this criticism was freely ventilated, the consensus was that the STC was functioning on a limited scale to supplement the activities of the normal trade channels. This characteristic description of the Corporation puts its role in the country's trade in the correct perspective.

Power

AHMEDABAD'S EXPANSION SCHEME

MR. A.N. HAKSAR, Chairman of the Ahmedabad Electricity Co., Ltd., pointed out at the Annual General Meeting held recently that the pressure of demand for power is increasing every day because new industries are being set up in the areas served by the Company. The pressure of demand, he added, has increased specially after the formation of the new State of Gujarat. Recently the maximum demand on the Company reached the danger level of 150 MW while its installed capacity was around 157.5 MW. To meet this rising demand the Company has placed orders for the purchase of 30 MW of plant which is likely to be commissioned by March 1962. A similar order has been repeated by it so that another 30 MW capacity will be available a year later. Sanction for this new expansion has been received from the Gujarat Electricity Board, and the Chairman is hopeful that the Government will release Sterling necessary for the purchases. The Chairman has estimated that with the completion of these extensions of the Company, and also taking into account the available power capacity with other sources like the Dhuwaran Thermal Station and the Utran Thermal Station of the Gujarat Electricity Board, the potential installed capaciy may be short by at least 30 MW of the probable demand in the State. This would entail the location an additional generating plant.

In any case, the Company has to carry out its planned expansion and a large measure of finance will be needed to augment distribution facilities in its area of supply. The Chairman has revealed that as far as the first 30 MW extension is concerned, the foreign exchange component has been covered by a loan of $3.9 million (Rs. 1.85 crores) obtained by the Company, from the Development Loan Fund of the United States. This loan carries interest at 3½ per cent and is repayable in 15 years. With the completion of the first extension unit the way would be paved for the successful raising of the funds for the execution the second extension.

AMALGAMATED ELECTRICITY

MR. N. C. JAVERI, Chairman of the Amalgamated Electricity Company, stated at its annual general meeting that the Company's works have been progressively expanding and the installed capacity was now 20,000 kW. In 1936, it was only 2,000 kW. During this period, consumers served by the Company have risen from 4,000 to 72,000. Similarly, revenue has increased from Rs. 5,00,000 to Rs. 95,00,000. While this speaks of the satisfactory position of the Company, the need for sizeable finance for large-scale expansion continues to remain unsolved. This is because of the difficulties placed by the Finance Act of 1959 in the way of the undertakings to raise funds for development. Mr. Javeri pleaded that since the scheme of the Sixth Schedule to the Electricity (Supply) Act is based on a complex structure of taxes, it is proper that the return to the investor should be really tax-free. He further underlined that as the electric supply industry requires large capital for expansion, restoration of the position that existed before the Finance Act of 1959, would not by itself be sufficient; what is required is a further measure of incentive to attract new capital for development.

As far as power development is concerned, the Draft Plan visualises an investment of Rs. 900 crores. When so much finance has been earmarked for State and quasi-State projects, there is no reason why conditions should not be created for the licensee electric supply undertakings to raise finance for development. In this context, Mr. Javeri stressed that it is proper to make available to these undertakings sufficient loans as part of the outlay on power projects.

New Issue

KOTHARI SUGARS AND CHEMICALS

KOTHARI SUGARS AND CHEMICALS LTD., a company promoted by Messrs. Kothari and Sons, Madras, proposes to establish a factory for the manufacture of sugar in Lalgudi Taluq in Tiruchirapalli District of Madras. The initial crushing capacity of the factory will be around 1,000 tons per day, which can be raised at any time later to 1,500 tons per day. In view of the availability of quality raw materials in the region, the factory is likely to show a high level of recovery. The project is sound for another reason too. The present demand for sugar in the South is estimated at around 1.35 lakh tons, against the present production capacity of 80,000 tons. This factory can be expected to bridge a part of this gap.

The company proposes to enter into an agreement with M/s. Binny's Engineering Works Pt. Ltd. for the supply of the plant and machinery. The factory will be able to commence production early in 1962. The capital required to reach the stage of production is estimated at around Rs. 160 lakhs. The Industrial Credit and Investment Corporation of India Ltd., and The Bank of India Ltd., have agreed to give a loan of Rs. 35 lakhs each and the balance required will be borrowed from banks and other sources.

The authorised capital of the Company will be Rs. 5 crores. Out of the issued capital of Rs. 80 lakhs, equity shares of Rs. 10 each worth Rs. 12 lakhs, have been subscribed by the signatories to the memorandum, the directors and their friends. The Madras Industrial Investment Corporaton Ltd. has subscribed to equity shares worth Rs. 13 lakhs. The Life Insurance Corporation too has agreed to subscribe to equity shares worth Rs. 15 lakhs. The balance of 4 lakh equity shares of Rs. 10 each, worth Rs. 40 lakhs, is offered for public subscription. The list will remain open between December 15 and December 22. The issue is certain to get a favourable response in the market. It may be added that the entire issue has been underwritten.

Foreign Assistance

WHY INFRUCTUOUS COLLABORATIONS ?

THE STUPENDOUS task of the less developed countries in clearing the backlog of development and in ensuring a reasonably satisfactory rate of economic growth postulates a good measure of foreign assistance from the relatively more advanced countries. One of the ways of obtaining foreign assistance is to have collaboration agreements between the developing and the developed countries. By reason of the dearth of trained personnel and people knowing the technical know-how to man industries in our country, our dependence on foreign assistance in some cases is almost cent per cent. When the need to enter into collaboration agreements with foreign industrialists is so much, the procedure laid down by the Government of India for securing such collaboration is unfortunately too onerous and time-consuming. Mr. K. H. Dhamdhere, President of the Maharashtra Chamber of Commerce, while speaking at the Thirty-third Annual General Meeting of the Chamber, last week, felt called upon, therefore, to urge the Government to enunciate a definite policy on the maximum percentage of foreign capital participation permissible for different industries and specifying, at the same time, the exceptional circumstances in which a majority share capital would be allowed to foreign collaborators.

Although it has been the avowed policy of the Government of India to induce and encourage the private sector to enter into collaboration agreements with foreign industrialists, it is rather strange that it has not taken pains to remove the difficulties in the way which very often lead to frustration and loss of initiative on the part of foreign collaborators and, at times, even termination. The Government should declare the priorities for the various industries and the maximum levels of royalty payments in respect of schemes (a) with capital participation and (b) without capital participation. Due to the departure made in certain cases in the general policy of not allowing a major share capital to foreign participants, as the M.C.C. Chairman pointed out, many foreign manufacturers were led to expect and even ask for a majority shareholding for themselves, but when such proposals were turned down by the Government, they took umbrage, began to suspect discrimination, and even withdrew their offers of collaboration secured after necessarily prolonged negotiations.

Mr. Dhamdhere also drew attention to the fact that foreign collaborators, who are generally corporate bodies, have to pay 63 per cent tax on their royalties and dividends. The Government, he said, should conclude reciprocal agreements with all the countries in the matter of double tax relief, without any delay, as a high incidence of tax would operate as a disincentive to foreign collaborators. The M.C.C. President further suggested that a liaison office should be established to guide, assist and expeditiously dispose of all matters pertaining to collaboration proposals. The new Investment Centre to be set up in Delhi to assist foreign investors might well begin by taking up this question with the Government of India.

THE JAIPUR UDYOG LIMITED

NOTICE

The Annual General Meeting of the Company will be held at the Registered Office of the Company at Sawai Madhopur on Friday, the 30th December, 1960 at 4 P.M. to transact the following business:

1. To receive and adopt the Directors' Report and the Audited Statements of Accounts for the year ended 31st March, 1960.
2. To declare dividends on Preference and Ordinary shares.
1. To elect a Director in place of Shri C. L. Jaipuria who retires by rotation but, being eligible, offers himself for re-election.
4. To elect a Director in place of Shri A. K. Roy who retires by rotation but, being eligible, offers himself for re-election.
5. To elect a Director in place of Shri C. L. Jhunjhunwala who retires under Clause 118 of the Company's Articles of Association but, being eligible, offers himself for re-election.
6. To appoint Auditors for the current year and to fix their remuneration. The retiring Auditors, M/s. R. D. Joshi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

The Share Transfer Books of the Company will remain closed from Monday, the 19th December, 1960 to Friday, the 30th December, 1960, both days inclusive.

By Order of the Board,
For THE JAIPUR UDYOG LIMITED.,
M. L. RATHI,
Secretary.

SAWAI MADHOPUR,
Dated 28th November, 1960.

Note: (a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

(b) The dividends declared will be payable to those shareholders whose names stood on the Register of Members on Friday, the 30th December, 1960 or their mandatees.

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Debenture Stock Transfer Books will be closed from 20th December, 1960 to 31st December, 1960 both dates inclusive.

By Order of the Board,
D. H. P. HENDERSON,
AGENT.

Victoria House, Calcutta,
1st December, 1960.



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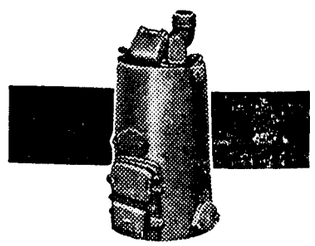
Authorised Capital	..	Rs. 8,00,00,000
Subscribed Capital	..	Rs. 4,00,00,000
Paid-up Capital	..	Rs. 2,00,00,000
Reserve Fund	..	Rs. 1,75,00,000
Working Funds 31-12-59 over		Rs. 1,09,00,00,000

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JB-12

FROM THE CAPITAL'S CORRIDORS

PRODUCTION OF FERTILIZERS IN U.P.

THE Fertilizer Technical Committee, it is learnt, has recommended the setting up of a factory at Gorakhpur (U.P) with a production capacity of 85,000 tons of ammonia (equivalent to 70,000 tons Nitrogen) and 138,330 tons of urea (equivalent to 61,230 tons Nitrogen) per annum on the basis of 330 production days in a year. About 5,000 tons of ammonia per year can be had from this factory after the production of fertilizers, for sale to industrial consumers for the production of ammoniated superphosphate, nitric acid etc., as well as for use as a refrigerant.

Petroleum naphtha from the proposed refinery at Barauni would be the raw material for the production of hydrogen for synthesis gas. The cost of production of ammonia, estimated on the basis of naphtha being available at Rs. 100 per ton at Gorakhpur, works out to Rs. 383 per ton. This figure is comparable with the cost for ammonia estimated for other Uttar Pradesh centres examined by the Committee. The Committee has suggested that necessary steps may be taken to obtain for naphtha used for fertilizer production exemption from payment of excise and other duties so that this essential raw material is available at an economic price.

The Committee feels that once the mining of coal is properly organized in the Singrauli coalfields, it would be possible to consider the establishment of another fertilizer factory in U.P. This factory may produce ammonium sulphate by the acid neutralisation process. Its capacity could be 50,000 tons Nitrogen per year. In view of its central position between the pyrites deposits at Amjor, in Bihar, and coalfields of Singrauli, Chopan may be considered along with other suitable sites for the establishment of this second unit.

INVESTMENT REQUIRED

The total investment required for a 70,000-tons Nitrogen fertilizer project at Gorakhpur is estimated at Rs. 181 million. The foreign exchange expenditure involved is of the order of Rs. 80 million, exclusive of financing and interest charges for the import of plant and equipment on deferred payment basis.

The total investment required for a 50,000-tons Nitrogen fertilizer factory for the productoin of ammonium sulphate at Chopan is estimated at Rs. 170 million, inclusive of foreign exchange expenditure of Rs. 70 million for the import of plant and equipment on cash payment basis.

The State Government had suggested for the consideration of the Committee the following possible sites for setting up fertilizer plants in Uttar Pradesh: (1) Ghaziabad; (2) Harduagunj, near Aligarh; (3) Chopan, twenty miles from Pipri at the site of the Rihand Dam; (4) Gorakhpur; (5) Shahjahanpur and (6) Farrukhabad.

WHY GORAKHPUR?

Giving the reasons for its selection of Gorakhpur as the site for the first fertilizer factory in U.P., the Committee says: "Gorakhpur is a city with a population of about 200,000 on the main metre-gauge line of the North-Easern Railway and is the headquarters of the Gorakhpur Division in eastern U.P. The distance by rail from Barauni is 202 miles. Gorakhpur has all the facilities of a city, including hospitals, schools, colleges, as well as a University. It is also in the centre of a densely populated area in the midst of sugarcane farms and paddy fields. Except for sugar factories, there is hardly any industrial activity in this Division with a total population of about ten million. Consequently, there is acute unemployment, leading to migration of labour to other parts of the country.

"The Committee was informed that power upto 30,000 KW. would be made available from the grid originating at the Rihand Hydel Scheme and that the rate at Gorakhpur for a fertilizer factory would be 4 nP. per KWH.It was stated that this represented a no-loss no-profit rate for power at Gorakhpur.

"There is no fertilizer factory in the region north of the River Ganga, which is served exclusively by the metre-gauge railway system. Gorakhpur, which is at the centre of this system, is favourably situated for distribution of fertilizers in this area. However, if raw materials, viz., pyrites, rockphosphate or coal, have to be brought to Gorakhpur, transhipment from the broad-gauge to metre-gauge system would be necessary either at Barauni or at Varanasi."

GHAZIABAD RULED OUT

On the merits and demerits of Ghaziabad as a possible site for locating a fertilizer plant, the Committee observes: "Ghaziabad is a town 15 miles from Delhi on the Delhi-Calcutta broad-gauge line. Its main advantage is that because of nearness to Delhi, it could serve as a useful location for setting up an integrated unit for the supply of town gas to Delhi as well as synthesis gas for a fertilizer factory if the gas is produced from coke. In view of the large surplus of naphtha that is likely to be available in the country in the near future, this advantage might no longer be significant because town gas could be produced by itself from naphtha in Delhi without excessive investment and with economy in the laying of pipe mains".

The Committee records that during its visit to Ghaziabad, a large number of farmers who cultivate the land proposed to be the site for setting up a fertilizer factory had gathered to make a representation against the selection of this site. They pointed out that 192 families who now subsist on this land would lose their means of livelihood if it was taken away from them. The State officials pointed out that the plot lay within the area earmarked for industrial development in the Master Plan. Therefore, even if the site was not selected for a fertilizer factory, the farmers who worked on it at present would have to go elsewhere. Power would be available at Ghaziabad from the Jamuna Hydel System or from the supergrid originating from the proposed Singrauli Thermal Station and passing through Kanpur. Because of the distance separating Singrauli from Ghaziabad and consequent transmission charges, the cost of power would be as high as 6 nP. per KWH.

SINDRI FERTILIZERS

Dr. Hassain Zaheer, a Director of Sindri Fertilizers, who, at the instance of the Board of Directors of the Company, undertook a study of the reasons for the decline in production at Sindri during the past two years has submitted his report. The main causes for the fall in production, according to Dr. Hassain Zaheer, are (i) clinkering troubles in the gas generators due to use of coke of poor and inconsistent quality and (ii) wear and tear of gas generators.

Meanwhile, some important changes have been made in the administrative set-up of Sindri Fertilizers. Mr. K. Ramachandran, formerly General Manager of Chittaranjan Locomotives Works, has taken over as Managing Director of the Company in place of Mr. V. Nilakantan, who has proceeded on leave preparatory to retirement. Mr. K. L. Ramaswamy, Superintendent of Production at the Sindri Works right since the inception of the Company, is joining the Bihar Government as its Industrial Adviser. His place has been taken by Mr. J. Simon, who was Mr. Ramaswamy's deputy. Some other top officials of Sindri Fertilizers have been transferred to Nangal Fertilizers Project and the Trombay Fertilizers Project.

FAIR PRICES FOR COTTON TEXTILES AND YARN

Obviously not satisfied with the Indian Cotton Mills Federation's attempts to bring down cloth and yarn prices which witnessed a spurt this year due to fall in raw cotton output, the Government of India has asked the Tariff Commission to conduct a comprehensive enquiry into the question of production costs and selling prices of the cotton textiles industry.

The Commission will recommend to the Government fair ex-mill prices for cotton cloth and yarn and also suggest a formula on the basis of which adjustments in these prices could be made from time to time in the light of major fluctuations in the prices of raw cotton and other elements of cost of production.

By a resolution published on Tuesday in the Gazette of India Extraordinary, the Government has asked the Tariff Commission to report on the following specific aspects of the issue:

(i) The cost of production of various representative types of cloth and yarn;

(ii) The capital structure, investments and fair return thereon, bearing in mind the need for continuous rehabilitation and modernisation and what would be a fair return to allow to the industry over the cost of production;

(iii) Fair ex-mill prices of cloth and yarn.

The Commission will also enquire into the distribution cost of cloth and yarn in the country with reference to all relevant factors, including the present pattern of sales adopted by different units of the industry. On the basis of this, it will suggest a reasonable formula for determining fair retail prices for cotton cloth and yarn.

On a suggestion from the Government, the Indian Cotton Mills Federation a few weeks ago had advised its member mills not to charge prices at a rate higher than 25 per cent for coarse cloth, 22 per cent for lower medium cloth, 18 per cent for higher medium cloth, 11½ per cent for fine cloth and 9 per cent for super-fine varieties over the August, 1959, contract prices. The Federation had also asked the mills to stamp ex-mill and retail prices on all types of cloth so that the consumer could buy his requirements at the authorised rates.

COTTON CLOTH EXPORTS TO SUDAN

India exported 32.82 million square yards of cotton textiles to Sudan during the nine months to September last, compared to 59.60 million square yards during the corresponding period last year. The main reason for this fall in exports to Sudan is said to be the import restrictions imposed by the Sudanese Government early this year because of excessive stocks lying in that country due to heavy imports last year. Another contributory factor has been the tough competition offered by other exporting countries.

EXPORT OF COTTON GOODS TO UK

About 135 million square yards of cotton manufactures, worth about Rs. 118 million, were exported to UK from this country during the first eight months of the current year.

India's exports of cotton manufactures to the United Kingdom are regulated by an understanding reached between the British cotton textile interests and representatives of cotton textile industries of India, Pakistan and Hongkong some time ago. During the three years' period beginning January, 1960, India has promised to export cotton manufactures to UK to the extent of only 175 million square yards per year. The term "cotton manufactures" covers all varieties of cotton goods retained for consumption in UK, whether in the form of made-up garments or cloth, except cotton carpets, cotton rugs, cotton durries, cotton shawls and handloom products. The ceiling of 175 million square yards per annum does not apply to UK's imports of cotton goods from this country which are subsequently re-exported.

THIRD FINANCE COMMISSION

The President has, by a formal Order promulgated in a "Gazette of India (Extraordinary)", constituted a Finance Commission—the third one since the coming into force of the Constitution—under the Chairmanship of Mr. A. K. Chanda, formerly Comptroller and Auditor-General of India. The other members of the Commission are: (i) Mr. P. Govinda Menon, former Chief Minister of Kerala State; (ii) Mr. Dwijendra Nath Roy, retired Judge of the Allahabad High Court; (iii) Mr. M. V. Mathur. Head of the Department of Economics and Public Administration, University of Rajasthan; and (iv) Mr. G. R. Kamat. Mr. Kamat will be the member-secretary of the Commission. The Chairman and members of the Commission are expected to assume office by about the middle of the current month.

The Commission has, under Article 280(3) of the Constitution, to make recommendations to the President in regard to (a) distribution between the Union and the States of the net proceeds of taxes, and (b) the principles which should govern the grants-in-aid from the Centre to the States. In addition, the President has directed it to make recommendations to him on the following further matters: (i) The assistance that may be granted by way of grants-in-aid under Article 275 to such States as are in need of assistance, having regard to the requirements of the Third Five-Year Plan and the efforts to be made by those States to raise additional revenues from the sources available to them; (ii) The changes, if any, to be made in the principles governing the distribution amongst the States under Article 269 of the net proceeds in any financial year of the Estate Duty in respect of property other than agricultural land; (iii) The changes, if any, to be made in the principles governing the distribution amongst the States under Article 269 of the net proceeds in any financial year of taxes on railway fares; (iv) The changes, if any, to be made in the principles governing the distribution of the net proceeds in any financial year of the additional excise duties levied on each of the following commodities, namely, (a) cotton fabrics, (b) rayon or artificial silk fabrics, (c) woollen fabrics, (d) sugar, and (e) tobacco, including manufactured tobacco, in replacement of the States sales taxes formerly levied by the State Governments.

This Finance Commission is being constituted a year earlier than its due date in conformity with the recommendation made by the Second Finance Commission that the period of the development plans should coincide with the period covered by the recommendations of the Finance Commission. Accordingly, this Finance Commission has been asked to make its recommendations for four years commencing from April 1, 1962. The assistance to the States during the year 1961-62 will continue to be regulated under the award of the Second Finance Commission.

QUALITY CONTROL COMMITTEE

The Government of India has appointed a Committee to examine the question of quality control on goods exported from this country and to recommend measures for ensuring goods quality exports which would help in building up enduring trade relations between overseas buyers and Indian exporters.

The Committee will be headed by Dr. Lal C. Verman, Director of Indian Standards Institution. Its other members will be: (1) The Agricultural Marketing Adviser to the Goveriment of India; (ii) Drugs Controller, Union Ministry of Health; (iii) Chief Inspecting Officer (Textiles); (iv) A representative of the Development Wing, Commerce and Industry Ministry; (v) A representative of the Directorate-General of Supplies and Disposals; (vi) The Development Commissioner for Small-Scale Industries; and (vii) The Joint Director for Export Promotion, Ministry of Commerce. The last mentioned officer will be the member-secretary of the Committee.

The Committee is expected to submit its report to Government by the end of March next year.

Meanwhile, Mr. K. B. Lall, Additional Secretary, Union Ministsy of Commerce and Industry, who has returned to the Capital after a tour of East India, is said to be holding the view that consciousness is growing in this country, particularly in the inter-industry sectors, about the production of quality goods. Greater competition, especially in the case of cycles and trucks manufacture, is compelling the producers to market improved quality goods.

According to Mr. Lall, industrial climate in India is changing rapidly, largely due to ban on imports. Ancillary industries are fast developing around giant industrial units. Though the Indian industrialists are becoming quality conscious, Mr. Lall is said to be of the view that they still lack adequate cost consciousness. Foreign collaboration in some industrial units, Mr. Lall feels, is proving pretty costly to the Indian consumer.

IMPORT OF CAPITAL GOODS

The Union Government has decided that all importers of capital goods, wishing to negotiate loans with credit agencies abroad, should secure the prior approval of the Government before entering into negotiations. The requests for such approval would be entertained by the Special Officer (Capital Goods), Capital Goods Division in the Office of the Chief Controller of Imports and Exports, New Delhi.

Approval to negotiate with credit agencies abroad will ordinarly only be granted where the value of the equipment proposed to be imported exceeds Rs. 150 lakhs. For smaller schemes foreign exchange loans are available from the Industrial Finance Corporation of India, Industrial Credit Investment Corporation of India and the National Small Industries Corporation. Licences for such smaller schemes can also be issued against foreign exchange loans available to Government and under the special trade and payment arrangements negotiated with certain countries by the Government of India.

MANUFACTURE OF OPTICAL AND OPHTHALMIC GLASS

Consequent upon the Central Glass and Ceramic Research Institute having successfully evolved a process to manufacture optical glass on commercial scale, some changes are being made in the plans for the manufacture of optical and ophthalmic glass at Durgapur.

The Government had earlier decided to set up an optical and ophthalmic glass plant at Durgapur, West Bengal, in technical collaboration with Soviet Union by utilising a portion of the 500 million rouble credit made available by Russia under the principle agreement signed on November 9, 1957. In pursuance of this agreement, a contract was entered into with M/s. Technoexport, Moscow, on December 19, 1957, for the preparation of the detailed project report for this plant. The detailed project report, which envisages the production of 200 tons of ophthalmic glass and 10 tons of optical glass per annum, was received in July last year.

It has now been decided to undertake the manufacture of optical glass at Calcutta by the process evolved by the Central Glass and Ceramic Institute. The Durgapur Project will now manufacture 300 tons of ophthalmic glass per annum. The revised project report for a plant of this capacity has been called for. It is likely to be received in the near future.

PRODUCTION OF TYRES

Mr. Manubhai Shah, Minister for Industry in the Union Government, told the Lok Sabha last week that efforts were being made, with the co-operation of indigenous tyre manufacturers, to check mal-practices in the tyre trade. He announced that arrangements had been made to import about 1.2 lakh tyres through the State Trading Corporation. Out of this quantity, orders for 50,000 tyres had already been placed, he added.

Mr. Shah also disclosed that the Government was taking steps to increase the production of tyres in the country. Indigenous production has gone up from 6.4 lakh tyres in 1956 to 11.38 lakh tyres in 1959. Output during the current year is expected to be 13.5 to 14 lakh tyres. The licensed capacity for tyre manufacture has been raised to 29.4 lakh tyres a year. Production is expected to increase by 1.5, 2.5 and 3 lakh tyres in 1961, 1962, and 1963 respectively. A proposal to increase the capacity by another 14.4 lakh tyres per annuam is under consideration.

CHEMICALLY BONDED BASIC REFRACTORIES

To meet steel industry's demand for chemically bonded basic refractories, Burn and Company Ltd. Salem (Madras), Belpahar Refractories Ltd., Balpahar (Orissa), and Orissa Cement Ltd., Rajgangpur (Orissa) have included in their manufacturing programme, the production of these refractories. These three companies are already licensed under the industries (Development and Regulation) Act, 1951, for the manufacture of various types of basic refractories.

The process for the manufacture of chemically bonded basic refractories is covered by a world patent drawn out by a US firm. The three Indian manufacturers have sought the Government of India's approval for foreign collaboration to obtain the technical know-how. The collaboration terms have been approved by the Government.

ANOTHER ALUMINIUM PLANT!

The Government of India, it is understood, has under consideration a proposal, submitted by Tendulkar Industries (of Bombay), to set up an aluminium manufacturing unit in Koyna area. This plant will have a production capacity of 20,000 tons per year. The US firm Alcova will provide the technical know-how. The Government is expected to approve of the project in the near future.

RUSSIAN CREDIT

A Russian delegation is visiting New Delhi next week to finalise, in consultation with the Government of India, the list of projects which would be financed with the 500 million roubles credit made available by the Soviet Union recently. The Government of India has tentatively decided to utilise this credit for the setting up some power plants, purchase of oil drilling and exploration equipment, establishment of coal washeries, putting up of a refinery in Gujarat State and import of machinery for heavy compressors and pumps project, basic refractories projects and the ball and roller project.

As already reported in this column, the Government of India has decided to set up a refinery in Gujerat, primarily to refine the crude struck at Cambay and Ankleshwar. It is proposed to have some additional capacity at this refinery to refine Russian crude as well.

MODERNISATION OF BOMBAY DOCKS

The Bombay Port Trust has prepared a new scheme for modernising the Bombay docks. The scheme, which is now being examined in details by the Trust's British consulting engineers, is estimated to cost Rs. 8.35 crores, of which Rs. 1.50 crores will be the foreign exchange component. It is proposed to connect the Victoria Dock with the Alexandra Dock by providing a communication passage between them. This passage will provide six new deep water berths along its sides and will enable the Victoria Dock berths to be served by the entrance lock from the Alexandra Dock instead of being served by tidal gates as at present. This will result in maintaining a higher level of impounded water in the Victoria Dock, thereby making it possible to accommodate ships of heavier draft. It is also proposed to reclaim land on the harbour wall side so as to increase the cargo-handling potential of the berths on the eastern side of Victoria Dock basin by enlarging the area available for laying roads and railway lines, constructing transit sheds and providing for sufficient open space for cargo storage.

FREIGHT SURCHARGE ON SHIPMENTS TO COLOMBO

The Conference Lines handling cargo between the United Kingdom, Continental countries, Japan and Ceylon have announced some reductions in freight surcharge on shipments to Colombo as a result of the improvement in the conditions at this port. The Indian shipping companies which are members of these Conference Lines, it is expected, will abide by this decision.

FOREIGN FINANCIAL JOURNALISTS IN DELHI

Nine financial editors and economic commentators from the United States, five from the United Kingdom and four from West Germany have arrived here, at the invitation of the Government of India, for a three weeks' study tour of this country. They will visit various parts of India to see a cross-section of her achievements in the economic field during the past ten years. They will also study India's Third Five-Year Plan and have discussions with economic experts of the Government and the Planning Commission.

BRITISH CONSULTANCY SERVICE

Sir Bruce White, Wolfe Barry and Partners, a British engineering consultants' firm, has set up a subsidiary office in Bombay to make available to enterpreneurs in this country its services of designing and supervision of projects in the following fields: (1) Marine works, docks and harbours, canals dredging, etc; (2) Water supply and sewerage; (3) Town planning; (4) Power stations (thermal, hydro, diesel, atomic); (5) Dams and hydraulic works including irrigation and reclamation schemes; (6) Roads; (7) Railways; (8) Bridges; (9) Buildings, offices, industrial establishments, factories, oil installations, etc; (10) Special structures such as cranes and other heavy machinery and foundations; (11) Naval architecture, dredgers, tugs, lighters, etc.

BRIEFS

About one lakh tons of wheat are expected to be imported from Canada between November, 1960, and March, 1961, on account of the $7 million Canadian grant under the Colombo Plan.

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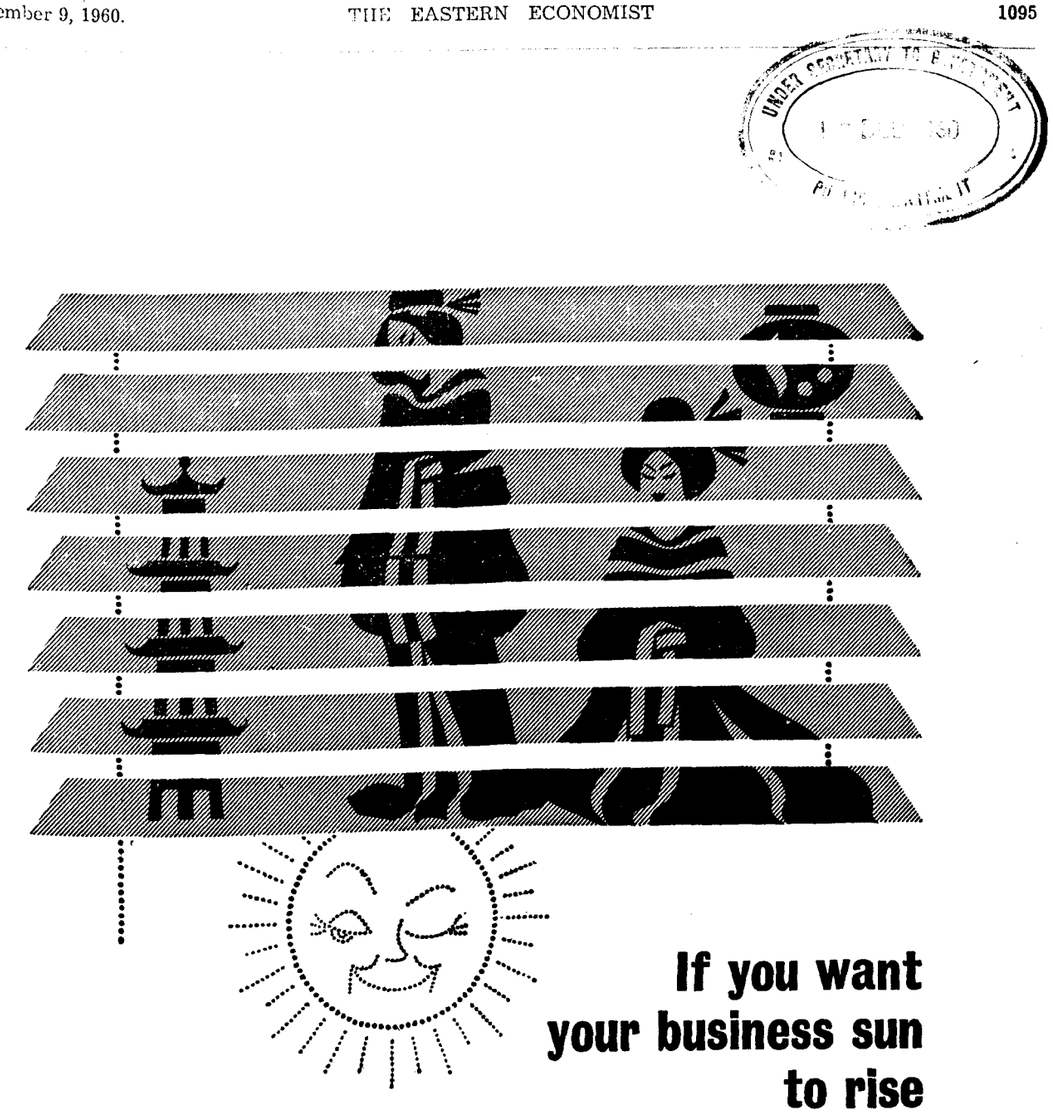
Hindustan Steel Ltd. has received from the German firm Mannesmann 10,520 tons of pipes for which it had placed an order some time ago. The German firm in exchange purchased 12,000 of steel slabs from Hindustan Steel. No steel ingots were sold to Messrs. Mannesmann.

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It is proposed to set up a Central Technical Assistance Board to advise the Government on the development of Port and Inland Water Transport.

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The Railway Board has placed orders for the import of 96,000 tons of steel from Japan, Holland, the United Kingdom, West Germany, Spain, the U.S.A., France, Belgium, Norway, Sweden and Italy. The average price is Rs. 675|- C. & F. per long ton.



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COMPANY AFFAIRS

MORE PROFITS FOR BLUE MOUNTAIN AND WATERFALL

Blue Mountain Estates Ltd., during the year to June 30, 1960 earned the highest profit which it has earned till now, of Rs. 29.3 lakhs before depreciation, and taxes, as compared to Rs. 9.06 lakhs for the previous year. This profit has been mainly due to the higher tea crop, a higher realisation for tea and also the higher coffee crop. A dividend of 12½ per cent has been declared on the Equity Capital and a sum of Rs. 7.5 lakhs has been taken to General Reserves. Bonus shares are being issued in the ratio of one new share for every 5 shares held.

The Chairman has stressed the significance of diversifying the activities of the Company in putting up a Fertilizer Plant (Super Phosphate) with the collaboration of the well-known U.K. firm, Messrs. Simon Carves. This will enable the Company to become a part agricultural and part industrial Company and result in steadier profits year after year. The project is to be financed partly by the issue of Right Shares to the existing shareholders and partly by loans.

During the last few years large amounts have been ploughed back into the working of the Company, over Rs. 16 lakhs having been spent in improving the machinery and building, etc., and about Rs. 11½ lakhs for the purchase of further estates and shares of a tea factory. This has resulted in an expenditure of Rs. 27½ lakhs in the last five years which has been ploughed back entirely from profits.

The Waterfall Estates Ltd. too has shown a higher profit for the year ended June 30, 1960. The profit before Depreciation and Taxation came to Rs. 14.1 lakhs as against Rs. 12.0 lakhs during the previous year. The higher profit is due to a slightly better realisation on Tea, with a decrease in cost per pound. A dividend of 12½ per cent is declared, the same as last year. The Company is issuing shares in the ratio of one new share for every 2 shares held and like its sister concern, Blue Mountain Estates, is diversifying its activities and is putting up a Coffee Curing Works in Hassan, which will cure coffee, apart from its own group, of the other Estates too. There is a dearth of coffee curing works as the coffee crop has gone up from 25,000 to 50,000 tons but correspondingly the curing capacity has not gone up. It is also proposed to start one or two other industries for which the name of the Company is being changed from Waterfall Estates Ltd., to Waterfall Estates & Industries Ltd. The Company is now manufacturing tea by the C.T.C. method, and this tea is very much liked in the market and fetches higher prices than tea of orthodox manufacture.

A large sum of money, namely, Rs. 36.5 lakhs has been spent over the last five years for new extensions, renovation of factory, machinery and buildings and purchase of additional Coffee Estates in Coorg and Mysore. The whole amount has been ploughed back from profits. The Directors are therefore following a conservative policy of ploughing back as much as possible into the business so that there may be an appreciation of the property in general.

ALUMINIUM CORPORATION'S EXPANSION PROGRAMME

The working and production of all departments — bauxite and coal mining, power generation, alumina, carbon electrode plant, metal production and rolling — of Aluminium Corporation of India during the year to March 31, 1960, have been satisfactory. More diversified products including different alloys have been manufactured to meet the growing industrial requirements of the metal in the country. The Government of India have approved the scheme of expansion by which the capacity of the Corporation's completely integrated Jaykaynagar plant will be trebled by expansion of all sections and the entire metal production will be fabricated into finished and semi-finished products. The Government have granted the necessary licence under the Industries (Development and Regulation) Act and they have also granted the import licences. The whole of the expansion project is estimated to cost about Rs. 4.5 crores. Order for the equipments are placed in consultation with the Technical Consultants, Messrs. Aluminium Industie Aktien-Gesellschaft, Zurich. The contract for supply of power with the Government of West Bengal has been signed and the civil engineering work has been taken in hand. The foreign exchange requirements of the project have been arranged through deferred payments and the Industrial Finance Corporation of India have agreed to give guarantee for such deferred payments. To meet the Indian expenses, the Industrial Finance Corporation of India have also agreed to grant a loan of Rs. 80 lakhs and further funds necessary for the project are expected to be financed from the Corporation's own resources. The Directors have decided to raise a part of the amount by way of Equity Shares, to the extent of Rs. 31.25 lakhs, by offering one Equity share at par to the holders of every two existing Ordinary shares. The necessary permission from the Controller of Capital issues has been obtained for this issue by the Company.

Out of a gross profit of Rs. 36.20 lakhs during the year to March 31, 1960, the Directors have proposed the provision for taxation of Rs. 14.5 lakhs and for depreciation including provision towards arrears of unabsorbed depreciation of Rs. 9 lakhs. A dividend at the rate of 12 per cent has been proposed to be paid on ordinary shares.

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COMMODITY NEWS AND NOTES

PRODUCTION OF LEAD-ZINC ORES IN INDIA

The production of lead-zinc ores in India during January-September, 1960 was 115,000 metric tons as compared to 121,000 metric tons in the corresponding period of the preceding year, according to the Indian Bureau of Mines. The entire production was reported from the Zawar mines in Udaipur district of Rajasthan State. The recovery of lead and zinc concentrates amounted to 4,557 metric tons and 7,440 metric tons respectively as compared to 4,832 and 7,271 metric tons in the corresponding period of the previous year. Lead concentrates are sent to the lessee's smelter at Tundoo in Bihar State for extraction of lead and silver while the zinc concentrates are shipped to Japan for smelting of zinc, as there is no zinc smelter in India at present. The production of lead metal during January-September 1960 was 2,641 metric tons as compared to 3,023 metric tons in the corresponding period of 1959.

COMPOUNDED LEVY SCHEME FOR KHANDSARI

A compounded levy scheme for the Khandsari Sugar produced without the aid of sulphitation plant was introduced with effect from March 1, 1960. Representations were received from the Khandsari manufacturers producing Khandsari with the aid of sulphitation plant for extension of the scheme to their units also. In order to help such manufacturers, the Government of India have decided to extend the scheme to these units also with effect from December 1, 1960.

By virtue of this scheme, the manufacturers will be required to pay a composition fee on the rated capacity of the equipments employed and would thereafter be absolved of the day-to-day checking or verification of the production by the Central Excise staff. The rates for different types of centrifugals used by the industry have been notified in the "Gazette of India" Extraordinary of December 1, 1960.

REQUISITIONING OF BENGAL DESHI COTTON

The Textile Commissioner has received representations from mills consuming Bengal Deshi cotton that they are not able to procure their requirements within the ceiling prices. At the request of some mills, stocks of Bengal Deshi cotton have already been requisitioned and additional stocks will be requisitioned, as applications are received from the mills in terms of the Press note dated October 28, 1960 issued by the Textile Commissioner.

With a view to ascertaining the actual quantity of Bengal Deshi cotton required for the whole season, textile mills and factories engaged in the manufacture of absorbent and surgical cottons are requested to send to the Textile Commissioner, Government of India, Cotton Branch, Ballard Estate, Bombay-1, particulars of their requirements giving the following infofmation: (1) stocks and outstanding deliveries of Bengal Deshi cotton at the end of the season 1959-60, (2) first quota of Indian cotton granted this year i.e., 1960-61, (3) purchases of Bengal Deshi cotton made from this year's quota, (4) total requirements of Bengal Deshi cotton during the season 1960-61 (state also whether "fine and below" or "higher grades"), (5) additional quota required to complete the season's requirements of Bengal Deshi cotton. (This should be calculated with reference to stocks at the end of August, 1960, purchases made and the supplies required for the first two months of the next season, i.e., September and October, 1960) and (6) quantity desired to be requisitioned for the consumption of the mills, if any.

MECHANISATION OF RAJHARA IRON ORE MINES

The iron ore mines at Rajhara have now been fully mechanised to supply 7,000 tons of iron ore daily to the Bhilai Steel Plant. Iron ore is the principal raw material in the manufacture of steel. The Bhilai Works will require about two million tons of iron ore annually for the production of one million tons of steel and about 300,000 tons of pig iron. Situated 55 miles south of the steel plant, the Rajhara deposits have been estimated at 114 million tons. These are spread over a length of about four miles up to a height of 1920 feet, and provide one of the best variety of ores with iron content ranging from 65 to 69 per cent. The mines have been linked with Bhilai by a broad gauge railway line. Equipment for the mechanisation of the Rajhara iron ore mines, weighing about 2,700 tons, which has been received from the USSR, has been installed with the technical guidance of Soviet specialists.

So far the Rajhara mines were worked manually and it was difficult to ensure adequate supply of iron ore to feed the two blast furnaces now in operation. Continuous manual raising of large quantities of iron ore, transport to railway sidings and loading into wagons also proved to be a difficult operation. The blasted ore will now be loaded into dump cars by power shovels and transported by rail to the crushing plant. After crushing and screening the fines, blast furnace and open hearth grades will be conveyed by belt conveyors to the storage yard, from where these will be loaded by power shovels into wagons for despatch to Bhilai. Special type of wagons with large capacity have been provided by the railways for the purpose. The mines also include magazine for explosives, chemical laboratory, repair shops, etc.

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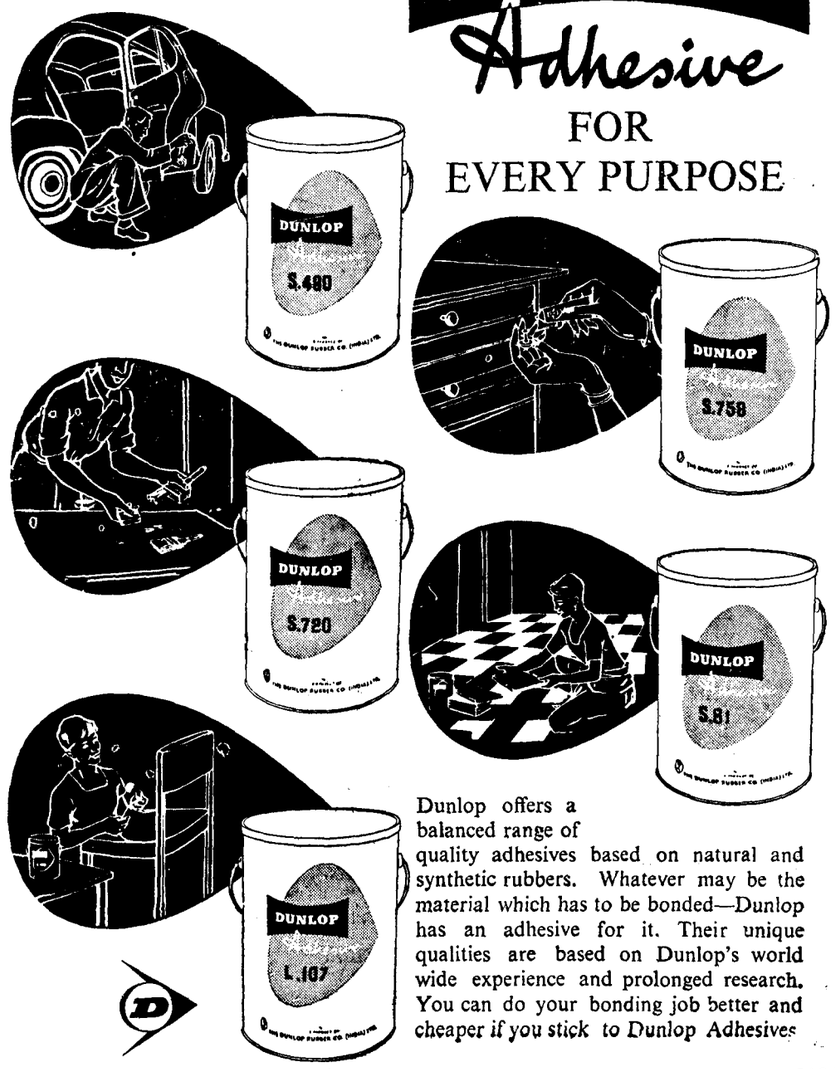
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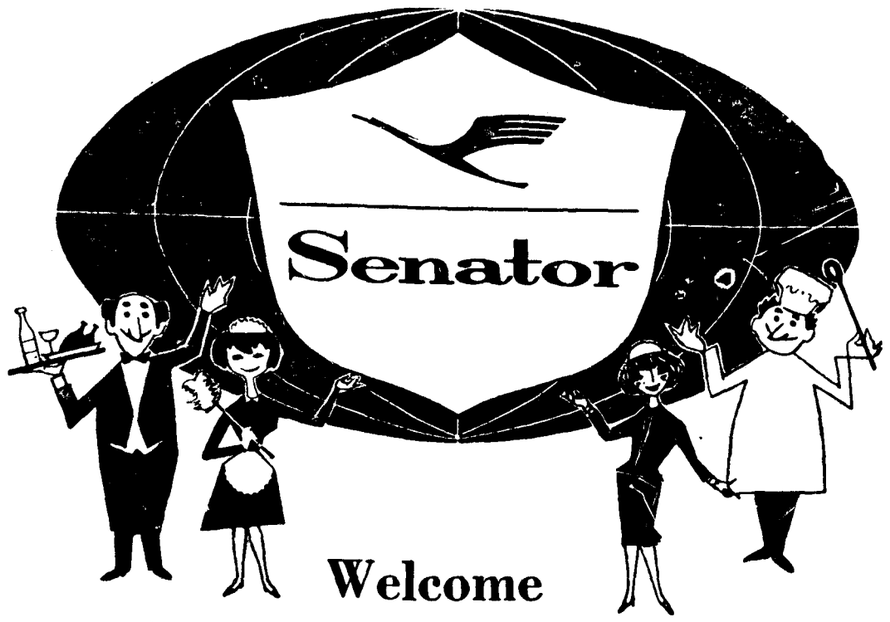
W. H. JACKSON,
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PROMOTING INDO-GERMAN RELATIONS.

Company Meetings

THE AHMEDABAD ELECTRICITY CO., LTD.

CHAIRMAN'S SPEECH

Delivered by Mr. A. N. Haksar

Gentlemen,

The Forty-eighth Annual General Meeting of the Company is the first to be held after the inauguration of the State of Gujarat. The new State embraces an area which is both prosperous and progressive and it is certain that the achievements of the past will be more than embellished under the new constitution. It is perhaps not realised today, that, in years gone by, your Managing Agents made a substantial contribution to the growth of the region which today is the State of Gujarat. Apart from various industrial enterprises including your own Company, they promoted a number of Railway Companies which more than anything else, perhaps, led to the opening up and rapid development of the northern part of the old Bombay State. We, today, are as alive as our predecessors to the needs of the new State, and on your behalf, as well as my own, I extend Greetings and all best wishes to Gujarat in the years to come. As in the past your Company will be called upon to play an important part in the development of Gujarat and I am certain that we shall not be found wanting.

As an example of what I have just referred to, I would like to tell you that on the eve of the birth of the new State your Company was called upon to make available special power facilities to numerous premises, both public and private, in the city of Ahmedabad and its environs. All these calls were fully met and I am pleased to say that the promptness with which the Company responded to the demands has been fully appreciated and recorded by the Gujarat Government.

The area served by your Company has witnessed significant industrial development in recent years, in the wake of a rapid expansion in generating capacity at the Sabarmati Power Station. With the formation of Gujarat State the pace of development is expected to be stepped up at an even quicker pace. This will be seen from the fact that the Gujarat Electricity Board is now engaged in organising large scale thermal development at Dhuwaran, near Cambay, comprising three 50 MW sets with an option for one more similar set. The Board of your Company following the decision to purchase 30 MW of plant, has now decided to repeat the order even before the first set is installed. Materials for this first set are now beginning to arrive from the suppliers and the commissioning date is expected to be at the latest, March 1962. The idea of repeating the earlier order is to try and ensure that additional power capacity is brought into commission by March 1963. Sanction for this new expansion has been received from the Gujarat Electricity Board, and it is hoped that Government will release Sterling for the new project. It is appreciated by all concerned that a repeat order will bring the quickest relief to the power starved city of Ahmedabad and Gujarat State as a whole. Efforts are therefore under way to obtain the necessary clearance from the Exchange and Import Authorities so that firm orders can be placed with the overseas suppliers.

With the completion of these extensions, the Sabarmati Power Station will have reached its optimum size at the present site. As far as is known at present the first 50 MW set at the Dhuwaran Thermal Station is expected to be commissioned by the end of 1963 or the beginning of 1964. The subsequent sets are expected to be brought into commercial use every 3/6 months thereafter. Further power for Gujarat is expected to be available from the proposed 300 MW Nuclear Power Station to be installed at Tarapore in Maharashtra. Power from this source may not, however, be available during the Third Five-Year Plan period. Hydro power resources in Gujarat have large scale potentialities but by its very nature development of hydro power is time-consuming and consequently new power capacity from these sources will not be available until after the Third Five-Year Plan period.

In the immediate years ahead, therefore, power availability both in the North Gujarat and South Gujarat regions will be limited by the plant capacity at Sabarmati Power Station (217.5 MW), Dhuwaran Thermal Station (200 MW) and the Utran Thermal Station of the Gujarat Electricity Board (67.5 MW). These together will make a potential installed capacity of 480 MW. Making due allowance for standby, it has been anticipated that by the end of the Third Five-Year Plan period, the demand in the combined regions including Saurashtra will out-pace the available capacity by at least 30 MW. In the light of experience gained in so many power systems the world over one has been led to expect a much faster rise in demand than planners generally have reckoned with. I predict that this trend will, if anything, be even more marked in Gujarat, in view of the new sense of drive and direction in industrial development following the creation of the new State. There may therefore be scope for your Company to expand even further its generating capacity. I am sure I echo your views when I say that the Company for its part is more than ready to take upon itself further obligations in this direction. This, however, would entail the location of additional generating plant at a completely new site, and preliminary thoughts are already being given to this problem.

Whatever may be the Company's position in Gujarat's scheme of power development, whether it continues to export power for distribution by the Gujarat Electricity Board or whether it will have to import power from the Board for distribution in its own licensed area, there can be no doubt that a large measure of finance will be needed to augment distribution facilities in its area of supply. Certainly the City of Ahmedabad is a centre of great load density, but the history of power expansion shows that there

is no such thing as saturation point and money will be needed in the years to come to satisfy the inevitable growth in demand.

Speaking of development, it is only appropriate for me to elaborate at this stage on the factors which influence adversely, investment in the Electricity Supply Industry at the present time. Since the application of the financial provisions contained in the Electricity (Supply) Act, 1948, Electricity shares have continued to shed their values. The Amendment Act of 1956 brought no improvement. The situation became worse when the Finance Act of 1959 prevented "grossing up" of dividends as hitherto and in addition, shareholders had to suffer a deduction of tax at the rate of 30% from the dividends paid to them. The Industry's memorandum submitted to the Ministry of Irrigation & Power following the enactment of the Finance Act, 1959 suggesting that the tax deducted from dividends be permitted as a charge on the consumer of electricity did not find favour with the authorities, and the best which has been achieved so far has been a recommendation by the Government of India to the State Governments requesting the latter to permit undertakings as special appropriation, the tax relief of 6½% representing the difference between the old rate of taxation of 51.5% and the present rate of 45%, being permitted to be ploughed back into the business without deduction from the capital base.

As your Company has a 'nil' assessment for the financial year 1959-60—for which period the tax relief visualised would apply—there cannot be any tax "saving," but nevertheless an opportunity has been taken pursuant to the recommendation by the Central Government, to represent to the Gujarat Government that in our cases the sanction should be extended to cover notional tax relief. Government's reaction is still awaited.

More recently the Federation of Electricity Undertakings of India has on behalf of the Electric Supply Industry, formulated proposals for consideration of the Central Government which, among other matters, are to include (1) shifting of the tax burden on to the consumer, which if conceded would automatically permit the tax at the prescribed rate deducted from dividends payable to the shareholders being reckoned as a charge for determining the clear profit under the Electricity (Supply) Act, and (2) an increase in the Standard Rate by 1% on the old capital block and 2% in respect of new finance. Profitable opportunities are available for equity capital in other sectors of industry, and it is to be hoped that the authorities will recognise that capital always flows towards the enterprise which can offer the best return. While the problem of offering adequate incentive for new capital is paramount in relation to development, the need to restore values in existing equities is equally important. Otherwise disinvestment in the Industry already evident in loss in share values, will be further accentuated. I believe that it was the intention of those who framed the Electricity (Supply) Act that investors in the Industry should receive a net return on their investments. I further believe that the return stipulated at the time was worked out taking into account the fact that it has always been the general practice to gross up dividends in the hands of shareholders. I would therefore urge those who are at present engaged in reviewing the financial provisions of the Act to consider this point and frame a reasonable return on investments accordingly. I would also like to point out that in so many other ways does the Electric Supply Industry receive priority in planning and in foreign exchange allocation for example, although unfortunately much of this priority is directed towards the Public Sector. I hope that the Authorities will not overlook the major contribution which the Private Sector has to make in the field of power development. However more should be known about the liberalisation of the Electricity (Supply) Act within the next few months.

While at this stage we must suspend judgment on any future financal provisions of the Electricity (Supply) Act, we must face up to the need to raise finance to cover expansion plans. As far as the first 30 MW Extension is concerned, the foreign exchange component has been covered by a loan of $3.9 million (equivalent to Rs. 1.85 crores) which the Company was very fortunate to receive from the Development Loan Fund of the United States. This loan carries interest at 3½% repayable in 15 years in semi-annual instalments, the first instalment being repayable three years after the first disbursement. This loan will make it easier to finance the second 30 MW project and how best the needed resources can be raised will receive your Board's consideration in due course.

The demand for power on the Company's System has continued to grow, and recently the maximum demand has reached the danger level of 150 MW. With an installed capacity of 157.5 MW this means that we only have one old 7.5 MW generating set available as standby in case of breakdowns and the greatest ingenuity is needed in order to carry through the programme of routine maintenance. For the present a measure of control involving the staggering of recesses on a 5 group basis has been introduced for the Textile Mills in Ahmedabad. This load control is expected to bring about a relief of 3 MW. There can be no doubt however that until the first 30 MW Set is brought into commission in March 1962, further control measures will be necessary. Furthermore the demand for power is growing at such a pace that it would be rash to assume that controls will not be necessary after the installation of the first 30 MW set. Much of the capacity of this set has already been mortgaged and by March 1962, overhauls of our hard worked existing plant may be necessary.

I have no doubt that suitable measures will be implemented as circumstances demand so that the available power supply can be equitably distributed to the best advantage of all concerned. In the meantime the heavy load carried by the plant installed in the Company's Power Station speak well of both the type of plant in operation and the skill and hard work of the operating staff in keeping it in good order. The operating difficulties have been further accentuated by the inadequate movement of coal supplies to the Company's Power Station in the recent months. This has been due partly to the diversion of coal to the new steel plants and partly to the recent Railway Strike. However, I should be failing in my duty if I did not point out the serious consequences that would arise if for any reason there was a further stoppage of vital coal supplies to our Power Station. The problem is of general application at the present time, and we are in close touch with the authorities to try and ensure that adequate stocks are built up.

Your Company's agreement with Killick Industries Limited, the Managing Agents, was renewed by the Central Government with effect from 1st April, 1960 for a period of 5 years. May I take this opportunity to stress that your Managing agents will strive to conduct your affairs even more vigorously than has been the case in the past. We are fully aware of our responsibilities at this critical juncture in your Company's affairs and once again I would ask those people who in recent years have tended to be critical of us to give us a chance to show that we are fully capable of improving upon even the high standards of the past.

The Accounts for the year under review reflect a satisfactory position. The proposed final dividend of Rs. 4.50 per share, making 7 per cent for the year, represents some improvement, albeit small, and a sum of Rs. 1 lakh has been set aside to the Equalisation of Dividends Reserve.

A reference has been made earlier to the Company's application to the Gujarat Government claiming as a special appropriation under the Electricity (Supply) Act the tax relief of 6½ per cent on the notional assessable income. A sum of Rs. 4,71,778 has been set aside on this behalf in the Accounts under review, subject to the sanction of the State Government. In view of the fact that it would be a condition of the approval that the money will be ploughed back into the business, it is hoped that the approval will be forthcoming.

You will also have seen that the note which was appended to the Balance Sheet up to 1958-59 concerning the contingent liability for Additional Income-tax on Dividend, is omitted in the Balance Sheet under review. This is due to the fact that following the judgment of the Supreme Court on test cases filed by the Income-tax Department, all the appeals filed by this Company covering the six years 1948-49 to 1953-54 have been heard and disposed of in favour of the Company. The sum of Rs. 4,03,922 which was actually paid in respect of 1948-49, subject to appeal, has also been refunded.

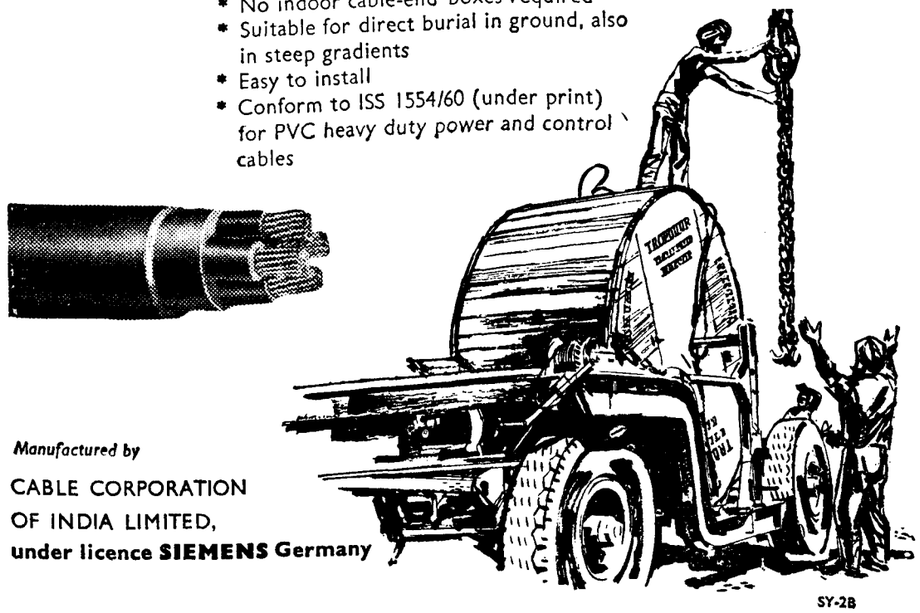
It now remains for me to record our thanks to the Resident General Manager, Mr. K. N. Paulin, and all ranks of the staff for yet another year of successful operations. While on the subject of staff and before closing my speech I would also like to make reference to the fact that our relations with the Union have never been more cordial than at present. This has not been only because of the efforts made by the management but is also due in no small measure to the friendly co-operation which we have received from the officials of the Union. I hope that this satisfactory state of affairs may long continue so that the Company and the Union may share their joint responsibility to our employees, consumers and shareholders.

Note: This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

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THE AMALGAMATED ELECTRICITY COMPANY, LTD.

Statement of Shri N. C. Javeri, Chairman of the Amalgamated Electricity Company Limited, for the year 1959-60

To

THE MEMBERS,

The current year of the Company is the Silver Jubilee year. The Company was incorporated in the year 1936 with a capital of Rs. 12,50,000 and under it there were four undertakings. In the year 1951, Ajmer and Jalgaon Public Limited Companies were merged with this Company and four other undertakings were taken over in the same year. The capital of the Company this year is Rs. 1,25,75,000.

The Company's Works have been progressively expanding and the installed capacity which was 2,000 K.W. in 1936 is today about 20,000 K.W. The Company served a population of about 1,00,000 in 1936 and today it serves a population of 10,00,000. The consumers served have risen from 4,000 to 72,000 during this period. The revenue of the Company similarly increased from Rs. 5,00,000 to Rs. 95,00,000. The result of the working shows a satisfactory position as befitting the Company's Jubilee year.

The practical way in which this occasion would have been celebrated is the recommendation of the Board of a Bonus of 1 per cent dividend totalling this year to 10 per cent. Similarly the Directors have decided to pay this year about Rs. 80,000 as a special allowance to the employees of the Company, so also at their discretion until otherwise decided by them to grant every year as a measure of staff welfare about Rs. 6,000 to deserving children of the employees of the Company for taking higher education.

Yours is a Company which has special characteristics in that the nine undertakings owned and operated by the Company are not contiguous to one another. They are in various States, and this aspect alone creates a number of complicated problems which are not normally faced by other undertakings operating in compact areas.

In almost all the power systems operated by the Company expansion continues apace. Most of the undertakings operated by your Company run on Diesel Plants and in spite of progress being made in multi-purpose River Valley Projects it looks as if in almost all these areas the Company will have to reconcile itself to the possibility of further diesel expansion. We have had considerable difficulties in obtaining import licenses for plant needed at Malegaon and Ajmer but due to the good offices of the Central Water and Power Commission firm orders have materialised for these plants.

By their very character development of diesel stations beyond optimum sizes would not be economical and I can only hope that before long bulk power would be available in these areas. In common with the rest of the Power Systems in the country, the undertakings managed by the Company have scope for large-scale expansion. This in turn would call for sizeable finance. While in the rest of Industry in general there is general recognition that expansion should by and large spring from internal resources the basic character of the Electricity (Supply) Act, 1948—under which the Electric Supply Industry now operates—is such that new development must perforce depend on new finance.

Speaking of finance, this for the present is circumscribed by the very limited return under the Electricity (Supply) Act. Whereas until the enactment of the Finance Act, 1959, whereby the old tax pattern was changed involving the abolition of 'grossing up' and deduction of tax at 30 per cent was made applicable from dividends, undertakings could raise a measure of finance for development, the situation after the enactment of the Finance Act of 1959 has considerably deteriorated. When the scheme inherent in the Finance Act, 1959, was under consideration it was understood that the rates of taxation were based on the assumption that industries by and large distributed only 50 per cent of their nett earnings. It was therefore on this basis that 45 per cent Corporate Tax and 30 per cent Dividend Tax were fixed. However the situation in the case of the Electric Supply Industry is not on all fours with other Industries, and it is, perforce, obliged to distribute all the 100 per cent of the profit to maintain even the modicum of Reasonable Return. All efforts so far made to prevail upon Government to permit the tax deduction from dividends as an operating expenditure chargeable to the consumer have not succeeded. With the scheme of the Sixth Schedule to the Electricity (Supply) Act being one based on all forms of tax it is only proper that the return of the investor should be really tax free. I can only hope that before long this proposal would be acceptable to the Central Government.

Rectification of this anomaly in the case of the Electric Supply Industry would at best mean restoration of the 'status quo' prevailing prior to the finance Act 1959. However, with the Electric Supply Industry requiring large blocks of capital for expansion a restoration of the prior position would not by itself be sufficient and what is additionally required is a further measure of incentive to attract new capital for development. The situation has also been further complicated by the Reserve Bank rate tending to be out of focus from time to time with prevailing rates on borrowings. As this type of anomaly is likely to persist, it is only proper that the differential of 2 per cent over the Bank rate now fixed under the Electricity (Supply) Act for determining the Clear Profit should be upgraded at least by 1 per cent. There are a number of other improvements which are necessary to streamline Electricity Legislation and the Federation of Electricity Undertakings of India, of which your Company is an active constituent is vigorously engaged in this task.

It has been some months since the Draft Third Five-Year Plan has been before the public, subsequently there have been discussions on details of the State Plans. As far as power development is concerned the Draft Third Plan visualises an investment of Rs. 900 crores. With such large-scale finance being earmarked for State and quasi-State projects, one wonders why Government should be less bold when it comes to creating conditions which would enable the Licensees' Electric Supply Undertakings to raise finance for development. The alternatives are either for Government to create such stable conditions or make available to the licencee Electric Supply Undertakings sufficient loans as part of the outlay on power projects, repayable at the time the undertakings are due for acquisition by the purchasing authority.

Rural electrification has always found exponents and the enthusiasts have tended to advance the cause by overlooking hard economic facts. By their very nature supplies to rural areas are uneconomic and if the beneficiaries are unable to outlay the finance then presumably somebody else should. Most of your undertakings have semi-rural and rural areas and your Company is doing its best to enlarge the scope of supplies to cover such areas. This task would be rendered easier if the State Governments who are allotted sufficient finance by the Planning Commission for rural development take into account the requirements of Licensees' undertakings and offer appropriate support. I can only hope that this proposal will be acceptable in the interest of the rural population.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

A copy of the Prospectus has been duly filed with the Registrar of Companies, Madras State, for registration. Consent of the Central Government has been obtained to this issue. A licence has been obtained from the Central Government for the establishment of this new Industrial Undertaking. The Madras Stock Exchange Limited has agreed to grant an official quotation for the Shares of the Company and permission to deal in them on the Company complying with the usual and necessary formalities after the closure of the subscription list

The subscription list will open at the commencement of the Banking hours on Thursday the 15th December, 1960, and will close at the close of the Banking hours on Thursday the 22nd December, 1960.

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ISSUED CAPITAL:
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SUBSCRIBED CAPITAL:
2,50,000 Equity Shares of Rs. 10 each Rs. 25,00,000

PAID-UP CAPITAL:
At the rate of Rs. 5 per share on
2,50,000 Equity Shares of Rs. 10 each Rs. 12,50,000

Out of the above issue, the signatories to the Memorandum, the Directors of the Company and their friends have subscribed among themselves for 1,20,000 Equity Shares of Rs. 10 each to the aggregate value of Rs. 12,00,000. The Madras Industrial Investment Corporation Limited have underwritten 1,50,000 shares out of which they have subscribed for 1,30,000 Equity Shares of Rs. 10 each to the aggregate value of Rs. 13,00,000 and have also agreed to make an open application for a further 20,000 Equity Shares of Rs. 10 each which will rank for allotment on a par with other applications received from the public, making in all Rs. 15,00,000. Out of the balance of Rs. 55,00,000 the Life Insurance Corporation of India have underwritten and have agreed to subscribe and will be allotted 1,50,000 Equity Shares of Rs. 10 each to the aggregate value of Rs. 15,00,000.

The Balance offered for public subscription by the prospectus:
4,00,000 Equity Shares of Rs. 10 each Rs. 40,00,000
On Application Rs. 5 per share
On Allotment Rs. nil.

The balance of 5 per share is payable as and when called.

The entire issue (other than the shares allotted to the Directors and their friends) of 6,80,000 shares of the face value of Rs. 68,00,000 has been underwritten.

No shares are issued for consideration other than cash.

BOARD OF DIRECTORS

1. Mr. A. D. SHROFF, "Bombay House", 24, Bruce Street, Fort, Bombay (**Chairman**).
2. Mr. D. C. KOTHARI, "Kothari House", Kothari Road, Nungambakkam, Madras-31.
3. Mr. A. M. M. MURUGAPPA CHETTIAR, "Chamundeswari Bagh", Santhome High Road, Madras-4.
4. Mr. JAGMOHANDAS M. MEHTA, "St. Vincents", 13, Ridge Road, Malabar Hills, Bombay.
5. Mr. JAYANTILAL R. MEHTA, 75, Warden Road, Bombay-26.
6. Mr. BHUPATI RAI M. GHIA, 18, Carmichael Road, Bombay.
7. Mr. H. C. KOTHARI, "Kothari Bagh", 4-A-A, Nungambakkam High Road, Nungambakkam, Madras-6.

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M/S. KOTHARI & SONS (INDUSTRIES) PRIVATE LTD.
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THE BANK OF BARODA LTD.,
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THE INDIAN OVERSEAS BANK LTD.,
Esplanade, Madras-1.
DEVKARAN NANJEE BANKING COMPANY LTD.,
17, Horniman Circle, Bombay-1.

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The Life Insurance Corporaton of India,
Jeevan Kendra, Jamshedji Tata Road,
Bombay-1.

The Madras Industrial Investment Corporation Limited,
38, Whites Road, Royapettah, Madras-14.

The Bank of Baroda Ltd.
12, Apollo Street, Bombay.

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M/s. Batlivala & Karani,
Union Bank Buildings, Dalal Street, Fort, Bombay-1.
M/s. Devkaran Nanjee & Co.,
"Devkaran Nanjee Buildings" Horniman Circle,
Bombay-1.
M/s. Harkisondass Lukhmidass,
Share Bazaar, 5, Hamam Street, Bombay-1.
M/s. Lewis & Jones
"Bank of Baroda Buildings," Apollo Street, Bombay-1.

CALCUTTA

M/s. Place, Siddons & Gough Private Limited,
6, Lyons Range, Calcutta.
M/s. G. M. Pyne,
Allahabad Bank Buildings, 14, India Exchange
Place, Calcutta-1.

MADRAS

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22, Errabalu Chetty Street, Madras-1.
M|s. Chitra & Co.,
322|323, Linghi Chetty Street, Madras-1.
M|s. Maconochie & Co.,
Mercantile Bank Buildings, Madras-1.
M|s. Dalal & Co.,
National Insurance Building, Madras-1.
M|s. Swastik & Co.,
Safaiya Chambers,
7, Second Line Beach, Madras-1.
M|s. Somayajulu & Co.,
337, Thambu Chetty Street, Madras-1.
M|s. Kothari & Sons,
"Oriental Buildings",
Armenian Street, Madras-1.

DELHI

M|s. Harbans Singh Mehta & Co.,
33, Regal Building,
Parliament Street, New Delhi.
M|s. Raj Paul Chadha & Co.,
Delite Cinema Building,
Asaf Ali Road, New Delhi.

AUDITORS:

M|s. M. K. DANDEKER & CO.,
16, Moore Street Madras.

LEGAL ADVISERS

M|s. R. NARASIMHACHARIAR & N. VARADARAJAN (Advocates)
"Sarnath", 4, Dr. Rangachari Road,
Madras-4.

REGISTERED OFFICE

"Oriental Buildings", Armenian Street, Madras-1.

OBJECTS OF THE COMPANY

The Company has been incorporated on 7th November, 1960 for the several purposes set out in the Memorandum of Association, in particular to carry on the business of sugar manufacturers, in all its branches.

PROSPECTS

The Company has been promoted by M|s. Kothari & Sons, Madras. The Promoters obtained a licence for this Company from the Government of India for the establishment of a Sugar Factory by this Company in Lalgudi Taluq of the Tiruchirapalli District, Madras State for the manufacture of sugar with a crushing capacity of 1250 tons of sugar-cane per day.

It is proposed to establish a factory for the manufacture of sugar in the Lalgudi Taluq in Tiruchirapalli District, Madras State with an initial crushing capacity of 1,000 tons per day which could be increased later on to 1,500 tons crushing capacity per day.

TAX BENEFITS

The Company will enjoy the special benefits under the Indian Income-tax Act, 1922 as regards development rebate and depreciaton; in addition, as a new Industrial undertaking, it will enjoy exemption from Income-tax for profits upto 6 per cent on the Capital employed for the first five years of the Company's operation.

Shareholders of the Company would also be exempt from Wealth-tax on their holdings for a period of five years under Clause XX of Sub-section (1) of Section 5 of the Wealth-tax Act and may also be exempt from tax on such dividend paid from the Company's profit exempted from tax under Section 15C of the Indian Income-tax Act.

PLANT AND MACHINERY

It is proposed to enter into an agreement with M|s. Binny's Engineering Works (Private) Ltd., for the supply of the plant and machinery. They have agreed to import the necessary foreign components and to manufacture and supply the plant before the end of 1961. It is, therefore, expected that the factory will commence production early in 1962.

CAPITAL OUTLAY

In respect of this issue, the minimum subscription on which the Directors will proceed to allot is Rs. 15 lakhs being 1,50,000 Equity Shares of Rs. 10 each.

The capital required to reach the stage of production is estimated as follows:

	Rs.
(a) Land and Buildings	31,00,000
(b) Plant and Machinery (Including spares)	1,05,00,000
(c) Preliminary Expenses	4,00,000
(d) Pre-operative Expenses	4,00,000
(e) Working Capital	16,00,000
Total	1,60,00,000

The Industrial Credit & Investment Corporation of India Ltd., and The Bank of India Ltd., have agreed to give a loan of Rs. 35 lakhs each i.e., Rs. 70 lakhs secured by a mortgage over the land, factory, plant and machinery and other fixed assets. The loan by The Bank of India Ltd., will carry interest at the rate of 2 per cent over the Bank Rate subject to a minimum of 6½ per cent while the loan from the Industrial Credit and Investment Corporation of India Ltd., will carry interest at 6½ per cent. The balance required will be borrowed from Banks and other sources.

MANAGING AGENTS

Subject to the approval of the Government of India, the Company will be under the management of M|s. Kothari & Sons (Industries) Private Limited. Articles 137 and 138, of the Company's Articles of Association provide for the appointment of M|s. Kothari & Sons (Industries) Private Limited as Managing Agents of the Company on the prescribed scale of commission subject to a minimum of Rs. 50,000 per annum.

UNDERWRITING

The Underwriters will, each be paid an underwriting commission of 2½ per cent on the face value of all the shares underwritten by them respectively besides brokerage of 1 per cent on shares allotted on application bearing their Rubber Stamp.

BROKERAGE

Brokerage at the rate of 1 per cent will be paid on all allotments made in respect of applications bearing the stamp of a Bank or a recognised Broker. Brokerage on the same basis is payable to the Underwriters in addition to the underwriting Commission on all allotments in respect of applications made or procured by them and bearing their Rubber stamp.

Copies of the Prospectus and application forms may be obtained from the Company, the Underwriters, Bankers and Brokers set out above.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
August 1959 ..	127.1	98.3	115.5	119.4	109.2	109.5	109.5	117.1
September „ ..	120.6	99.7	116.3	122.6	111.3	109.8	110.0	117.2
October „ ..	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
August 1960 ..	123.9	109.7	119.5	137.0	130.1	121.0	122.3	125.0
September „ ..	123.9	104.5	119.8	138.7	129.5	121.5	122.7	125.3
October „ ..	121.9	113.5	119.9	146.3	130.1	123.7	124.6	126.2
29-10-1960 ..	121.6	118.4	119.9	146.9	130.8	124.2	125.1	126.4
5-11-1960 ..	121.0	117.8	119.9	149.9	131.5	124.6	125.6	126.7
12-11-1960 ..	120.8	117.8	120.0	147.9	131.4	125.1	126.0	126.4
19-11-1960 ..	119.7	117.2	120.1	146.8	131.5	124.2	125.2	125.5

*Revised.

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	188*
1959 December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385	460	509	168	441	164	173	168
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174*
August	402	421	302*	160	410	484*	515	—	470	169	—	174*
September	399	418	—	161	—	485	520	—	472	167	—	174*
October	402	421	—	162	—	—	517	—	477	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 2-12-1960 High	Low	Average	25-11-1960 High	Low	Average	18-11-1960 High	Low	Average	11-11-1960 High	Low	Average
Gold (per 10 grams) ..	116.10	114.40	115.10	116.00	115.45	115.69	115.75	114.30	114.88	115.65	114.65	115.31
Silver (per kilogram) ..	196.65	195.55	196.32	195.70	194.35	195.11	195.85	194.60	195.20	196.85	194.65	195.80

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	2.	3.	4	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	548,23	308,26	856,49	33,73	51,82	9.95	401,64	38,47	60.48	308,34
1953-54 ..	534,75	324,28	859,00	31,97	44,43	8.98	442,79	51,40	59.56	321,29
1954-55 ..	559,32	351,83	911,55	32,86	53,91	9.60	468,39	83,69	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	651,34	453,92	1,107,26	36,64	59,23	7.96	626,08	156,56†	71.39	359,35
1957-58 ..	703 89	639,19	1,343,08	39,34	77,55	8.72	793,70	167.32†	66.77	385,54
1958-59 ..	734,93	801,33	1,536,26	40,30	83,99	7.74	766,56	133 27†	56.37	565,14
1959-60 ..	745 83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144.49†	53.87	725,20
Average of Fridays										
June 1960 ..	760 17	1202,95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
July ,, ..	792,72	1215,71	2,008,43	48,19	112,01	7.98	979,13	147,95†	56.12	735,74
August ,, ..	792,95	1212,04	2,004,98	46 35	110,46	7.82	966,68	149,15†	55.65	739,09
September	779,24	1188,44	1,967,68	46,46	102.53	7.57	980,18	146,48†	57.26	734,02
October ,, ..	791,28	1155,68	1,946,95	48,25	101.04	7.67	965,97	150,43†	57.34	703,55
November ,, ..	790 80	1141,27	1,932 07	46,65	97,56	7 46	954.21	153,78†	57.32	688 21
Week Ending										
28-10-1960 ..	797,20	1143,85	1,941,05	48,69	95,65	7.44	960,38	150,81†	57.25	689,54
4-11-1960 ..	790,62	1143,87	1,934,49	47,08	104 66	7.84	955,31	154,30†	57.36	698,97
11-11-1960 ..	785 34	1144 45	1,929 79	47,56	101,63	7.75	954,86	154,19†	57.47	688,16
18-11-1960 ..	789 24	1134,64	1,923,88	46,33	93,33	7.26	952 60	154,06†	57.52	680,83
25-11-1960 ..	797 99	1142,12	1,940,11	45,62	90,63	7.02	954,08	150,57†	56 94	684,86

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	2=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54	1,793,97	1,229,43	564,54	549,83	14,71	
1954-55	1,920,63	1.311,77	608,86	599,16	9,71	+ 29,26
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+ 126,65
						+ 263,69
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+ 128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59 ..	2,498,75	1 724,53	774,23	754,98	19,25	+ 109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+ 203.44*
April 1960 ..	2 746 19	1,912,93	833 36	812,78	20,58	+43,16
May ,, ..	2,724,97	1,895,79	829,19	810,08	19,11	—21,32
June ,, ..	2,702,31	1,869,02	833,28	810,37	22 92	—22,66
July ,, ..	2,670,62*	1,827,17*	843,45*	813,27	30,18	—31,69*
August ,, ..	2,659 29*	1,806 88*	852,41*	819,77*	32,63	—11,33*
September ,, ..	2,630,54*	1,818,78*	811,75*	792,48*	19,28	—28,75*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

THE DISTRIBUTION OF STATE PLANS' ALLOCATIONS

State	Area ('000 sq. miles)	Population (in millions)		Per Capita Investment		Investment Per Sq. Mile	
		As on 1st March 1956	As on 1st March 1961	In Second Plan Rs.	In Third Plan Rs.	In Second Plan Rs.	In Third Plan Rs.
Andhra ..	196.1	33.81	37.21	53	78	16,954	27.333
U.P. ..	113.5	67.32	74.26	35	63	20.660	41,324
Gujarat ..	72.1	17.70	19.78	) 66	116)	18,353	31,900
Maharashtra ..	118.9	35.41	39.56	)	91)		30,278
West Bengal ..	33.9	27.64	29.69	57	84	46,650	73,725
Bihar ..	67.2	41.38	44.99	40	75	24,582	50,148
Madhya Pradesh	171.2	27.64	29.86	57	100	9,211	17,523
Rajasthan ..	132.2	17.56	19.63	60	120	7,912	17,851
Punjab ..	47.1	17.76	19.80	84	116	31,845	48,829
Assam ..	84.9	9.88	10.96	53	109	6,125	14,134
Kerala ..	15.0	15.17	17.16	51	99	51,328	113,322
Kashmir ..	86.0	4.78	5.31	52	141	2,905	8,715
Orissa ..	60.2	15.36	16.53	55	97	14,119	26,576
Mysore ..	74.1	21.54	24.04	57	104	16,593	33,725
Madras ..	50.1	32.58	35.98	56	81	36,327	58,283
**Total .. **	**1,232.5**	**386.03**	**424.76**	**53**	**89**	**16,584**	**30,580**
Union Territories							
Delhi ..	0.6	2.12	2.51	183	326	68,246	143,509
Himachal Pradesh ..	10.9	1.12	1.16	149	241	15,321	25,596
Manipur ..	8.6	0.62	0.68	102	190	7,326	15,000
Tripura ..	4.0	0.66	0.72	141	226	23,250	40,750
**Total (including others*) .. **	**27.3**	**5.37**	**6.04**	**162**	**282**	**31,941**	**62,491**
**Grand Total .. **	**1,259.8**	**391.40**	**430.80**	**54**	**91**	**16,917**	**31,272**

* Centrally Administered Territories of Nagaland, Pondicherry, NEFA and Andamans and Nicobar Islands are included under "others".

Source: The Planning Commission

STATE PLANS

DISTRIBUTION OF THE PLAN OUTLAY

(Rs. crores)

State	Second Plan Anticipated Outlay (1)		Second Plan Central Aid (2)	Second Plan Percentage of (2) to (1) (3)	Third Plan Outlay (4)		Third Plan Central Aid (5)	Third Plan Percentage of (5) to (4) (6)
Andhra	179.88	(8.80)	93	51.70	290	(7.69)	200	68.97
U.P.	234.48	(11.47)	126	53.74	469	(12.44)	334	71.22
Gujarat)	350.00	(17.12)	119	34.00	230	(6.10)	108	46.96
Maharashtra)					360	(9.55)	145	40.28
West Bengal	158.19	(7.74)	75	47.41	250	(6.63)	160	64.00
Bihar	165.20	(8.08)	83	50.24	337	(8.95)	218	64.69
Madhya Pradesh	157.70	(7.72)	98	62.14	300	(7.96)	207	69.00
Rajasthan	104.60	(5.12)	54	51.63	236	(6.26)	156	66.10
Punjab	150.00	(7.34)	92	61.33	230	(6.11)	125	54.35
Assam	52.00	(2.54)	31	59.62	120	(3.18)	87	72.50
Kerala	77.00	(3.77)	35	45.45	170	(4.51)	112	65.88
Kashmir	25.00	(1.22)	20	80.00	75	(1.99)	62	82.67
Orissa	85.00	(4.16)	66	77.65	160	(4.25)	132	82.50
Mysore	123.00	(6.02)	67	54.47	250	(6.63)	140	56.00
Madras	182.00	(8.90)	91	50.00	292	(7.75)	194	66.44
Total	**2,044.05**	**(100.00)**	**1,050**	**51.37**	**3,769**	**(100.00)**	**2,380**	**63.15**
Delhi	38.9		..	..	81.8		..	..
Himachal Pradesh	16.7		..	..	27.9		..	..
Manipur	6.3		..	..	12.9		..	..
Tripura	9.3		..	..	16.3		..	..
NEFA	3.7		..	..	7.5		..	..
Pondicherry	3.7		..	..	6.9		..	..
Andamans & Nicobar	4.0		..	..	9.8		..	..
Nagaland	4.6		..	..	7.5		..	..
Total	**87.20**			..	**170.60**		..	..
Grand Total	**2,131.25**		**1,050**	..	**3,939.60**		**2,380**	..

Note: The allocations are tentative. The figures given in brackets in the first and fourth columns are percentages of the sub-total.

Source: The Planning Commission.

COMPARATIVE STUDY OF FOOD SITUATION : 1943 — 1957

(In million metric tons per annum)

Foods (1)	Recommended allowance per adult unit per day (N.A.C. 1944) (2)	1943 Population : 400 millions Adult units : 332 millions Requirements as per col. 2 (3)	1943 Total production (4)	1943 Actual Availability (5)	1943 Deficit or surplus (%) (6)	1951 Population : 361 millions Adult units : 300 millions Requirements as per col. 2 (7)	1951 Total production (8)	1951 Actual availability (9)	1951 Deficit or surplus (%) (10)	1957 Population : 392 millions Adult units : 326 millions Requirements as per col. 2 (11)	1957 Total production (12)	1957 Actual availability (13)	1957 Deficit or surplus (%) (14)
Cereals*	14	48.1	59.6	§	—10	43.4	42.5	36.0	—17	47.2	58.2	50.0	+ 6
Pulses	3	10.3	8.6	7.2	—30	9.3	8.4	6.6	—29	10.1	11.7	9.1	—10
Root Vegetables	3	10.3)											
Green Vegetables	4	13.7)	9.1	9.1	—74	12.4	N.A.	N.A.	..	13.5	N.A.	N.A.	..
Other Vegetables	3	10.3)				9.3	N.A.	N.A.	..	10.1	N.A.	N.A.	..
Fruits	3	10.3	6.1	6.1	—41	9.3	6.1	4.6	—51	10.1	6.1	4.6	—55
Milk	10	34.4	23.4	19.1	—45	31.0	19.6	16.7	—46	33.7	17.9	15.2	—55
Sugar & Jaggery	2	6.9	5.4	5.4	—22	6.2	5.7	4.9	—21	6.7	6.9	5.8	—13
Vegetable Oils & Fats	2	6.9	1.9	1.9	—73	6.2	1.3	1.1	—82	6.7	1.7	1.5	—78
Fish and meat	3	10.3) 5.1)	1.5	1.5	—90	9.3	1.3	1.2	—87	10.1	1.6	1.5	—85
Eggs	one egg or 1.5 ozs.					4.6	0.05	0.05	—99	5.0	0.09	0.09	—98

N.A: Not available.

* Include rice and not paddy.

§ Availability could not be arrived at, due to lack of information on the extraction rates, seed, feed and other wastage applicable to that period.

N.A.C.: Nutrition Advisory Committee of the Indian Council of Medical Research.

Source: Indian Council of Medical Research.



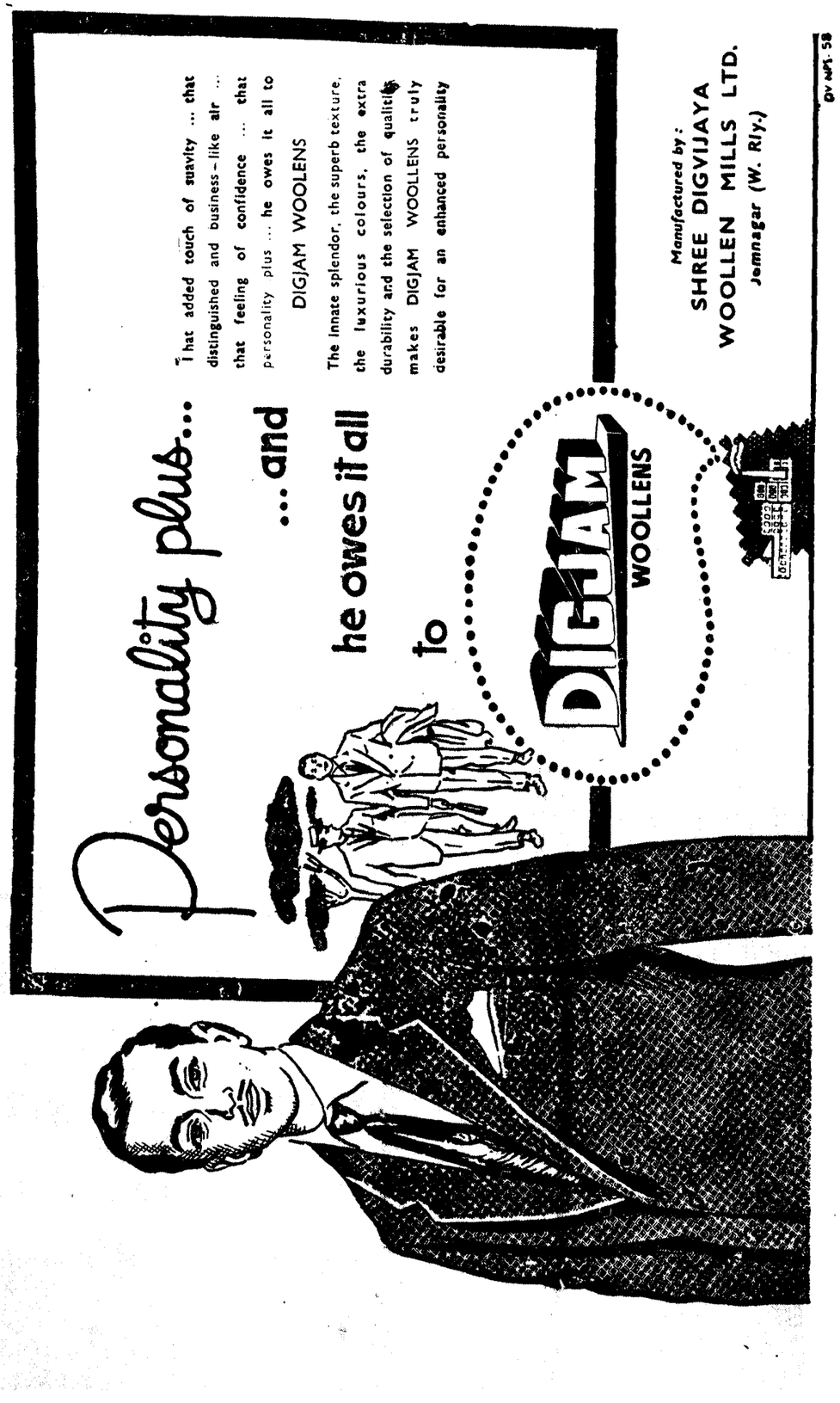
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THE EASTERN ECONOMIST

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UNDER SECRETARY TO GOVERNMENT
20 DEC 1960
PUBLIC DEPARTMENT

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Agents for Punjab : Messrs. MOTI RAM MEHRA & CO., Old Cloth Market, Amritsar

Agents for Delhi State : Messrs. TEXTILE (India) AGENCIES, Shree Mahalaxmi Bullion Exchange Building. 1397, Chandni Chowk, Delhi-6.

Retail Depot : SYLCO, 11-E, Connaught Place, New Delhi.

Also available at other leading stores

NPS/CM-72

The Eastern Economist

DECEMBER 16, 1960.

The Revolution in Nepal

THE dramatic proclamation by King Mahendra of Nepal yesterday, dismissing Nepal's first elected Government headed by Mr. B. P. Koirala, and assuming all powers unto himself, has had an electrifying effect in Delhi. No one questions the power of the King under the Constitution to act as he has done. But there are many who wonder whether or not, in the age and time in which the proclamation has been issued, the King will have the requisite authority to carry on without the forms of popular support. In Nepal this may be more easily done than it could be in India, and, of course, stability of administration in Pakistan suggests that one-man rule may often be more abiding than elected governments. Nevertheless, there has been recorded here a severe set-back for the forms of thought which we in the Indian Union customarily entertain. Therefore, while there will be understanding of the King's difficulties, there will be a natural feeling of doubt as to whether or not the alternative which he has adopted is the one most suitable for himself and his country. On the other hand, while doubts can be entertained, there is no reason why at the outset his action should be in any way resented, especially when India's relations with Nepal are in no way impaired. The King has the constitutional authority to act as he has done and, so long as no Indian interest is at stake, we have no right to protest against the manner in which another country administers its affairs.

There is also to be said not a little against the administration which has been replaced. There have been, over the last few months, increasing complaints about corruption, if not at all levels, at least at many. There has also been some justified criticism that corruption has marched with inefficiency, though this might have been natural under conditions in which Mr. B. P. Koirala had to function. The Government in Nepal has not got the Secretariat organisation that we have in Delhi and nobody would accuse Delhi of surpassing excellence in efficient disposal. More germane to the substance of the charge against the Cabinet is its uncertain base in foreign policy, with some particular leanings, from time to time, towards the Communist side, and not a little accommodation so far as Chinese policy is concerned. In India there has been noted, from time to time, in Mr. B. P. Koirala's statements an ambiguity far from assuring. If, under the new administration, partnership with India can be without these ambiguities, there are few people in this country who would regret Mr. B. P. Koirala's departure from office. Our theoretical devotion to democracy is far less than our practical interest in the security of that long border in which the policy of Nepal and the policy of India are inextricably intertwined.

A less important point from the Indian view, but possibly more important from the point of view of popular discontent in Nepal, is the manner in which land has been assigned, after acquisition without compensation or with inadequate compensation, and the strong leftist turn that has been given not merely to land but to other domestic policies. Curiously, this has not awakened popular support. The firing in Gorkha province in October and the killing of thirteen persons has also left a scar which has affected confidence in the law and order situation. Whether or not these are signs of real distress, it is difficult for anyone from outside to assess. But they have hastened the King's action.

It is vital, at the time of stress which has come upon us with the unfriendly attitude of the People's Republic of China, that nothing should be done either by the printed or spoken word to suggest that the Indian Union disapproves of the King's action in terms which may involve a lack of future co-operation between the Indian Union and Nepal. Indeed, it would appear that King Mahendra is more in favour of joint security measures against the Chinese than were his Ministers, always walking on a razor's edge and attempting, with almost no room to manoeuvre, to play a difficult "neutral" hand with India and the People's Republic of China. It is in the interest of both the countries that there should be a high level resumption of talks in regard to security matters. It is always to be remembered that the People's Republic of China might react hastily to the King's action, and there are enough Chinese persons in Kathmandu to make such intervention extremely effective. It is vital, therefore, that the King should receive—whatever academic views we hold on democratic form of government in Nepal—the support of the Indian Government in any measures designed to strengthen his country's security against the superior power which the People's Republic of China might choose, at any moment, to exercise improperly.

Sugar: The Perils of Confusion

THE last week in Parliament has provided yet another instance of how the Union Labour Ministry is working at cross-purposes with the Ministries concerned with industrial and agricultural development. It is history's ironic touch that on the day the Food and Agriculture Minister, Mr. S. K. Patil, was pleading in the Lok Sabha for reduction in the cost of production of sugar, the Deputy Labour Minister, Mr. Abid Ali, should have placed on the table of the Rajya Sabha a copy of the report of the Central Wage Board for the Sugar Industry, which contained recom-

mendations for a drastic upward revision of wages of the majority of workmen engaged in this industry.

The Wage Board has recommended, with effect from November 1, 1960, a basic minimum of Rs. 60 per month for the unskilled workmen in the sugar industry. It has divided the country into four regions—Northern, Central, Maharashtra and Southern—for which separate minimum wage scales have been prescribed; the difference between these wages and the basic national minimum is to be treated as dearness allowance which is adjustable with the consumer prices index. Pay scales have been fixed for other employees as well upto the supervisory stage. Gratuity has been provided for all the permanent and seasonal workmen. Provision has also been made for payment of retention allowance during the off-season at the rate of 25 per cent of the salary, including dearness allowance, in the case of semi-skilled workmen and 50 per cent in the case of skilled ones. All workmen who are provided with houses by the management, will, however, have to pay now house rent, grade-wise, with a minimum of Rs. 5 per month.

The net incidence of its recommendations during the present crushing season has been calculated by the Wage Board at 4.2 to 6.2 nP. per maund of sugar for all the four regions. It is, however, doubtful if these calculations of the Wage Board, based as they are on an analysis of the wage bill of only 19 factories in the whole of India, reflect the true picture. The Wage Board, summing up the effect of its recommendations on increase in salaries and wages, has stated that most of the unskilled workmen in the northern region shall receive an increment of Rs. 21 per month, including the interim relief granted in January last. In the central region, such workmen will get an increment up to Rs. 20 per month, in the Maharashtra region up to Rs. 22 per month and in the southern region up to Rs. 25 per month. The minimum increment which every workman for whom pay scales have been recommended shall be entitled to is Rs. 10, provided this does not take his salary to a level beyond the maximum prescribed in the scale. On a rough calculation, the industry's wage bill, consequent upon the implementation of the Wage Board's recommendations, is likely to go up by not less than Rs. 72 lakhs. Spread over an estimated output of 26 lakh tons of sugar during the current crushing season, the cost of production will go up by nearly 10 nP. per maund. If the incidence of gratuity and retention allowance is also taken into consideration, the cost of production will increase even more.

Who is to foot this burden? The Wage Board has not made any recommendations in this regard; at least not publicly. With the ex-factory price of sugar statutorily fixed in the northern region, which produces bulk of the commodity, there is little doubt that there will be a clamour from the industry for an increase in the controlled price, notwithstanding the fact that as many as 171 factories have voluntarily agreed to implement the recommendations after the Government decision on them is announced. The increase of 10 to 15 nP. per maund in the selling price of sugar may not, on the face of it, look very much, but if account is taken of the fact that the industry may have to be allowed rehabilitation allowance—the Tariff Commission has already been asked to re-examine the issue—and export of nearly five lakh tons of sugar per annum has to be effected in the years to come, the consumer may have to shoulder a burden much heavier.

The cost of sugar has been inflated appreciably by the heavy excise duty imposed by the Centre and the cane cess levied by some States. Is it not possible that these two elements in the cost of production should provide a cushion for the increased labour costs? The Wage Board's strong plea for undertaking a work-load study in the sugar industry to determine labour surplusage should help in lowering the incidence of its recommendations to some extent. An early action on this proposal and rectification of the situation in the light of the findings of this study is obviously required.

The consumer is already groaning under high cost of living and has got to be given a respite. He has got some relief due to fall in foodgrain prices. It is hoped that whatever he has gained on that account, he will not have to part with due to increase in the price of sugar. The Government has been solicitous in the recent past about holding the price line during the Third Plan period. In the same breath, it has been devising measures which work in the opposite direction. This philanthropy at the expense of the consumer has got to end. The Government will do well to keep this in view while taking a decision on the Sugar Industry Wage Board's recommendations. The time for rendering only lip service to holding the price line has obviously passed. What is needed now is a concrete demonstration of the Government's determination in this respect. The decision on the Sugar Industry Wage Board's proposals will show how serious the authorities are to hold the price line.

Forward Trading

THE Forward Contracts (Regulation) Amendment Bill, which was adopted by the Lok Sabha, aims at removing several shortcomings in the original Act, in the light of its operation during the last six years. Opposition to the Bill came from the Communist Party's spokesmen who challenged the very validity of forward trading in a planned economy and pleaded for a total ban on it. The argument that forward trading is anathema to a planned economy is obviously based on the faith that price fluctuations can be eliminated by means of a machinery of regimentation. Democratic planning, however, cannot endorse this belief, nevertheless it does not claim to be fool-proof. Particularly in an economy such as ours, where agriculture contributes half the national income, the basic fact must be reckoned that the monsoons are not amenable to the discipline of planning. The wide variations which occur in the output of agriculture from season to season are inevitable, until a potential corrective is provided by perennial irrigation. Fluctuations in production of foodgrains and commercial crops, most of which constitute key raw materials for industry, threaten to react sharply on the whole range of prices. Hedge trading is a healthy protection in such a situation against recurring and violent upsets in prices. Forward trading in non-agricultural commodities performs the same function.

The Amendment Bill provides for compulsory registration, with the Forward Markets Commission, of all associations set up for forward trading. Registration does not in itself confer the status of a recognised association. The object of registration is to enable the Forward Markets Commission to obtain a complete census of associations at present trading in transferable specific delivery contracts in free commodities as well as those trading in non-transferable specific delivery contracts or in prohibited commodities. This census is intended to enable authority to locate where pressures of speculation are being exerted and how they can be countered.

A number of offences which cannot at present be dealt with under the Act for want of adequate provisions have been enumerated in the Bill. Recognised associations under the present law have no power to declare as illegal certain types of transactions, for instance, kerb trading outside their official hours. These inadequacies are now being rectified. One of the criticisms levelled against the present Act is that it has not proved an effective weapon in preventing forward deals in violation of the law. The Forward Markets Commission is being armed with powers to examine witnesses summoned by it on oath and, furthermore, police officers not below the rank of sub-inspectors are being empowered to make search of premises and seize documents under the authority of search warrants issued by a Presidency Magistrate or a First Class Magistrate.

In regard to penal provisions, the element of deterrent punishment is being inserted not without the risk of producing real and uncalled for hardship in genuine cases. The Amendment Bill provides that punishment for breach of provisions of the Act should be not only a fine extending up to Rs. 1,000 but, where a second or subsequent offence is committed, a compulsory sentence of imprisonment which should not ordinarily be less than one month and may extend to one year. The nature of these offences specified at great length in the Act and now supplemented by the Bill makes it plain that some of them are merely technical and, then again, the interval between the commission of the first and subsequent offences may be so short that no deliberate intention to flout the law may exist or can be reasonably inferred. In such cases sentence of imprisonment would be a real severity.

The stringent regulatory measures which have been incorporated in the Bill were defended on the ground that they would suppress speculative activity in forward trading. Mr. Lal Bahadur Shastri referred to the recent steep increase in the prices of raw jute as a case in point. But the truth is universally known. The root cause which resulted in jute prices rocketing high was the short supplies resulting from a poor crop at home and Government's ununderstandable vacillation in permitting timely imports of jute cuttings from Pakistan. Forward contracts within the four corners of the amended Act will be a greater aid to price stabilisation. But it would be idle to expect that there can be any effective substitute for a price policy enunciated on realistic principles. Present indications are that the Government's quest for a price policy may continue to be an endless process.

Cloth Prices Again

IT IS quite possible to question the wisdom of the reference of fixation of cloth prices to the Tariff Commission. The textile industry has, however, to recognise that for every advantage it takes it has to pay a price. On the present occasion the industry's willingness to accept ceilings came too late to ward off a popular belief that profits had been made. It is a pity the industry did not act earlier or that Government chose to press home its full advantage. What has happened is one more proof that the textile industry's public relations are by no means ideal; also that faith in tariff enquiries can easily be overdone.

The Government of India's resolution of December 5, 1960, which defines the terms of reference to the Tariff Commission, stands in a category quite apart from similar references of price enquiries. It makes a positive reference to the increase in mill cloth prices in relation to the level prevailing in August 1959 (which in itself was a level of depressed prices) and also their reaction on other sectors of the cloth industry, especially handloom.

The terms of reference appear to be very comprehensive and they suggest that the purpose of the enquiry is not to determine whether they have fluctuated far away from the August 1959 level. The shift now is to a number of correlated factors. The Tariff Commission is enjoined to take into consideration a wide range of factors from raw material to the finished product and even beyond that the wholesale and retail price points. The mill industry's internal resources for rehabilitation and modernisation, to the extent it is possible for the industry to build them, is a vital term of reference. Now it is unanimously accepted that the cotton textile industry has not been able to rehabilitate its extremely dilapidated machinery and equipment after abnormal use during the war. Then again, the competing countries in the export market have stolen a decisive march over the Indian industry by modernising and rationalising their equipment.

It is not only the internal aspect of the industry but also the external obligations of this industry which are of vital importance to the country's economy. On this assumption, an important term of reference directs the Tariff Commission to determine what should be the prices of cloth in order to enable the industry to get not only a reasonable return as normally understood but a return which will enable it to earmark funds for the backlog of rehabilitation and for undertaking an appreciable measure of modernisation. This term of reference undoubtedly would mean that cloth prices should be pitched on a higher level than would normally be expected.

Altogether, the reference of mill cloth prices to the Tariff Commission seems to have been made with utter confusion of purpose and conflicting terms of reference have been prescribed for the Commission. How to emerge from the dilemma of doing full justice to the diverse considerations will be a real test for the Tariff Commission. Once the Commission has made its own recommendations, at what level will prices be ultimately fixed by the Government and what sanctions will be forged to ensure that those prices are maintained without detriment to demand and ultimately to the output of the industry? The danger in politics in a pre-election year will not permit "fair" economic prices: but for this factor, the industry should have nothing to fear.

A DELHI DIARY

EXCURSIONS AND ALARUMS

THE week has been full of excursions and alarums and I have, in fact, been quite close to the most disturbing seat of them all. I refer to the pretty disgraceful behaviour in the West Bengal Assembly when Berubari popped up and down for several days this week. Let it be conceded that the people of West Bengal have a grievance; also that Dr. B. C. Roy sided with the Centre against Bengal when the chips were down. But assuming—as practically everyone I have talked to confirms—that feeling on Berubari is intense, what can be done now to stop the passage of a Constitutional Amendment prior to transferring this area to Pakistan? Most of us are not uncritical of the manner in which the consent of West Bengal was assumed. But we cannot agree that the answer to one error is a display of ineffective temper in a childish or adult goonda manner. The stealing of the mace in the West Bengal Assembly and the open riot in the House have only blackened the face of Bengal in every one's eyes; what has been gained?

At the Prime Minister's Press Conference on Thursday, one wondered whether or not he had taken in the full significance of West Bengal's feeling. I judged not. In his whole Press Conference there was an air of assurance which, it seems to me, is a little excessive. The use of the word 'prestige' hardly defines what is involved. The Prime Minister was right to say his prestige depends on more permanent things than on an adverse vote either at Lucknow or at Calcutta. But he is not right when he assumed that "those other things" have been unaffected. Our notoriously ineffective policy on China, the muddle that we have got into in the Congo, and the feeling that our international affairs are now based too much on the Prime Minister's personal equation have, in fact, undermined his stature abroad as well as at home. I greatly fear that if the Prime Minister does not recognise that he is lowering his stature now and needs, from time to time, to consult Indian public opinion and to concede he has made errors of judgment, the course of his political career will be rapidly downward. Having said this duly impertinent piece, let me take refuge in personalities!

ELLEN ROY

The brutal murder last Tuesday night of Ellen Roy at Dehra Dun has come to all her friends as a deep and personal shock. There are some of us who knew her as a miracle of dedication working all hours of the day and night on what she conceived to be the Radical Humanist's purpose and the spirit of the work of M. N. Roy. There are others who have seen and lived at 13, Mohini Road, who know what was required in order that, all alone, Ellen should have dealt not only with the Radical Humanist Movement, but also with the M. N. Roy Archives Projects and the numerous daily chores with which she was oppressed. Those of us who have seen her in pain (with arthritis of the spine yet doing her daily work in spite of everything), were irretrievably her admirers. There have been few people in the Indian Union in the last three years who have so compelled the admiration of persons with whom they were sometimes in fundamental disagreement. For her small circle of friends, affection for her grew more deeply each year when it was recognized how, although she valued friendship greatly, she was ready to make the supreme sacrifice of staying at her post even when friends called her away. Of dedication such as this, I personally have seen none of equal depth for a long time. Why, we keep on asking ourselves, should a woman of this supreme dedication have found an enemy? Why an enemy, so hateful in every way that he should have battered her to death? It would be a shocking thing if we discover that the person guilty of this crime had any claim to being an intellectual. And yet what could have been the motive of this senseless and ghastly crime? One's mind recoils at the horror of it all. There has been a demand everywhere that the murderer should be pursued relentlessly to the gallows. I am feeling pretty much like everyone else.

DEAN RUSK

I am passing quickly from Ellen Roy and the sadness that her memory leaves, to refer to Mr. Kennedy's new Secretary of State, Mr. Dean Rusk, whose appointment has been so well received in New Delhi. The Prime Minister spoke sincerely at his Press Conference when he talked with appreciation of his meeting with Mr. Rusk when he came two years ago as President of the Rockefeller Foundation. Those of us who have known Dean Rusk for a longer time are naturally even more delighted at his appointment; his charm grows with the years of knowing. Few people now remember that he was Assistant Secretary of State for the Far-Eastern Affairs at the time Korean War broke out, and it was his initiative which led to a momentous decision which stabilised the Free World at least on one front. In his wide knowledge of international affairs he is nearly unsurpassed. His experience included, during the War, a term with General Stilwell in China; he had some brief spells in Delhi for negotiations in this capacity. I believe that he was chosen for that particular assignment by a computing machine which sorted out cards bearing some hard specifications, which included excellence in politics and international affairs, endurance and high physical fitness, and high powers of negotiation! That computing machine—whatever the non-statisticians might say—certainly knew its job. But I should mention, while denying no credit to computers, that the machine had been fed with some very substantial information with which to support its judgment. Dean Rusk, it had probably noted, was a Rhodes Scholar at Oxford. He is now an Honorary Fellow of his own College there, St. John's. He won the Cecil Peace Prize in his Oxford days as well as a Blue for Lacrosse and many other honours. Languages come very easily to him, particularly German; I guess conversation with Dr. Adenaur will now flow more freely. Perhaps more important of them all is a negative political qualification in the United States. Dean Rusk, it seems, has no enemies. He has also, for a young President anxious to play his own hand in foreign policy, the supreme quality of standing gracefully behind the scenes. Not, indeed, that he lacks the power of forceful decision as the Korean War abundantly proved. But he can be both forward and retiring. It is difficult to know today which hand he will need to play first. All in all, the President of the United States, without a computing machine, has done nearly as well as that War-Time Mechanical Selector!

May I add—knowing how difficult it is to please all the ladies all the time!—that one of his first assignments after Oxford was a Professorship in Mills College, California, which, for the unsophisticated, is an exclusively Women's College. There he won the highest distinction—and Mrs. Rusk! Rumour has it that they pooled their golden keys as Deans of Faculties on their wedding day and from then on, no ill can befall them!

ARGUS.

THE WEEK'S NOTES

Central Africa

THE WALK-OUT

THE CONSTITUTIONAL REVIEW CONFERENCE of the Central African Federation which commenced at London on December 5 encountered foul weather within a week as "the big three", namely, Dr. Hastings Banda of Nyasaland, Mr. Kenneth Kaunda of Northern Rhodesia and Mr. Joshua Nkomo of Southern Rhodesia staged a walk-out and refused to participate further in the deliberations of the conference which had been specially convened for reviewing the constitution of the seven year old federation. In addition to the UK Government, the other four Governments represented at the conference were those of the Federation and the three territories. With a population of nearly 8 million Africans and 300,000 Europeans, the federation has hitherto been governed on the principle of "multi-racial partnership" while the nationalist leaders have all along been pressing for breaking up the federation, providing universal adult franchise and giving each component the right to secede from the federation as and when desired. As a sequel to the boycott of the African leaders, the UK Government decided to postpone the territorial conferences on North Rhodesia and South Rhodesia indefinitely.

The old techniques of diplomacy in Central Africa, it seems, will not bring about a solution of the problem. Unless new thinking is brought to bear upon the African question, keeping in mind the nationalist aspirations of the people, it is doubtful if the present deadlock can be resolved. The wind of change which is blowing over Africa has given an impetus to the nationalist movement in the federation and it may not be possible to keep down, by repressive measures, the restless Africans from their much cherished goal of independence. There is extreme urgency about rooting out racial discrimination in the federation which is particularly widespread in Southern Rhodesia.

The UK Government has more than once pleaded that one of the units, namely, Nayasaland, is not competent on economic grounds to run its affairs without a subsidy of £3 million per year from the federation. Unfortunately, the African leaders have not paid any attention to this problem as all their energy is diverted to keeping the political battle alive in an effort to win the freedom of the country. They are leaving the economic problems for the future—to be tackled as and when they arise.

To a certain extent the British Government has to blame itself for the present muddle in Central Africa. Not for long will it be possible to deny the African population its claim to equal rights. An assured "future of peace and stability" which the British Prime Minister promised while opening the conference, can be achieved only if the UK Government takes into consideration the changed circumstances and acts expeditiously before the fresh waves of nationalism make the task of reconciliation and compromise rather impossible.

Laos

SITUATION WORSENS

THE SITUATION in the strife-torn Laos has deteriorated fast during the past three weeks. The neutralist Prime Minister, Prince Souvanna Phouma, hardly had he started negotiations with his half-brother, Prince Souphanou Vong, the Pathet Lao leader, to include the latter in his Cabinet, had to flee to Cambodia under pressure from the right-wing assault of General Phoumi Nosavan, whose forces are now reported to be in the neighbourhood of Vientiane, ready for attack on the administrative capital of the country. Since his departure, Captain Kong Le, the paratroop leader, who brought about a coup earlier this year, after which the neutralist Government headed by Prince Souvanna Phouma was set up, is said to have assumed control of Vientiane. Meanwhile, General Phoumi has received more aid from the United States through the pro-West Governments of Thailand and South Vietnam. Six Russian Ilyushins are reported to have simultaneously brought Russian arms and ammunition from North Vietnam for Captain Le's forces. The two warring groups thus appear to be poised for a major conflict of arms, to avoid which, obviously, an energetic action is needed.

The situation in Laos as obtaining today forebodes ill for this small kingdom on the periphery of the Communist world in Asia. It can be easily imagined who will benefit from the present unstable conditions in this country. In the circumstances, the reported offer of Prince Souvanna Phouma to form a national Government, representative of all the political parties in Laos, deserves trial. The United Nations, pre-occupied as it is with the Congo affair, has apparently little time to devote to the Laos problem. The reconvening of the International Control Commission under the 1954 agreement may also not help; the experience in South Vietnam with this remedy is a pointer to this fact.

Prince Souvanna Phouma has been rightly following the policy of neutrality between the two power blocs and he appears to be the only person who can help his country steer clear of its present troubles; his hands must be strengthened. Obviously, General Phoumi and his collaborators have to realise that their present move to replace him by an out and out pro-West Prime Minister will defeat the very purpose they have in view. Should the limited civil strife in Laos develop into a major conflict, it will not only engulf this kingdom in a fratricidal war, but may also ignite the spark of a conflagration in the neighbouring States.

Madhya Pradesh

BASTAR

FOR THE past one month, Bastar—an Adivasi district in the south of the State of Madhya Pradesh in Central India—has been in the grip of extreme tension. The Governor of the State, Mr. Pataskar, has described the situation as "delicate". The root cause of the disquiet is reported to be the dispute between the Katju Ministry and the former Ruler of Bastar on certain petty matters, bordering on pride and prejudice. The Maharaja of Bastar, who was once a Congressman, but has now fallen out with the Congress Party, continues to enjoy the confidence of the vast majority of the Adivasis in the district. The Adivasis seem to resent the "advice" of the Katju Ministry to the Maharaja to leave the State for some time and live at some other place. The Katju Ministry has accused the Maharaja of indulging in extremely "objectionable and irresponsible activities". The nature of the activities has, however, not been disclosed. There is a belief that the anti-Congress activities of the Maharaja have annoyed the Congress rulers of the State. The refusal of the Maharaja to accept the "advice" of the Katju Ministry and his continuous stay in his palace has made Congress bosses extremely angry and they have now referred the matter to the Centre for guidance.

Since 1947, there have been a number of defections from the Congress Party all over the country and not much importance has been given to them. In the present case also the fact that Maharaja had left the Congress Party and was leading an opposition group

should not have been construed as a crime. The fundamental right of organising a political party—even opposed to the ruling party—cannot be denied to any citizen of the Indian Union, least of all the ex-ruler of Bastar unless it is feared that his activities are likely to jeopardise the peace of the State. The Ministry, on the other hand, enjoys wide powers and can take precautionary measures so as to forestall any clash. The Government, however, cannot take an extreme step without taking the public into confidence about the so-called nefarious activities of the Maharaja.

As the tussle between the Katju Ministry and the ex-Maharaja continues to drag, it is becoming clear that there is an urgent need for a face saving formula for reconciliation. The Maharaja seems to have already made a move in the matter. The other day he left his palace to receive the Governor of Madhya Pradesh at the air-port of Jagdalpur. For the first time he went out to receive a VIP. In the past the Maharaja never found it necessary to pay even a courtesy call to the VIPs visiting the district. The present move, therefore, clearly shows that the Maharaja is in no mood to initiate any political battle—least of all any bloodshed—against the Government and that he is prepared to come to terms with the State authorities. It will be wise if the Union Ministry advises the State Ministry not to carry the dispute any further, and make a serious attempt to patch up the differences in the interest of the peace of the district.

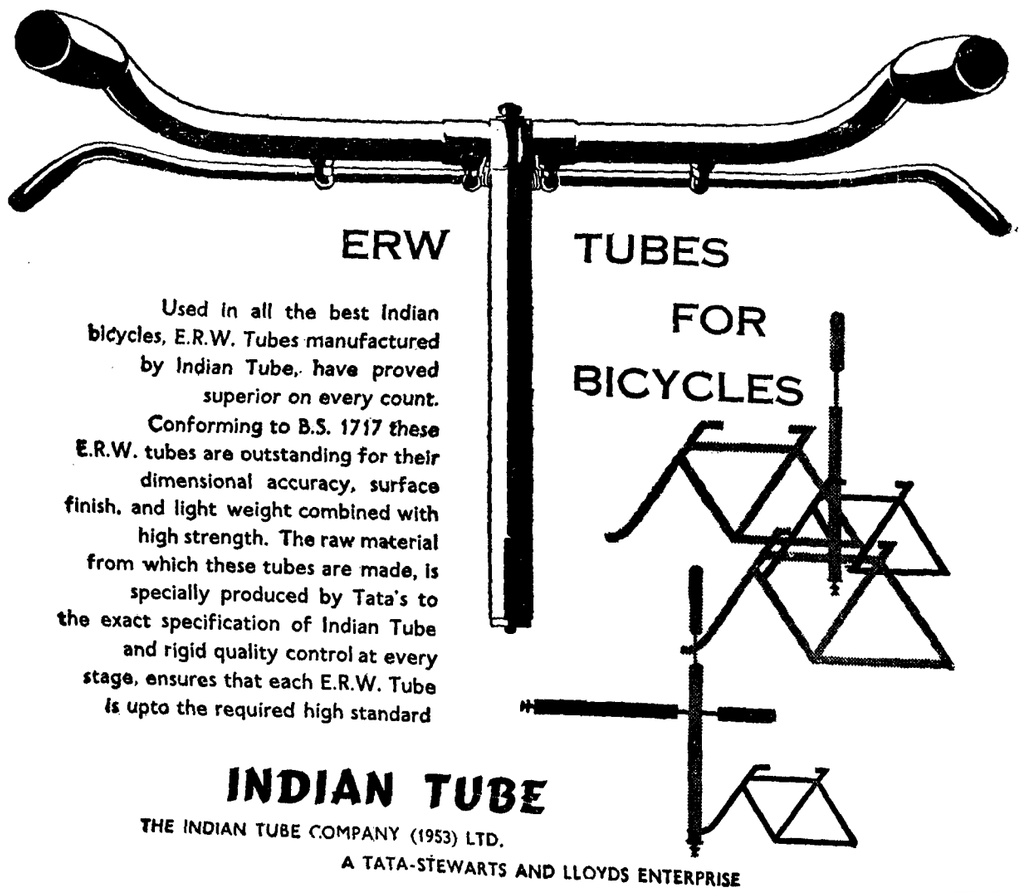
Tolstoy

THE FIFTIETH ANNIVERSARY

WAS TOLSTOY the founder of Gandhism? Did he believe in progress by industrialization? Is his message of love utopian without any practical significance? These and a host of other questions were discussed at a seminar in New Delhi commemorating the fiftieth death anniversary of the Russian philosopher. Present at the Seminar were outstanding literary luminaries such as Stephen Spender, Nicholas Nabokov, V. S. Pritchett, Ernest Simmons, John Wain, Jai Prakash Narain, Dada Dharmadhikari, etc.

That Tolstoy had a great influence on the life of Gandhiji is a well established fact. It was through Mahatma Gandhi that some of Tolstoy's ideas were put into practice in India. The ideal of non-resistance to evil which became a part of Gandhi's philosophy of non-violent resistance had a great bearing on India's independence movement. In Gandhiji's own words, "the Bhagvad Gita deepened the impression of the doctrine of non-resistance to evil while Tolstoy gave it a permanent form."

At the Seminar, Mr John Wain acknowledged that "industrialisation is the enemy of the human spirit." "If one country gave off industrialisation, the others would engulf it. Where do we go from here?" he asked. Mr. Stephen Spender also spoke in the same vein. He said: "If mechanisation dehumanizes us, it is safe to say that poverty sub-humanizes us. Neither Tolstoy nor Gandhi wanted a programme of Welfare States in which every one slaves equally." A fitting reply to this pro-industrialisation view was provided by Dada Dharmadhikari in these words: "Love is a fact of life. It is not a theory. Hate requires some reason or occasion. What requires reason or occasion is not our nature." The disciples of Tolstoy's theory of love seemed to carry the day.





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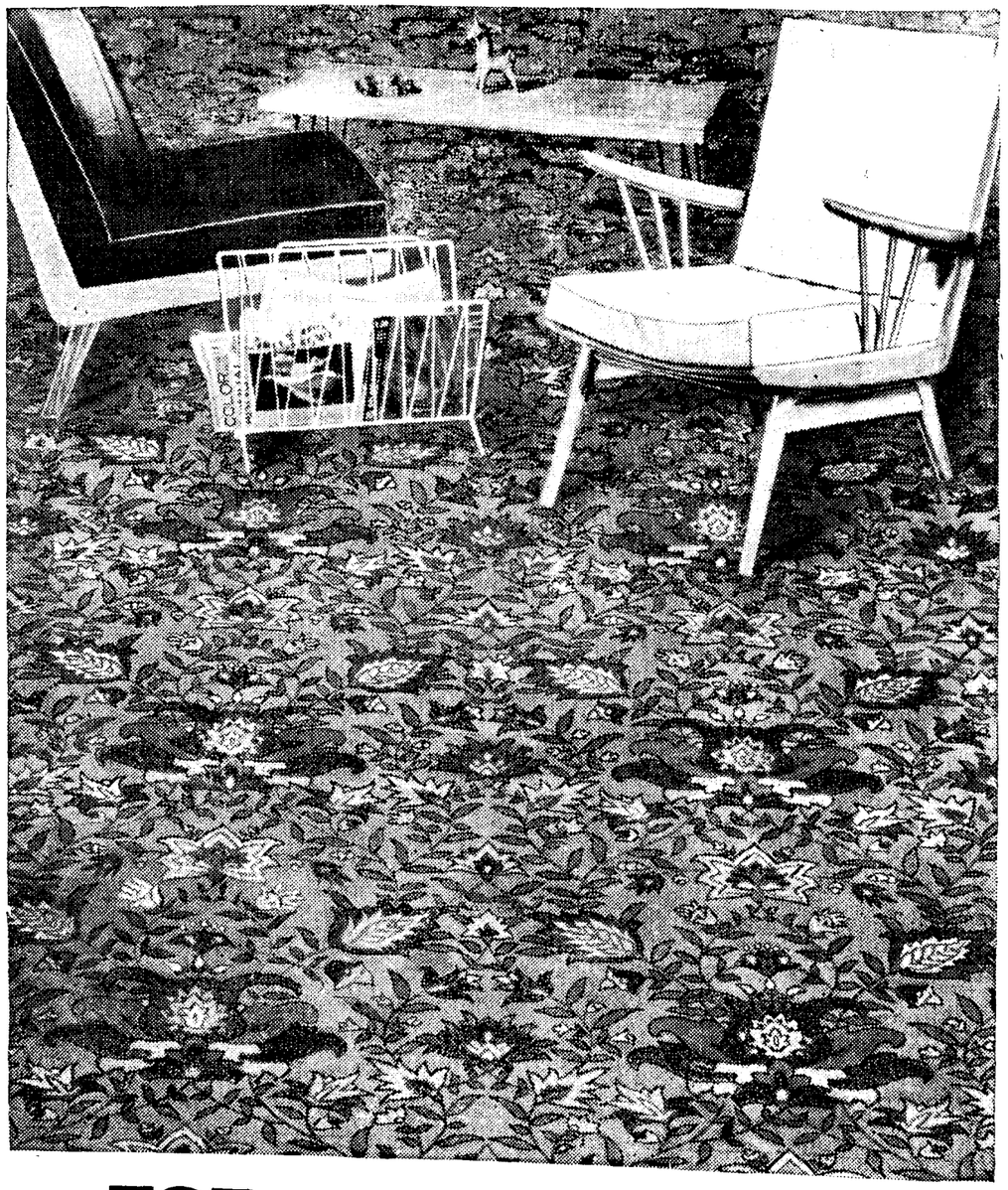
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The World Abroad

GERMAN SOCIALISTS TALK

To

ODYSSEUS

THE continuously growing importance of the German economy in the post-war world explains (a) the amount of space devoted to Germany by my colleague, Our Special Correspondent in Western Europe, who writes from Paris, and (b) why this journal now has its own correspondent in Bonn. What right have I, based on London, to barge into my colleagues' territory and write about Germany?

Well, I have just returned from a three weeks' tour of Bonn, Cologne, Dusseldorf, Hamburg, Hanover, and Frankfurt, in the course of which I was able to meet a cross section of Germany's political, economic, and industrial leaders, ranging from cabinet ministers, such as Dr. Hans Wilhelmi, Minister in charge of State Owned Enterprises; senior officials in the Ministries of Foreign Affairs, Economics, and Agriculture; members of the Opposition, such as Carlo Schmidt; industrial, commercial, and trade union leaders, and four post-war millionaires, Axel Springer, the newspaper proprietor, Josef Neckermann, the chain stores and mail order tycoon, Friedrich Flender, who makes gears and power transmission drives, and Iwan Herstatt, a leading private banker.

Nothing that I learned conflicts with the picture presented to you by our correspondents in Bonn and Paris. I refer you to their columns for their fully documented expositions of Germany's problems and the impact on Europe of her policies. My aim is more modest. I would like to take you behind the scenes to meet some of the actual people struggling with these big problems.

While I was in Germany, seven UK bye-elections were being fought, and the problem of Labour party unity over nationalization was kept to the fore by the fierce exchanges between the Left and Right wings of the party. I was therefore anxious to hear what German socialists thought about the UK elections.

One of my informants said: "Men like Ollenhauer, Deist, Carlo Schmidt, and Herbert Wehner, are not what Richard Crossman, K. Zilliacus, and Tom Driberg mean by Socialists. In English political terms, the German SPD is a party of progressive radicals."

"Do you think that their spiritual home would be with Joe Grimmond in the British Liberal Party?" I asked.

"There's doubtless an element of truth in every paradox," said my informant diplomatically.

Another informant said: "Willy Brandt, Berlin's dynamic mayor, is being groomed as the SPD's candidate for the Chancellorship. Anyone less like a Marxist would be hard to find. Adenauer's party alleges that Brandt is intended only as a kind of glamorous film star figurehead, and that the real SPD leader is Herbert Wehner, who is being kept out of the limelight because of his past associations with the extreme Left. In fact, however, Wehner is more responsible than any other SPD leader for extricating the party from Marxism. And even if one believes the incredible, namely, that if the SPD wins power, Wehner will try to swing the party back to Marxism, he could not do so without creating the same disastrous split as now plagues British Labour."

As a leading SPD member said to me sitting in his office in the parliament building in Bonn: "In the UK 'socialism' seems synonymous with nationalization, bureaucracy, and an all-planned economy. In Germany, 'socialism' today means 'democracy'—a property owning democracy, in which bureaucracy is held at bay, and in which private enterprise has a definite and important role to play. Incidentally, we find the UK Labour party's doctrinal quarrel embarrassing to us in Germany because it tends to undermine public confidence in the sincerity of what in the UK would be called our radicalism. We don't reproach Adenauer's party because it stands for competition, but because we don't think that it is enforcing enough competition. It has allowed the teeth to be taken out of its anti-cartel law. It allows wealth to be concentrated in too few hands."

"You want to step up income-tax to secure a better distribution?" I asked.

"Don't let us confuse 'income' and 'wealth'", he said. "We don't want to redistribute income so much as the ownership of capital—there's a big difference."

GERMANY'S TWO BASIC FEARS

Socialists, trade unionists, and men of all parties, agreed in hammering home two points:

(1) "We are the only nation in Western Europe which has suffered two total depreciations of our currency, in which all values were destroyed. We are therefore all alive to the overwhelming need to allow no policy, whether emanating from the government or from the trade unions, which would undermine the purchasing power of the currency. A recent Gallup poll was revealing. To the questions 'Which would you prefer (a) rising wages and rising prices or (b) stable wages and stable prices?' 80 per cent favoured stable wages and prices."

(2) "We lived through twelve years of a totalitarian, government-controlled economy, in which all power, political, economic, and juridical, was concentrated in a monolithic state, in effect in the hands of bureaucrats, and we are determined never to repeat that experience.

"We Germans have painfully verified the British maxim: 'All power corrupts and absolute power corrupts absolutely.' British Socialists seem to think that the state control exercised in war-time Britain proves the efficiency and painlessness of socialism. They don't know what they're talking about. First, those controls were geared to winning a war (and patriotically tolerated as temporary expedients to that end). Secondly, they were not intended to cope with the problems of securing the growth of the economy in a competitive world market. Nor did the UK experiment last long enough to attain all-pervading development as it did with us under Hitler".

THE STATE'S ECONOMIC ROLE

A German economist said to me: "German Socialists and non-Socialists are agreed that concentrations of wealth create economic power and that this constitutes a threat to freeedom. But we are all equally agreed that the problem of economic power is not solved by amalgamating it with political power. That merely intensifies and magnifies the evil. We know what we're talking about. 17,000,000 of our brothers and sisters in the Eastern zone live in an economy dominated by officials administering all enterprises. It may

be that the worker is at a disadvantage in dealing with a vast firm like Krupps. But in a free country, he has unions and members of parliament to protect him, and in this age of full employment and competition for labour, he has his own bargaining powers. In the last resort, he can always change his job. But in East Germany the whole population has only one employer—the State. To escape from the 'insecurity' of employment under Krupps—a model employer, by the way—to the 'security' of employment by officials, subject to central planning offices, is to jump from mitigated insecurity and injustice into total insecurity and injustice."

"Then German Socialists believe in laissez-faire?" I asked.

"No party in Germany believes in laissez-fair," said my informant. "No economy can be left to itself, unregulated, but the role of the state is not itself to engage in production and distribution but to ensure a stable currency, and real competition, and to prevent the concentration of wealth in too few hands, and to ensure the widespread ownership of property and savings."

Here are the official pronouncements of the German Socialist Party itself on these points, taken from the party manifesto:

"Fundamental rights should not only protect the freedom of the individual against the state; they should also help to form the community and the basis of the state.

"In its social purpose, the State must provide for its citizens in order to allow everyone to determine his own life according to his own responsibility and in order to further the development of a free society.

"Economic policy must secure full employment on the basis of a stable currency, increase productivity and raise the general standard of wealth.

"The State cannot shirk responsibility for the course the economy takes. It is responsible for a forward-looking policy in regard to business cycles and should restrict itself mainly to influencing the economy indirectly.

"The free choice of consumer goods and services, free choice of a place to work, free initiative for employers are decisive foundations, and free competition an important element of a free economic policy. The autonomy of employee and employer associations in the conclusion of wage contracts is an important part of the free order. Totalitarian control of the economy destroys freedom. The Social Democratic Party therefore favours a free market, wherever free competition really exists. Where markets come under the domination of individuals or groups, however, manifold measures are necessary to preserve the freedom of the economy. As much competition as possible—as much planning as necessary."

"So in the end, you do believe in state planning," I commented.

"Not as an end in itself, but backed by all the qualifications we've previously mentioned, the answer is yes."

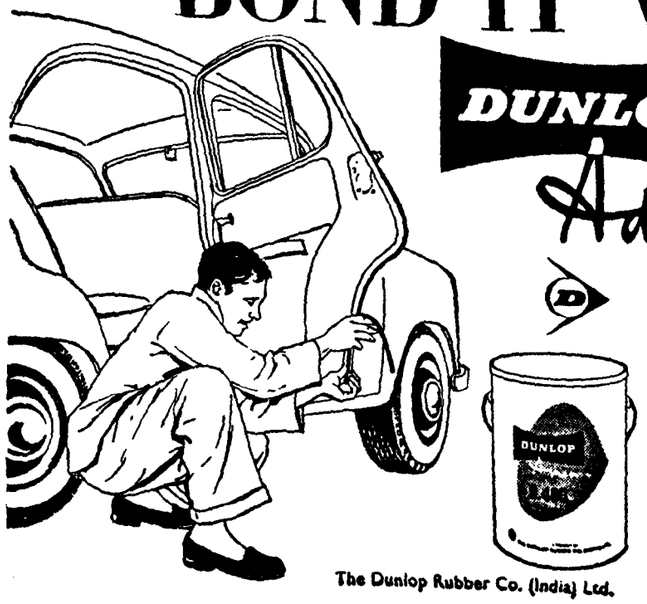
In the UK, the Opposition's job is to oppose and to convert the electors to its way of thinking if it can. Doubtless this is why Labour has lost three general elections running. In Germany, the SPD seems to have grasped the risks of such continuous upholding of unpopular policies, for in its official bulletin of September, 1960, the SPD refuted the charge that it does nothing but oppose and stressed that it voted with the government on 71 occasions and against on only 15. The British Labour Party might look into this. For obviously if the voters have repeatedly demonstrated their dislike of your policies and their approval of those of the government, it might be a good plan to demonstrate that you too approve of the government's policies! This SPD bulletin led me to ask a non-party German friend: "Would you say the difference between Right and Left in Germany was perhaps merely one of emphasis, as between Republicans and Democrats in the USA?"

"By and large, yes," he replied. "The Right may be slower to regulate the economic climate. The Left may be quicker. But competition for votes will lead us more and more towards a 'Welfare' state, with heavier taxation and fairer shares."

For reasons that I will quote from other informants next week, it seems probable that the 'welfarisation' of Germany may be a fairly slow process, and that for a good many years to come, Germany's rate of economic growth, while slower than hitherto, will continue to be above the average in the free world.

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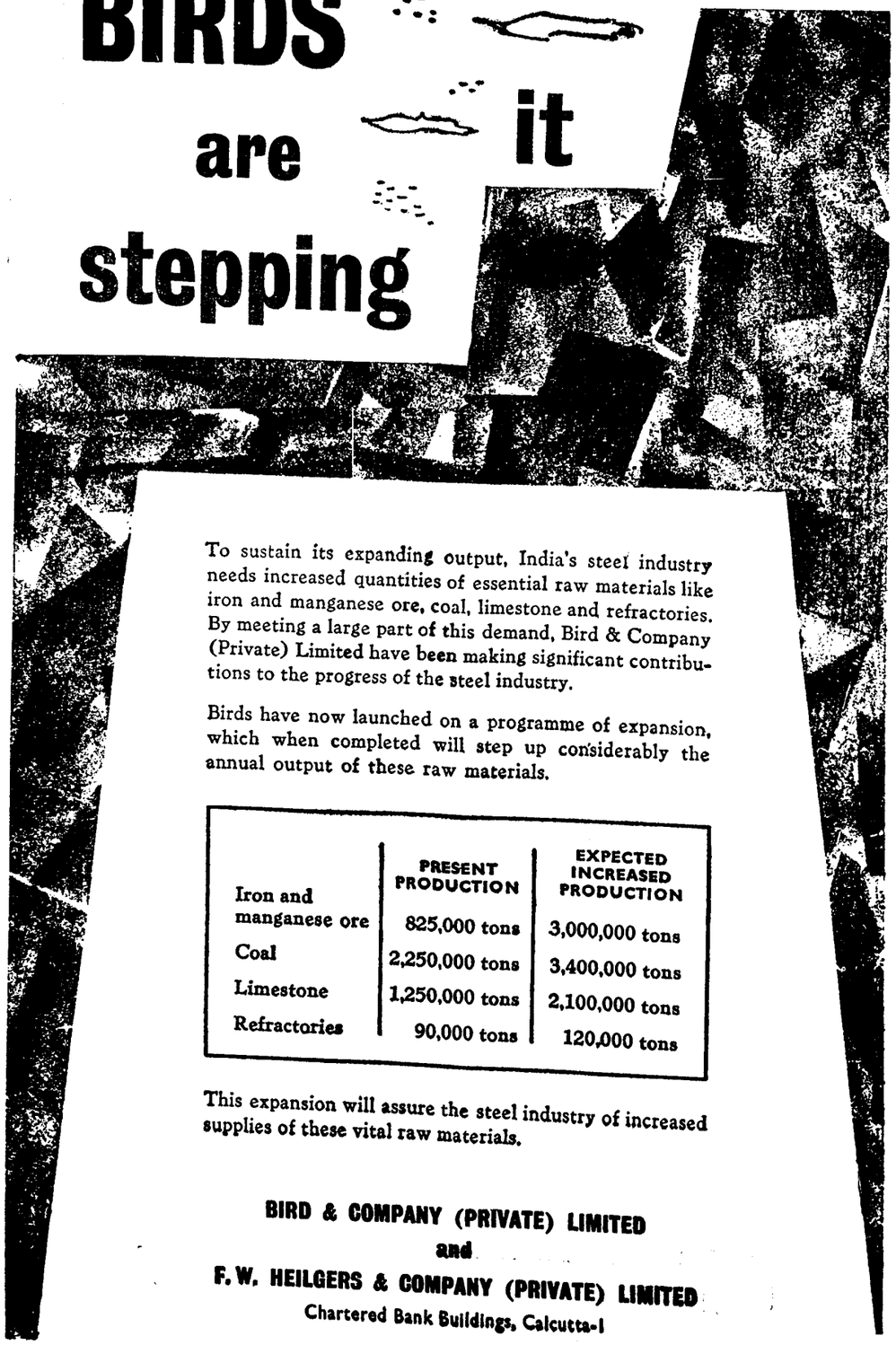
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The European Scene

THE WORLD'S BIGGEST STEEL INDUSTRY

From Our Special West European Correspondent

PARIS, December 10.

IN the third quarter of this year, for the first time in history, steel production in the six Common Market countries was greater than in the USA: 18 million tons against 17.8 million. Of course, there were special reasons for this. The American mills were working very far below capacity, whereas the Continental steel-makers were fully employed. If the Americans were to step on the gas again, they would soon reclaim their place as number one steelmakers. But precisely: there is as yet no prospect of the American mills using most of their installed capacity, while in West Europe expansion is going forward faster than ever. If it had been the Russian industry, or even the combined industries of the Soviet bloc, that had stolen the lead last quarter, however transiently, one can imagine the singing and dancing that would have gone on to the tune of "overtaking and surpassing" the capitalist monopolies. The peoples of the Common Market countries have, as yet, so inadequate a sense of unity that nothing was made out of last quarter's performance; it was seen simply as the interesting addition of six national production figures. Yet these nations have been associated in a common market for steel (in the Coal and Steel Pool, or CECA) for over ten years, or much longer than their co-operation in a general common market for all goods. Indeed, their association in CECA is one of the reasons for their appearance this year as the world's biggest steel producers, so they would be entitled to regard their record output as something more than an addition of individual performances.

The rate of expansion in crude steel production in this region has been phenomenal in recent years, as may be seen from the following table of percentage increases up to 1959, counting from 1936 and 1950 respectively:

	Since 1936	Since 1950
Italy	234	186
France	126	76
Belgium	102	70
Luxembourg ..	85	49
W. Germany (without the Saar) ..	74	113

These big percentage rises are not just the illusion produced by calculating from very low starting points. I have omitted the Dutch figures to avoid that error; the Dutch had virtually no steel industry before the war and they have a few respectable mills now. Germany, France, Belgium and Luxembourg were all substantial producers before the current expansion began. Italy is a special case. Production was indeed low before the war: output of crude steel was 2.32 million tons in 1938. Yet estimated production for this year is 8.22 million tons, which means that in addition to achieving a rate of expansion unique in the world, Italy has added on 6 million tons, or the equivalent of France's pre-war crude steel production. For finished products, Italy will this year produce 6.56 million tons against 1.94 million in 1950, thereby adding on in a decade the equivalent of Belgium's and Luxembourg's combined 1950 output. Taken either in relative or absolute terms, Italian performance has been astonishing—and it has been achieved by a country with no coal or ore resources worth talking about.

The biggest national industry remains, of course, the West German, which, despite a setback during the 1958 recession, has continued to expand so fast that laymen were wondering last year whether the pace were not being forced dangerously. West German steelmakers say no, and recall that the minimum target, allowing the industry to meet all domestic needs and begin exporting, was attained only in 1958. In setting new and higher targets, they wisely disregarded temporary fluctuations in demand, which cannot be allowed to influence investment plans valued in hundreds of millions of marks and stretching out over several years. For the longer period, West German steel men are confident of constantly growing demand for their products. This is confirmed by results so far this year, for monthly averages are running about 35 per cent above last year for steel ingot production. (It is hazardous to compare West German production in these two years more exactly, because the definitive incorporation of the Saar into the Federal Republic dates from July 1959, and the Saar is a major steel producing region.)

French output this year is setting records 15 per cent above 1959, and total production for 1960 will easily top 16 million tons of crude steel. Since West Germany and France between them produce about two-thirds of Common Market steel, the boom in these two countries explains largely why the region is this year expected to turn out 72.8 million tons, compared with 63.2 million tons in 1959. Crude steel output in the third quarter, when the Common Market took the lead over the USA, was 18.5 per cent better than last year.

The smaller producers are not being left behind. Belgian output last year was 6.36 million tons, up from 5.91 million in 1958. Annual investments have been multiplied by four since 1955, and when extensions in course are complete capacity will be 8.3 million tons. The Belgian industry's target is 10 million tons by 1964. This expansion is being accompanied by costly modernisation, automation and specialisation. The last point is important; it is the division of labour among the various producers that shows that the Continental industry is becoming one, rather than the sum of the old national industries.

Specialisation in production is accompanied by specialisation in research. It is in research that the Continental industries have made the most significant progress and this is the secret of their expansion. They have discovered new methods (and, thanks to agreements formed with the Common Market in view, they have shared these discoveries) of using Europe's endowments in coal and ore, and her supplies of scrap, in the most economical way. Italy, indeed, has succeeded in building a dynamic and fully competitive steel industry in a country with no natural endowments; and now the experiment is to be repeated by the French with the steel mill at Bone, in Algeria, where there exist none of the raw materials for steel except power, in the shape of natural gas supplies piped a thousand miles from the Sahara. The Continentals

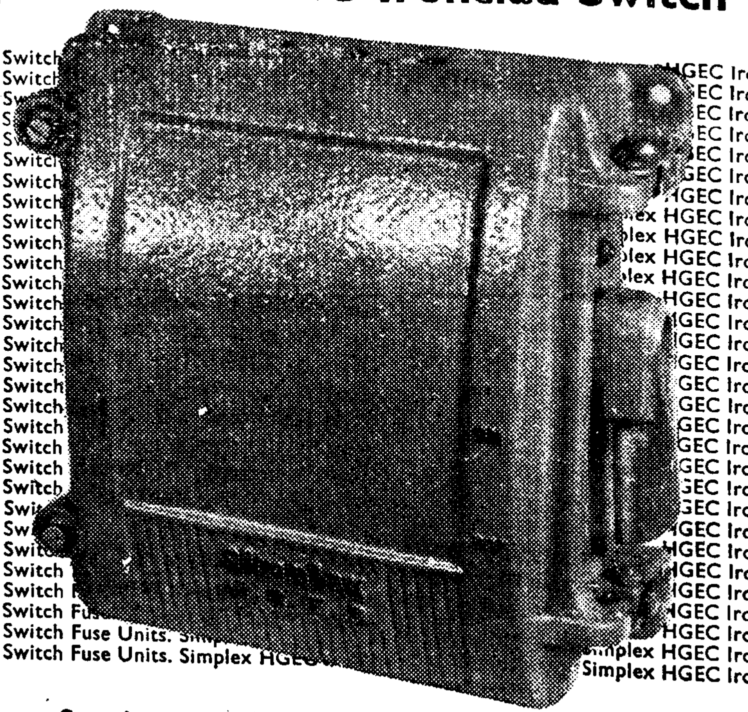
have proven—and the fact is of importance to all developing countries—that there are few places where one can say a steel industry cannot be located. (A former Indian ambassador has told me how he once gave Colonel Nasser a little lecture on the impossibility of building a steel industry in Egypt). If competitive mills can be built in south Italy, in North Africa and in Holland, they can be built almost anywhere. The only rational place for a steelworks, in fact, is on the water, where it can be fed raw materials brought from almost anywhere by ship. The French are putting this into practice with the giant new works to be constructed at Dunkirk; although near an area traditionally regarded as a heavy industry basin, it will be built on the water, not on land.

Of may technological advances in steelmaking on the Continent in recent years, the most important and the most revolutionary is the use of oxygen to purify pig for making high-grade steels. The Austrians perfected the technique of injecting pure oxygen into the vats of liquid metal (the LD process) but the Common Market countries have been at work ever since seeking to improve this process and adapt it to their needs. The most striking result was the opening this year of the oxygen pipe-line in Lorraine. Already 25 miles long and shortly to be extended to 125 miles, this network pipes pure oxygen from the factory of the Liquid Air Company to the mills of half a dozen companies in the region; it is the biggest hook-up of the sort in the world.

The point of this technical digression is to emphasise that the vast expansion of Continental steel output concerns quality steel. It would be of less interest if it related only to Thomas steels, while the proportion of Martin steel remained as low as it used to be (only 30 per cent of French production, for instance). The use of oxygen on a massive scale is breaking down the traditional distinctions between grades of steel, distinctions based on their manner of manufacture. By this method Thomas steel may be prepared of at least equal quality to Martin steels, and in some cases of superior quality. All the new plant now building in the Six countries, and the extensions to old plant, rely on this method and the day is foreseen when this will be the only way of making steel. Thus the Six have not only claimed leadership, for a time at least, in volume of output but have made much more high-grade steel, thereby enlarging their export markets and reducing their dependence on overseas steel industries.

This extraordinary progress in West European steel is far and away largely the fruit of private enterprise. But not entirely. The industry that has achieved the most spectacular results, the Italian, is dominated by a State holding company called Finsider which is responsible for 55 per cent of Italian crude steel production. Finsider is currently investing heavily with the object of doubling its output of steel and tripling its output of pig iron. It has shown itself to be one of the most resourceful and competitive of European steelmakers. So there are more than technological advances for Indian steelmakers to study in the Common Market. Given the role the State has claimed in the Indian industry, it is encouraging to see that a public-sector corporation can more than hold its own in the world's fastest growing steel industry.

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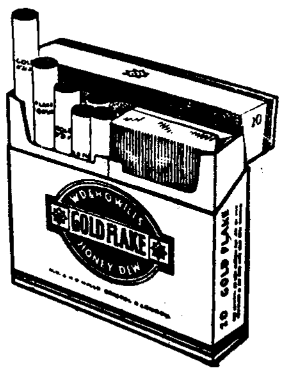
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Economic Report from the U.S.

REVIEW OF THE ECONOMY

By GUY SIMS FITCH

WASHINGTON, Dec. 8.

A REVIEW of economic conditions in the United States during the past year leads to the inevitable conclusion that the decade of the 1960's has started off somewhat more slowly than many of the experts had expected. This is not to say that 1960 has been a poor year; on the contrary, in terms of over-all economic activity, it is marking another new high for the U.S. economy. During 1960, the nation's total output of goods and services—the gross national product (GNP) —passed the historic landmark of a $500,000 million annual rate. For the year as a whole, the GNP promises to reach or exceed $505,000 million, a new peak and nearly 5 per cent above the record 1959 total.

Annual measurements, however, must be subjected to closer analyses, to take into account the underlying economic trends. And there is no doubt that the trends during the latter part of 1960 pointed to a slowdown in activity. Many economists still prefer to term this slowdown rather than a recession. This is because its dominant feature has been a massive turnaround in inventory policy, from accumulation to liquidation, while final demand for goods and services, on the part of both consumers and businessmen, has held pretty much at peak rates. Indicative of the essential soundness of the 1960 U.S. economy are the record levels of personal income, consumer spending and employment during the year. Business spending on new plant and equipment also has held at near-record levels. In addition to these evidences of strength in the private sectors of the economy, public spending has continued its steady advance to another new high. Leading the way, as in the past, have been outlays by state and local governments to meet the growing U.S. population's expanding needs for public services and facilities. In the understandable absence of final statistics covering the last two or three months of 1960, it is hardly possible at this time to present definitive figures for the year as a whole. Enough, however, is known about the trends to offer some estimates of the likely 1960 statistical record in certain major economic categories. The importance of these estimates lies not so much in their ultimate or individual accuracy, as in the general range of gains they show over the 1959 results. The figures in the following tabulation are in thousands of millions of dollars:

	1959	1960
Gross National Product	482	505
Personal Consumption	314	328
Business Investment	72	75
Government Spending	97	99
Net Export Surplus	1	2
Personal Income	383	405
Disposable (After Tax) Income	337	355
Corporate Profits	RU	46

Several factors stand out in appraising this record. For one thing, these 1960 estimates lean to the conservative side. The actual totals could turn out to be somewhat higher than indicated, depending on the strength of the usual fourth-quarter surge in demand for goods and services. For another thing, 1959 itself was a record year for U.S. economic activity — something to bear in mind when making comparions. Finally, as has been indicated, over-all figures do not reflect trends during the course of the year — that is primarily the fact that since the second quarter, the economy seems to have lost some of its earlier buoyancy, though the indices still compare favourably with 1959. This is seen most markedly, perhaps, in the record of industrial production. For 1960 as a whole, this index, which uses 1957 as a base of 100, has reached an estimated 109, compared with last year's 105. The readings for the closing months of the year are likely to be nearer to 106 or 107. A somewhat similar situation exists with regard to employment. The total number of jobholders, on an annual average, is estimated at a record of 66.9 million for 1960, compared with 65.6 million for 1959. But during the latter part of 1960, employment, while still at record monthly levels, generally has failed to come up to seasonal expectations. Meanwhile, the labour force has been growing, and unemployment, while with less than 4 million still relatively small, has tended to rise in terms of percentage of the labour force, when allowance is made for normal seasonal movements. While the rule of the joblessness has been concentrated in a few industries and a few parts of the country, the slowdown in industrial activity does seem to have affected the total employment picture to some degree.

Another result of the slowdown has been to hold prices down and thus put something of a "squeeze" on the earnings of business, as is seen in the dip of corporate profits from last year's total. Also involved has been an upsurge in competition for markets, both at home and abroad. These developments, along with the turnaround in business inventory policy, can be cited as evidences of a major economic adjustment to an essentially non-inflationary condition. In all this, one of the prime sources of economic strength during the past year is found on the financial side of the picture. In the first place, the U.S. government budget has been brought under better control than many experts dared imagine a year ago — with a $1,100 million surplus on the books for the 1960 fiscal year that ended last June 30. A similar surplus has been projected for the current 1961 fiscal year, although the economic slowdown, with its related lower tax receipts and probably higher Federal spending, could result in a small deficit. But this is still a far cry from the huge $12,000 million deficit of the 1959 fiscal year. In the second place, U.S. merchandise exports have soared during the past year. Thus, the net export surplus of goods and services, which was non-existent in 1959, bids fair to add some $2,000 million to the GNP accounts in 1960. This surplus is being earned even while U.S. imports have been holding at or very close to the record 1959 levels — an indication that despite its publicized slowdown the U.S. economy has been buoyant enough, within the framework of the traditionally liberal U.S. trade policies, to absorb large quantities of goods and services from abroad.

Every Tuesday

OPINION

Edited by A. D. Gorwala

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WORLDGRAM

India

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1. First PL 480 Agreement signed on the 29th August, 1956, as subsequently amended (Wheat, Rice, Cotton, Tobacco and Dairy Products)	354.536
2. Supplementary agreement signed on the 23rd June, 1958 (Wheat Yellow, Corn and Serghum)	55.277
3. Second PL 480 agreement signed on the 26th September, 1958 (Wheat and Yellow Corn)	259.800
4. Third PL 480 agreement signed on the 13th November, 1959 as amended (Wheat, Rice, Cotton, Tobacco and Corn)	297.870
5. Fourth PL 480 agreement signed on the 4th May, 1960 as amended (Wheat, Rice Milo, Corn, Cotton, Tobacco and Soya-bean Oil)	1,334.700
TOTAL	2,302.203

(or Rs. 1096.28 crores)

The rupee payments were being deposited in the US Government account in the State Bank of India upto May 15, 1960. It was not known how much of these deposits were utilised by the State Bank of India in the investments of the Bank in securities. Since 16-5-1960 however, the rupee payments were being deposited in a special US Government account in the Reserve Bank of India. Out of these deposits, the Reserve Bank had invested in special securities till 30-11-1960 an amount of Rs. 146.77 crores.

*

Power and Distribution Transformer Industry: The Government of India have accepted the Tariff Commissions' recommendation that protection to the power and distribution transformer industry should be continued at the existing rate of duty i.e. 10 per cent ad volerum for a further period of three years ending December 31, 1963 and that the protective duty should be made applicable to Power and Distribution Transformers upto 10,000 KVA and 132 KV on the HT side, and parts of such transformers, not otherwise specified. The Government Resolution on the Commission's Report, which was published recently, states that Government have also accepted the recommendation regarding the continuance of the present practice of assessing transformer oil imported with transformers to duty at the same rate as is applicable to transformer oil imported separately and steps will be taken to implement it in due course. The Government have taken note of the recommendations of the Commission for thorough scrutiny of applications for import of transformers upto 10,000 KVA and 132 KV on the HT side. classification of imported power and distribution transformers by voltage etc. Steps will be taken to implement them as far as possible.

*

Chinese Method of Paddy Cultivation: Mr. M. V. Krishanappa, Deputy Minister of Agriculture disclosed in the Rajya Sabha that the Chinese method of paddy cultivation had been abandoned after experimental trials at certain centres. In a written reply to a question by Mr. S. C. Dey, the Minister said that the results of trials conducted at various centres had proved that this method was more expensive and was not superior to the Japanese or the local improved methods of paddy cultivation.

U.S.S.R.

New Textile Mill Under Construction: A large textile mill is being built in the Siberian town of Chernogorsk. It will annually manufacture fabrics sufficient for making five million suits. The new mill is one of the 212 enterprises of Soviet Textile industry which are now being built or reconstructed. Their construction is underway in Central Asia, Siberia, in the Urals, the Transcaucasus and in other areas of the countries. Large textile mills have already been built during the past years of the current seven year period in Engels (on the Volga) in Kishinev (Moldavia), Kiev (Ukrain), and in many other cities. The commissioning of the new textile enterprises will provide the Soviet Union with facilities for manufacturing this year some 8000 million metres of fabrics, i.e., more than is manufactured by France, Britain and West Germany combined.

*

Single Power Grid in Uzbekistan: A single power grid has been set up in Uzbekistan linking in the Republic 31 electric stations with a total capacity of more than one million KW. This year the output of electricity in Uzbekistan will already amount to 5,700 million KWh. The annual output of electricity per capita will total 700 KWh which is several times more than the per capital output of electricity in Turkey, Iran and Pakistan.

*

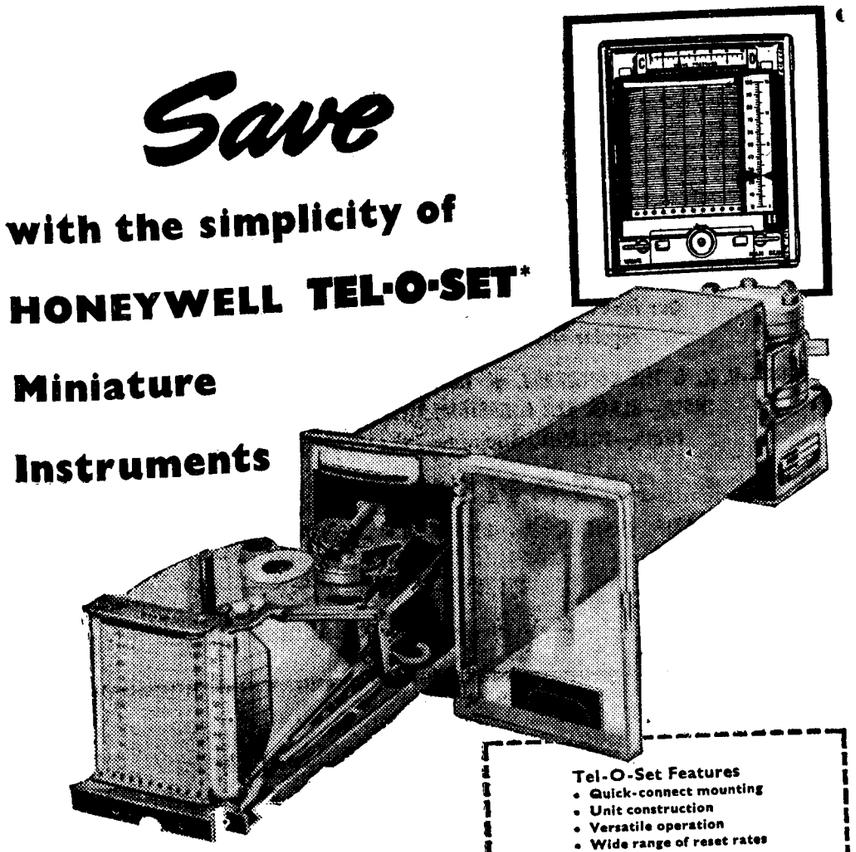
Oil Refinery for Ethiopia being Designed in USSR: A group of Soviet hydrogeologists have gone to Ethiopia to prospect there for sources of fresh water needed for the oil refinery of 500,000 tons annual capacity, which is now being designed in the Soviet Union. The Soviet geologists will be working in the area of Assab. The drilling rigs, movable power stations and other prospecting equipment were shipped to Ethiopia recently from the USSR. The Soviet Union is helping Ethiopia in developing its national economy in accordance with an agreement reached during the stay in Moscow of Emperor Haile Selassie last summer. The Soviet Government then also agreed to grant Ethiopia a long-term credit of 400 million roubles on favourable terms. With the Soviet Union's help a technical school will be built in Ethiopia to train specialists for different branches of national economy. The plan for this educational establishment has been prepared by Soviet architects and the construction of the school will be started soon.

United Kingdom

Further Rise in Sterling Area Reserve: The Sterling Area's central gold and convertible currency reserves rose by £10 million during November and stood at £1,131 million on November 30. It was pointed out that there has been a steady increase in the reserves this year. The reserve level in November was the highest since September 1959, when it was £1,173 million.

*

Increased Overseas Demand for British Equipment: More overseas countries, it is reported, are going to Britain for such diverse lines of equipment as farm machinery, office appliances, and equipment for the oil industry. The Agricultural Engineers' Association announced in London on November 29 that exports for



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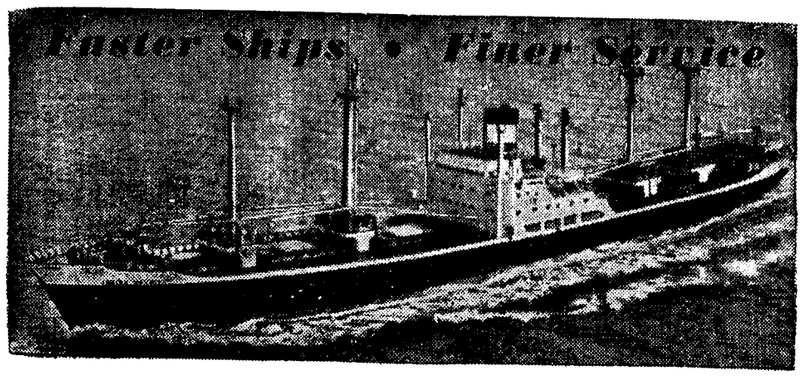
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the first ten months of 1960 totalled £108,700,000—£3,000,000 ahead of the previous record figure set up for the whole of last year. Exports of farm machinery were up by 13.3 per cent on the period January to October 1959 at £15,750,000 and the value for exports of complete farm tractors showed an increase of 33.3 per cent. By the end of October, the United Kingdom had exported 123,663 new farm tractors-compared with the previous record of 115,769 for the whole of 1959. Australia was still the leading buyer (14,511), with the United States (11,559) second.

France

French Consumption of Oil Products: During the first nine months of 1960, total consumption of oil products increased 11.4 per cent: 16.4 million tons compared with 14.7 million tons during the same period of the previous year. Based on a period of 12 months ending 30 September 1960, annual consumption of oil products in France increased from 20.1 million tons to 22.9 million tons, which was an increase of 13.6 per cent. Consumption of ordinary and high-test gasoline during the first nine months of 1960 totalled 5.7 million tons compared with 5.3 million tons during the same period of the previous year, which was an increase of 7 per cent. Consumption of those products during the year ending 30 September 1960 increased 6.2 per cent compared with the equivalent previous period. Consumption of gas oil totalling 1.5 million m3 compared with 1.4 million m3 during the first nine months of 1959 increased 7.9 per cent. Over a period of 12 months, it increased 6.2 per cent. The increase in the consumption of domestic fuel during the first nine months of 1960 totalled 20.8 per cent: that of light fuel 14 per cent and that of heavy fuel 8.4 per cent.

U.A.R.

Aswan High Dam Tender: Aswan has been alloted a total credit of LE 20,236,000 of which LE 10,286,000 were earmarked for the high dam works upto June, 1961 and LE 6,458,000 for mineral development, dairy industries, refrigeration facilities and sugar plants for Edfu, apart from the establishment of training and maintainance centres. A further provision of LE 2,062,000 has been set aside for a variety of other plans at Aswan. In the meantime tenders for the execution of the first stage of the high dam will be opened on January 3, 1961. These tenders include the construction of the front and back dams as well as the diversion canal to be completed in 1964.

Norway

Cultivated Land: The total figure for land under cultivation in Norway has decreased during the last ten years from 2,569,944 acres in 1949 to 2,520,522 acres in 1959, according to the agricultural census carried out last year. There were 434,000 farms and small holdings, ofwhich 198,000 covered an acreage of more than 1.23 acres.

China

$25 Million Credit to Guinea: With the granting of the $25 million credit to Guinea Communist China's commitments to foreign trade to uncommitted African nation countries have risen to $190 million.

Cuba

More Nationalisation: The Cuban economy seems likely to pass almost completely under Government control as a result of a decree nationalising 382 business concerns, including 61 textile plants, 18 distilleries, 8 railway companies and many firms in food supply, the film industry, port operation, basic metallurgy and chemicals. The nationalisation of 105 sugar mills will put the sugar industry, the basis of Cuba's economy, under Government control. These moves follow the nationalisation in September of the Cuban branches of the three main American banks, operating there—the Chase Manhattan, the First National City of New York and the First National of Boston.

Greece

Industrial Development Corporation: It is reported a delegation from the Greek Industrial Development Corporation visited London in October for talks with the Board of Trade. The Corporation was formed recently in Greece with a capital of $40 millions, to assist private enterprise and to support state investment in developing Geek industry.

Haiti

New Stand-by Agreement: The IMF has entered into a new stand-by arrangement, making available the equivalent of $6 millions for one year in support of convertibility of the Haitian currency. It became effective on October 1, when the present $4 million stand-by agreement, on which Haiti has not drawn, came to an end. Haiti's outstanding drawing under previous arrangements amount to $4 millions.

Iran

New Stand-by Arrangement: The IMF entered into a new stand-by arrangement, authorising the Iranian Government to draw the equivalent of $35 millions over the next year. The Fund has also agreed to a postponement from January 1961, until July 1963, of re-payment of a drawing of $17.5 million in sterling made in July 1960. These moves are intended to support the stabilisation programme designed to overcome current balance of payments difficulties. Iran's external payments have risen sharply over the past two years and have exceeded its foreign exchange income. Import taxation, particularly of non-essential goods has been temporarily increased, but liberal import and exchange policies will be continued.

Japan

Record Import Bill: The import bill for the six months to the end of March, 1961, has been fixed in Japan at $3,530 millions, the highest figure ever and some $300 millions above for the preceding six months. Much of the increase is accounted for by the necessity to expand imports of fuel and raw materials to accommodate the rise in industrial production.

World Bank

Electric Power Loan to Norway: The World Bank has made a loan equivalent to $25 million to the Kingdom of Norway to assist further in financing the Tokke Hydro-electric Development Scheme. The Tokke undertaking, the largest hydro-electric power project in Norway, consists of three power plants having a combined capacity of 810,000 kilowatts. Transmission lines will also be built to connect networks serving southern and western Norway and to provide a connection with the Swedish grid for the export of power. The total cost of the new power plants and transmission lines is estimated at the equivalent of $58 million. The Bank loan will cover $25 million of the cost and the remainder will be met by the Norwegian Government. The works are scheduled for completion in the second half of 1964. The loan is for a term of 25 years and bears an interest at the rate of 5¾ per cent annually including the 1 per cent commission which is allocated to the Bank's Special Reserve. Amortization will begin on November 15, 1964.

NEWS IN BRIEF

INDIAN

It is reported the Swiss Foundation for Technical Assistance would provide the Council of Scientific and Industrial Research with one million Swiss francs worth of equipment and eight Swiss experts for a period not exceeding five years for establishing a centre for training precision mechanics and technicians for the instruments industry.

•

Exports of Indian films during January-August 1960 had improved as compared to the corresponding period last year. India had exported cinematograph films of the value of Rs. 1.23 crores during the period January-August, 1960. For the whole of 1959, the value of exports had been of the order of Rs. 1.6 crores.

•

As against a production target of 9 lakhs of electric fans for the Second Plan, production during the year 1960-61 would be about 1 million. The production of electric fans during 1950-51 amounted to 1.94 lakhs.

•

Philips India Limited, the pioneers in the Indian radio and electronic industry, have acquired from the official liquidator to Calcutta High Court, the land, buildings, plant and machinery in Bombay previously owned by the Osler Electric Lamp Manufacturing Co. Limited (in liquidation).

•

India's rayon exports in the current year have exceeded Rs. 331 lakhs. This is Rs. 14 lakhs more than what India exported during the same period January-October last year.

•

The Government of India have accepted the recommendation of the Tariff Commission that protection to the ball bearings industry should be continued for a further period of two years ending December 31, 1962 at the existing rate of duty viz. 95% ad valorem.

•

The Minister of Industry, Mr. Manubhai Shah disclosed in the Lok Sabha that it was proposed to set up a separate company for implementing the four new drug projects with Soviet collaboration.

•

The total amount allocated to Andhra Pradesh Government for 1960-61 under village housing projects scheme was Rs. 27.95 lakhs, including a sum of Rs. 0.35 lakhs as grant for the rural housing cell.

•

The Second Plan target for power driven pumps and diesel engines had already been received, stated Mr. Manubhai Shah, Minister of Industry in the Lok Sabha. The Minister said that these two industries had well developed with indigenous content of 85 to 95 per cent.

FOREIGN

The Norwegian Export School, established jointly by the Export Council of Norway, the Federation of Industries, and the Commercial Federation, will initially offer 8-14 day expert courses in Oslo, to get under way in the spring of 1961.

•

America's first estimate of the 1960 crop placed soyabean production at 548 million bushels, 2 per cent above 1959. This probably will bring prices that will average about the same as in 1959-60.

•

It is reported the Swiss capital market is experiencing a series of loan offerings from E.F.T.A. Governments.

•

The possibility of a pooling agreement between British Overseas Airways Corporation and Aerolineas Argentine national airline, is emerging as a result of talks between Sir Matthew Slatery, BOAC Chairman, and officials of Aerolineas, in Buenos Aires.

•

Brandram-Henderson, of Montreal, a subsidiary of Imperial Chemical Industries associate company in Canada, Canadian Industries, is to build a $400,000 plant in Jamaica to make paint for the West Indian market.

•

The total harvest of all Western Cape Province of South Africa vineyards products for 1960 was a record of 623,384 tons, against 555,732 tons in the previous year, a conference of wine farmers was told at Worcester.

•

The Director of Petroleos Mexicanos (Pemex) has announced that work is due to begin on the Torreon Chihuahua 248-mile-long polyduct and gas-duct which should be completed in 18 months at a cost of nearly £6.6 million which has been loaned by the Chase Manhattan Bank, the Bank of America, Continental Illinois National Bank and the Chemical Bank New York Trust.

•

The Austrian Cabinet has approved the terms of the new five-year Austrian-Soviet trade agreement which is expected to be signed in Moscow within the next few days.

•

The US Department of Agriculture has announced a national marketing quota of 1,122 million lbs. for the US 1961 crop of flue-cured tobacco. The quota converted to acres would allow the planting of 715,817 acres to the flue-cured leaf, a small increase from that permitted for last year's crop.

•

According to the 1960 report of the OEEC Gas Committee prospects for natural gas appear exceptionally good and its part in supplying Europe's future gas needs is likely to be important.



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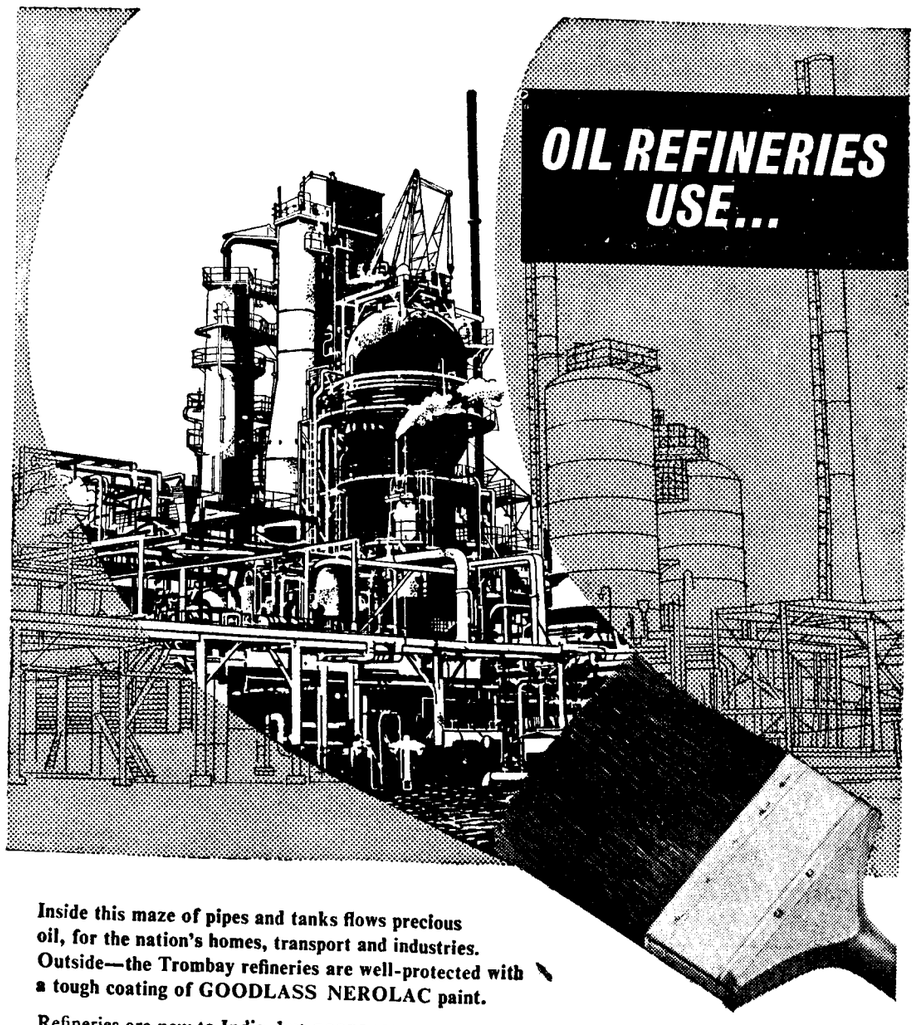
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Special Article

CAN WE AFFORD SOUTH AFRICA?

By

Andrew Boyd

DURING the last Commonwealth Conference, I talked privately (and separately) to some of the heads of governments after their private (and separate) talks with the South African Foreign Minister, Mr. Eric Louw. Their off-the-record comments were memorable, and it is sad to think that we shall have to wait for a full public account of those hard-hitting exchanges until, after a decent interval, one of the Prime Ministers or Presidents involved publishes his personal memoirs. Mr. Louw, in defending apartheid and denying the other Commonwealth countries' right to concern themselves with South Africa's internal affairs, obviously gave as good as he got. Equally obviously, he got plenty. One of the heads of government told me that talking to the South African Minister had been like talking to the Rock of Gibraltar. Another, his habitual vigour of expression in no way impaired by the fact that our conversation took place at breakfast time, said it had been like talking to a rhinoceros.

The discreet and carefully worded communique issued at that conference last May did not, in fact, reflect the real significance of what had happened. Formal respect was paid in the officially agreed words to the idea that Commonwealth countries do not presume to sit in judgment upon each other's policies. But this did not alter the fact that, as a result of the pressure applied by the Malayan Prime Minister, all the heads of government attending the conference had been compelled to face up to the very real problem that South African racialism creates for all of them. The Sharpeville shooting, and the mass arrests and emergency regime that followed it, were still fresh in their minds when they met. In the formal part of their conference, they contrived, probably for the last time, to step delicately round the more unpleasant features of the problem. In the informal part, however, they ran into it head on.

Only a few months have passed since May, but in those months the problem for the Commonwealth has become still more pressing. Nigeria has joined the company of sovereign Commonwealth countries; has joined it in an atmosphere of dignity and mutual confidence; and at the Commonwealth table, now graced by the presence of the greatest state in Africa, the South African government's argument that Africans cannot be entrusted with any political power must now appear more derisory than ever. With Nigeria's advance to full membership, the Commonwealth club, already predominantly Asian and African in terms of population, also acquired an Asian-African majority among the sovereign member governments. By next April, when Sierra Leone's rendezvous with independence falls due, the club will comprise four Asian and three African nations out of a total of twelve.

The Commonwealth wisely abhors the kind of struggle for majorities in voting by representatives of sovereign states on which the United Nations Assembly expends so much energy. The mere fact that African and Asian member nations henceforth control a majority of seats on the "board" is not, therefore, in itself decisive. What is significant is the general consensus of opinion; and it is obvious that both the growth of African representation, and the trend of opinion among the older members, in the Commonwealth club are hurrying South Africa's rulers toward total isolation.

They themselves have made their contribution to the pace of events not only by maintaining their repressive policies, but also by carrying through the referendum which, in October, voiced the wish of a narrow majority of the white electorate that the South African Union should become a republic. By doing this, Dr. Verwoerd's government has focussed much of the general and growing feeling that South Africa, as it is today, does not fit into the Commonwealth concept, upon the more particular idea of terminating the Union's membership when it adopts a republican constitution. This has both complicated, and illuminated, the issues.

Two reasonably firm dates now mark the calendar for 1961; in March, the next conference of Commonwealth heads of government; in May or June, the proclamation of the South African republic. As these dates draw nearer, the controversy which today is still relatively muffled and diffused is bound to become louder and sharper. The process of informal lobbying is already actively begun; individuals and groups representing various South African interests have been briskly trekking to London and making contact with Commonwealth representatives at a variety of levels. There is irony by the ton, one might say, in the sight of Afrikaner Nationalists who, only a few years ago, used to try to chill British blood with threats about going republican and quitting the Commonwealth if they were criticised, now today busy reassuring their followers that Britain has promised them that they need not fear expulsion.

All such reassurances are dishonest. First, because the British government has given no such promise to the South African government, either publicly or privately. Secondly, because it simply does not have the power to fulfil a promise of this kind. Thirdly, because South Africa's chances of remaining a member of the Commonwealth are not merely still in jeopardy; they are increasingly so.

It is true that the arguments against the ousting of South Africa from the club are now being painstakingly mustered by some distinguished personalities in London — by men whose opposition to this ousting is the more significant because they are sincere and outspoken enemies of racialism, and detest Dr. Verwoerd's policies. Their arguments cannot be just brushed aside. They deserve to be demolished.

It is argued that India, Pakistan, and Ghana have adopted republican systems without jeopardising their rights to membership of the Commonwealth; why, then, should South Africa be picked on? Is not a clear precedent established, according to which each member is free to choose between monarchical and republican forms?

The answer is simple, if outrageous in its quiet way. The Commonwealth is not, in fact, a lawyer's dream of dependable precedent. It is, and always has been, a system (if that is the right word) based on the holding of precedent by agreement. Its own emergence from the old empire was itself without precedent. Its network of cosy consultation between partners who openly differ on many major questions, and even quarrel bitterly over some, is unprecedented. Its adjustment to republican forms, seen in perspective, was only one of its more modest violations of precedent, long since outstripped by more widely fantasticated innovations. In the federation of Malaya, the Commonwealth now accepts a modern version of the old Holy Roman Empire —an elective, partly rotary, monarchy, distinct from and in no way subordinate to the British monarchy, only accepting the British monarch as Head of the Commonwealth. Malayan ministers are His Majesty's, not Hers. Again, what are still commonly called Prime Ministers' Conferences have ceased to be anything of the kind; for they are now attended, as a matter of routine so safely established already that it excites little comment, by presidents who (in Ghana and Pakistan) are heads of government as well as heads of state. Many other instances of this kind of exuberant improvisation, less akin to the traditional caution of Britain than to the wild imaginativeness of Ireland, could be cited. (It is only fitting, by the way, that the Irish Republic, which left the Commonwealth years ago, has its relations with Britain handled not by the Foreign Office but by the Commonwealth Relations Office.)

Thus the notion that the Commonwealth is bound by precedent should be thrown aside at once. It is perfectly free, if it agrees to do so, to obstracise and expel any member country at any time, regardless of the republican issue, which in the case of South Africa is no more than a convenient pretext for bringing the matter to a head.

It is argued that to oust South Africa from the Commonwealth would disrupt the sterling area (the Union being a major gold producer) and the Commonwealth Preference tariff arrangements (the Union being a major trading partner for Britain, and conducting over half its trade with Commonwealth countries).

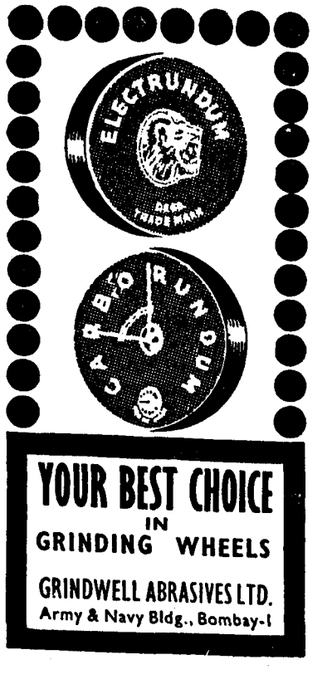
Membership of the Commonwealth and of the sterling area, however, is not the same thing. Canada belongs to the first but not to the second; Iceland, Ireland, Libya and Burma to the second but not to the first. Likewise, South Africa's "Commonwealth Preference" in trade with Britain is not dependent on its membership of the Commonwealth; it enjoys this tariff preference, along with, again, Burma and Ireland, because it is specifically listed in the appropriate section of the 1948 Import Duty Act passed by the British parliament.

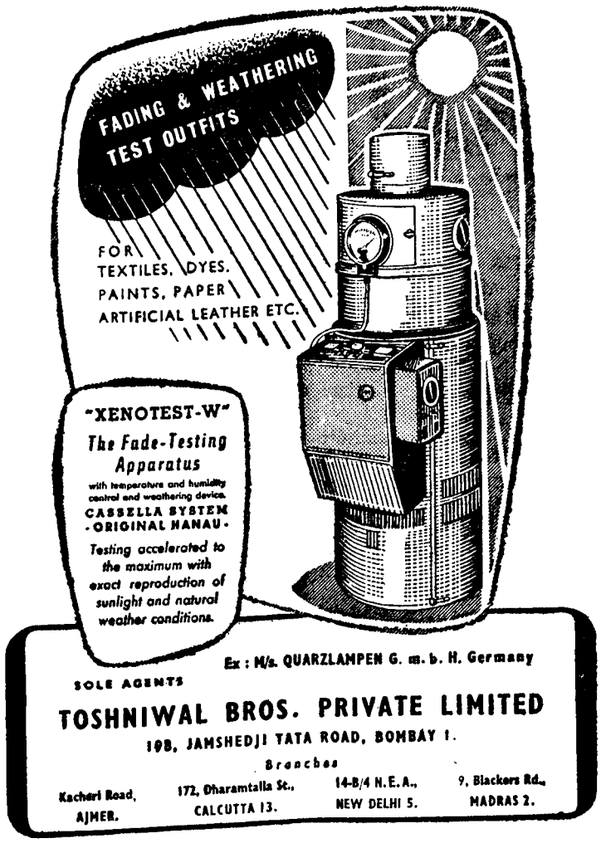
It is argued that as long as South Africa remains in the Commonwealth its government can be somehow influenced in the direction of less barbarous racial policies than it now pursues. This argument founders on the simple fact that the only evidence available on the subject points in the opposite direction.

It is argued that a Commonwealth country's internal affairs are its own affairs. So they are. To oust South Africa would not be an intervention in its internal affairs. Nor would it be a hypocritical holier-than-thou act of moral Pharisaism. The Commonwealth is neither a court of law nor a court of morals; most of its members have skeletons rattling in one cupboard or another of their own glass houses, and have good reason neither to dig out bones nor cast stones. But a modern society limits its contacts with a leper, nor through fear that its purity will be defiled, but because it understands the medical risk of contagion. And the Commonwealth has a healthy instinct for self-preservation. (How else could it be surviving in its extraordinary way?)

The argument for ousting South Africa is the simple and compelling one that the Commonwealth cannot afford to harbour the Union much longer. To go on harbouring it would be to destroy the purpose of the organisation. Characteristically, the Commonwealth is for the most part quite unaware what its purpose is. One vividly recalls British Tories complaining, in the bitter aftermath of Suez in 1956, that a Commonwealth was "no damned use if it doesn't back you up" — and thereby revealing a sublime ignorance of the nature of this sisterhood of sovereign equals. They have their counterparts in other member countries. But it is surely beyond serious argument that the prime purpose of the Commonwealth today is that it provides a unique bridge between East and West — or, as more and more people now put it, North and South; between the non-European world, and the world of Europe and its transoceanic daughters in America and Australasia; between races, creeds and political orientations; between countries at every stage of economic development.

A riven world has great need of this bridge. But the bridge can be based only on relations of equality — on equal dealing between nations large and small and between racial and other human groups. And the present Union of South Africa is founded on the opposite proposition. All the constitutional, ethical, and other arguments amount to little alongside the plain fact that, unless South Africa changes, the Commonwealth will have to eject it if the purpose of the Commonwealth is to be fulfilled. It may be that, if a general shrinking from unpleasantness should lead the other Commonwealth member countries to agree at least for a while to go on putting up with South Africa's presence in their midst, some sort of organisation, under the name of Commonwealth, might continue to exist, and that all of them might find it possible to remain members of it. But would such a ghost of a once great sisterhood be anything more than a twittering and melancholy reminder of what might have been? Would such a "Commonwealth" be worth the while of any of its members — including South Africa?







THE BUSINESS WORLD

A Landmark in Textile Research

By

CROESUS

THE inauguration of the Textile Research Institute of the Bombay Textile Research Association (BTRA) last Friday by the President, Dr. Rajendra Prasad, was a memorable function. The importance of such an institute, and that too as a result of the co-operative effort of all the units of the Industry in the region (i.e. Zone I which covers the old Bombay State to the south of River Tapti, Madhya Pradesh, and Hyderabad), was underlined by the fact that the President himself came down to perform the inaugural function. Of course, being one of the foremost organised industries in this country, and making as it has been, a valuable contribution to the country's economy and progress, the Cotton Textile Industry is entitled to all the attention that it has been receiving. To quote Mr. Krishnaraj M. D. Thackersey, Chairman of the Governing Council of B.T.R.A., "the total value of cloth produced by the 479 cotton mills, situated in different parts of the country, is estimated to be well over Rs. 510 crores per annum. The Textile Industry's annual contribution to the Exchequer in the form of taxes and levies comes to above Rs. 100 crores. Further, it provides direct employment to as many as eight lakhs of people, the amount of wages distributed being about Rs. 100 crores a year. Besides this, the mills are the mainstay of the cotton-growing industry and also provide indirect employment to a large number of small and subsidiary industries and trades. It is also a sustainer of the young, but important, textile machinery manufacturing industry in our country. Next to jute and tea, cotton manufactures are the major earners of foreign exchange to the extent of Rs. 60-65 crores a year through exports." Such, in brief, is the pride of place held by the Cotton Textile Industry in our country's economy, and it is but appropriate that its continued progress and prosperity should be regarded as a vital matter of national importance.

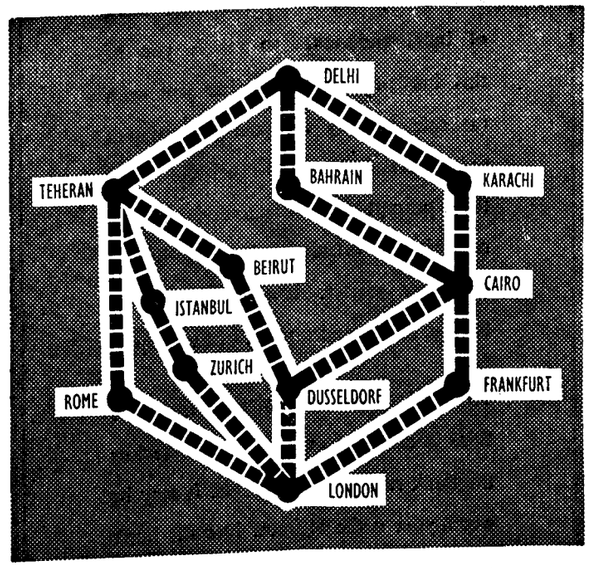
While Mr. Krishnaraj highlighted the importance of the Cotton Textile Industry, it was Dr. Rajendra Prasad, I thought, who really made out a case for a separate Research Institute for the Textile Industry. And, in doing so, whether he intended it or not, he paid a rather left-handed compliment to the Industry when he said: "Although the number of units of production has been steadily increasing with the corresponding rise in output, it is felt that, with all its stability, the Textile Industry in India has not reached the stage which may be said to be reasonably beyond the pale of stalemate." Be that as it may, as the President said, the changing needs and trends, calling for constant adjustments in the nature and quality of cloth, constitute one reason (for an Institute of this kind); increasing competition from textile manufactures of foreign countries is probably another reason. "It has, therefore, been felt" said the President, "that a challenge which these conditions posed should be met squarely, and there is no other way of doing it except by conducting research. In the face of the phenomenal advance of science and technology, the need for research is imperative." The President further expressed his happiness that the owners of the textile mills themselves had realised this and organised a special body for undertaking research. In this connection, he also pointed out that, although the Government, being keen on encouraging and undertaking research, was providing many facilities, the scope thereof was bound to be rather wide and general in nature, while each industry had its own peculiar problems to tackle. The Textile Industry might no doubt benefit from the results of research undertaken in Government Institutes, but such might not meet either the precise or the immediate requirement of the Textile Industry. In other words, research for this purpose can only be undertaken by the mills themselves, as they have, in fact, done.

It is not that the need for organising research on a co-operative basis, was not recognised by the textile interests. Indeed, Mr. Krishnaraj claimed, in his speech, that the Industry had recognised it years ago, but he also added: "The financial resources of the Industry were not encouraging enough to undertake any scheme in this behalf." Hence, as admitted by the Chairman of the B.T.R.A. himself, the impetus had to be, and was, provided by the Government of India to promote and organise Textile Research. It was the Government of India that promulgated the Cotton Textiles Ordinance in 1944 and also constituted the Cotton Textiles Funds Committee for administering the funds raised by the special levy of customs duty on yarn and cloth exported from this country. Thanks to this Fund, India will be having four Textile Research Institutes, one in each of the four zones—ATIRA (Ahmedabad), BTRA (Bombay), SITRA (Coimbatore) and another (at Kanpur). Since the object of the Cotton Textiles Fund Ordinance was "to create a body to supervise the exports of cotton cloth and yarn and **to develop technical education, research and other matters pertaining to the cotton textile industry,** the amount collected under the Ordinance is now being rightly utilized, that is to subsidise the scheme undertaken in fulfilment of that object. The CTFC has agreed to share the recurring and non-recurring expenditure incurred by each of these four institutes on a fifty-fifty basis. The BTRA's complete scheme entails a capital outlay of Rs. 1 crore and a maximum recurring expenditure of Rs. 11½ lakhs per annum. This means that the CTFC has to contribute Rs. 50 lakhs towards capital outlay and Rs. 5¾ lakhs per annum towards recurring expenditure of BTRA alone. The rest of the recurring expenditure of BTRA is well taken care of by its present (36) and prospective members. The total entrance fee of the present membership amounts to Rs. 34 lakhs. But, as the Joint Director of the Institute, Dr. C. Nanjundiah, took particular care to point out, the completion of the Institute building and installation of the pilot plant and laboratory equipment, planned for the first phase of the Institute's work alone, has so far absorbed Rs. 66 lakhs,

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while nearly a third of the original scheme of the Research Institute has yet to be implemented. In other words, the need for continued financial support to the Institute has to be borne in mind by both the CTFC and the members of the BTRA.

It was quite appropriate that Mr. Krishnaraj availed himself of the opportunity to pay a fitting tribute to the late Sir Vittal N. Chandavarkar, but for whose "persuasive enthusiasm in the cause of textile research and indomitable courage in surmounting all difficulties", the Research Institute of the BTRA could not have come into existence. It is a pity that Sir Vittal did not live to see the fruits of his sincere and magnificent efforts. Who does not know that it was his personal interest that is mainly responsible for the Institute coming up within a remarkablly short space of time of less than two years? The Association itself was registered on April 21, 1954; the Foundation Stone of the Institute was laid by Mr. Y. B. Chavan, the Chief Minister of the then Bombay State, on April 1, 1957; the actual building construction was started only in March, 1958, and, by July, 1960 already, the Office and Technical Staff had moved in. That the BTRA has already become an integral part of the Bombay Textile Industry is clear from the nature of its activities even within these two years. The submission of as many as 384 technical reports and the publication of several reports and papers, not to speak of the seminars and training courses conducted by the Institute, are an achievement, of which the Governing Council of BTRA might well feel proud.

Before I conclude, I feel I must refer to one sober observation of the President which shows not only his concern for the 'Khadi' and handloom industries but also the proper perspective in which the country has to view the place and progress of these different sectors of the Textile Industry of the country. Remarking that India was a great cotton-producing country and was next only to China from the point of view of numbers, Dr. Rajendra Prasad referred both to the need to utilise the cotton grown in the country and the need to clothe the teeming millions of India. In this task, he said, "the 'Khadi' and handloom industries have also a share in utilising the cotton and providing clothing for a larger number of people. They have an enormously larger share in providing employment, but"—and this is a very important observation which is unfortunately ignored by many of those in power today—"the major share in the matter of supply undoubtedly belongs to the textile industry". In my opinion, it is this vital aspect of the Industry that has to be borne in mind by all those whose pronouncements, policies, or recommendations have a bearing on the fortunes of the Indian Cotton Mill industry.

Business Notes

Prices

WHITHER FOOD PRICES?

JUDGING FROM the current trend of rising agricultural production, it seems, a curious situation may arise, in the not distant future, when it would perhaps become necessary to check a fall in the price level of agricultural crops, especially foodgrains. That this anxiety is shared in the highest counsels of administration in the country is obvious from a statement which Mr. S. K. Patil, the Union Minister for Food and Agriculture, made, some time ago, regarding the possibility of prices of agricultural products recording a decline. In fact, he also said that a situation might arise when it would be necessary for Government not only to retain the incentives to the farmers but also to administer a scheme of price support. In passing, the Union Minister also referred to the complications involved.

Meanwhile, the subject has attracted considerable interest and even figured prominently in the Presidential address (at the Third Quarterly General Meeting of the Indian Merchants' Chamber, Bombay, last week) of Mr. Pratapsinh Mathuradas. Mr. Pratapsinh first listed the factors responsible for the downward trend in food prices. These, according to him, include: the shipments under the latest P.L. 480 Agreement for the import of 17 million tons of foodgrains; the shortage in the storing capacity of imported foodgrains and the resulting impact on market supplies, and the programme of the Government to build up a buffer stock of five million tons. All these factors, coupled with the psychological effect, the I.M.C. President said, could contribute to a falling tendency in foodgrain prices. As a result of the development of industries and the falling prices in foodgrains, thus, Mr. Pratapsinh felt, the incomes of the urban sector would tend to rise, whereas that of the rural sector might tend to fall. In other words, the existing disparity between the rural and the urban sectors would be further accentuated, he feared. What is worse, as a result of this unhappy situation, the agricultural population may switch over to the cultivation of commercial crops instead of food crops, thus seriously affecting food production, with all the attendant complications in holding the price line. In this connection, endorsing the thesis adumbrated by Mr Patil, referred to earlier, Mr Pratapsinh made the suggestion that "Government should make an attempt to evolve a floor-price structure for foodcrops, having regard to all the factors which tend to depress the prices in certain areas and should give a clear assurance to the agricultural population that the necessary price support would be forthcoming in adequate measures at the appropriate time. "The principle of fixing floor price and evolving a price structure for foodgrains which should meet the requirements of the cultivators and of other interests," he added, "should be accepted as an integral part of agricultural policy."

Speaking on the formation and working of the zonal system in respect of movements of foodgrains and supply, the President of the I.M.C. said that the measures for centralised purchase and other regulations and barriers imposed by the States on the movement of foodgrains had not at all met the requirements of the deficit areas. Instead, he complained, they had resulted in the development of serious imbalances which led to unjustifiably wide differences in the prices of foodgrains from State to State. Mr Pratapsinh accordingly urged the Government to give serious thought to the various State regulations affecting the movement of foodgrains and to devise a scheme of effective distribution arrangements so as to remove the basic factors at present causing wide variation in foodgrains prices in the different states.

Foreign Capital

FRANK DISCUSSION AT KARACHI

THE SESSION of the Commission on Asian and Far Eastern Affairs of the International Chamber of Commerce, at its meeting on December 8, provided an appropriate occasion for clarification of the viewpoints of capital-importing and investment-exporting countries. Mr. Mohammad Shoaib, Pakistan's Finance Minister, inaugurating the discussion as the guest speaker, set the tone for the emphasis on the demand of the developing countries for foreign loans on easy terms and expansion of foreign equity investment. Speakers, who represented the developing countries of Asia and the Far East, made a strong plea for an immediate change in the policy of the World Bank in respect of the interest rates it charged and the commission it levied. Mr. Shoaib himself made no bones of the fact that neither deferred payment facilities for imports of capital equipment nor short-term credits are going to provide any worth while assistance to the capital- hungry countries. That phase—particularly of short-term loans—is nearing the point, where, some at least of the loan-receiving countries may, perhaps, be faced with the unpleasant contingency of default in repayment. Mr. John Wild who replied on behalf of the World Bank was quite candid in his statement that it was not practicable for the Bank to lower its interest rates. The reasoning which he tried to impress upon the delegates was that the Bank had to build up reserves and create a definite level of self-sufficiency in its own resources against possible (though not at the present time probable) defaults. The Press report could not give anything more than a sketchy summary of Mr. Wild's speech. Did he have the possibility in mind that, with consecutive receipts of loans and a number of newly liberated or to be liberated countries having little background in investment and foreign loans pouring in for aid, defaults may be a phenomenon to be reckoned with? Perhaps.

The International Finance Corporation has attracted rather strong criticism of its interest policy from the second year of its operation. At the Karachi session its lending policies were the target of discussion and most fo the speakers who touched the IFC pleaded for flexibility in its lending policies. Mr. John G. Beevor, who represented the IFC, explained that the IFC was working with a modest capital base and at the present time it was functioning as an experiment in its own field. He stated that this present role of the IFC was not fully understood by the investment-receiving countries. But he did not reply the moot point whether flexibility in the IFC's operations could not also be a part of the experiment.

The discussion on foreign private investment was valuable for the restatement of the position from both the sides which became available. Dr. H. C. Boden, leader of the German delegation, who presided over the day's session, placed accent on the fact that the foreign investor always attached importance to the long-term treatment given to exported capital by the importing country. Foreign investment would prefer to stay in the soil where it got acclamatized, but its decision to stay must necessarily be voluntary. This was to suggest that policy on foreign investment has to provide the necessary incentives. He uttered a note of caution against the policy of loans tagged to individual projects, which, he said, would probably create inconvenience for both the parties. He suggested comprehensive planning for aid. This is precisely what the aid-receiving countries are asking for.

Some flutter was caused by the unexpected and extreme view placed at the session by Mr. Henares of the Philippines. He stated—crudely—that foreign companies, whose repatriated profits had been sufficient to recoup in full the investment, should cease to be treated as foreign concerns in the matter of concessions. Sir Jeremy Raisman was quick in his retort that, the foreign investor would judge the investment-worthiness of a country with reference to the treatment it accorded to foreign enterprises at the present time, meaning thereby that discrimination by reason of profits sent home having recouped the capital would be an adverse factor and positive disincentive. He also went further and frankly stated that promises of fair treatment of foreign investment in the future would not influence the investor's decision in such a climate. Asian delegates, who followed Mr. Henares, dissociated their countries from the surprise view so vehemently expressed by him. Sir A. Ramaswamy Mudaliar undoubtedly explained the overwhelming view of the region by emphasising that sanctity of contract and non-discrimination must be the basis of treatment of foreign investment.

Railway Convention

RAJYA SABHA DEBATE

IN ITS discussion on the report of the Railway Convention Committee, the Rajya Sabha decidedly scored over the Lok Sabha. In the popular House, it must be regretfully stated, the discussion was rambling and it betrayed the much-needed effort to analyse the full implications of the forthcoming convention, particularly in regard to the state of the railway finances in the Third Plan. Stock arguments were advanced in the Lok Sabha asking for greater economy in expenditure and so on. A plea was made for raising the rate of the dividend to even as high as 5 per cent, when, in fact, the Railway Board's estimates of railway finances in the next five years, appended to the report, clearly showed that even at 4.5 per cent rate of dividend, the railways would run at a deficit of over Rs. 12 crores during the period. But by contrast, the participants in the Rajya Sabha debate spoke out their mind frankly by stating that the policy of concessions was detrimental to the interests of the railways in the long run. It may put a premium on complacency. There was some opposition to the continuance of the authority to the Development Fund to borrow loans from the General Revenues in order to raise "internal resources" to finance development. The Rajya Sabha at least made a straight attack on this fiction of "internal resources." The fiction is underlined by the fact that eventually the so-called temporary loans are fractionally charged to the Revenue Reserve Fund and preponderatingly transferred to capital, thereby raising reliance on the Exchequer.

What is really important and most interesting about the Rajya Sabha discussion was the frontal attack on the merger of the tax on railway passenger fares into the regular fares. The issue of the constitutionality of this course was raised in the debate. Under Article 269 of the Constitution, the revenue from the railway passenger fare tax belongs to the States and it was argued that it could not form part of the Consolidated Fund. Therefore, it could not be merged with railway revenues. The solution to tide over this technical difficulty, as Mr. S. V. Ramaswamy, Deputy Minister for Railways, pointed out, was simple. The Railway Passenger Fares Act should be repealed and railway fares should be increased by a rate equivalent to the rate

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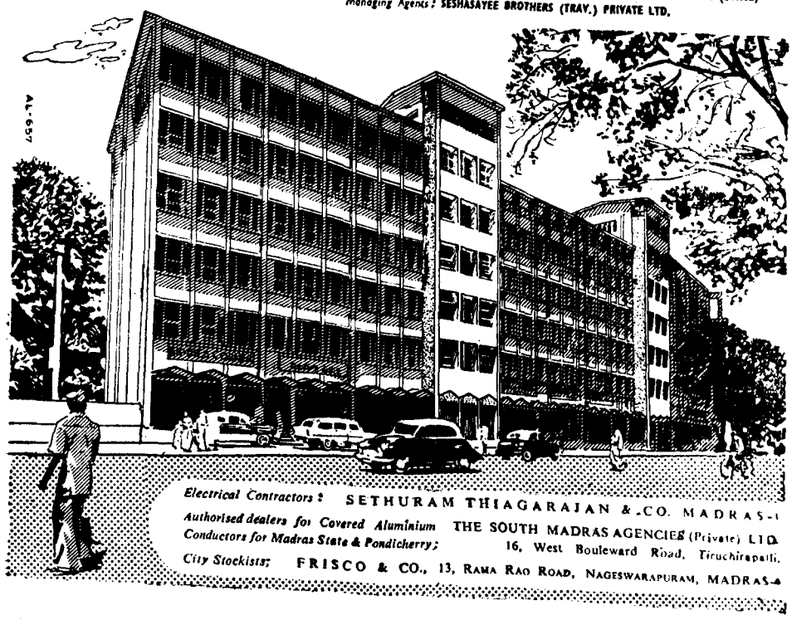
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of the tax. Here again, it must be pointed out, that there is a snag which results in discrimination against the States. In terms of the convention, the States are to be reimbursed or compensated for the merger of the tax by an annual payment of Rs. 12.50 crores on the basis of the actual collections in 1958-59 and 1959-60. Actually what would happen is that, with progressively increasing passenger traffic, the railways would realize revenue, by reason of the merger, in excess of Rs. 12.50 crores and appropriate the excess to themselves. Here, the analogy of the merger of the sales-tax levied by the States on cotton textiles, tobacco and sugar could be recalled. The fact that analogy is never complete is demonstrated in this case ironically. In the case of these three sales-taxes, they were merged as surcharges on the Central excise duty levied on the three articles. Thus, their identity was retained in the changed form of surcharges and the revenue collections were precisely accounted for. In the case of the railway passenger fares tax, the identity of that tax is to be wiped out and a fixed amount by way of compensation or reimbursement (whatever it may be called) is to be paid to the States and not the full realisations.

Industry

PROBLEMS OF PAPER

THE OVER-ALL production of paper in the country at present still falls short of the demand, but this is not because the industry has not played its part or achieved adequate progress during the past few years. On the other hand, the zeal for knowledge and the pace of spread of literacy among our people have created an unprecedented demand, far in excess of the available supplies. Recognising this, doubtless, Mr. H. P. Singhi, who presided over the 18th Annual General Meeting of the Indian Paper Mills' Association (IPMA) in Bombay, last week, emphasised the need for a sizeable expansion in the productive capacity of the industry and that as quickly as possible. Unlike the cement industry, which seems to regard a three-fold expansion as unthinkable, the paper industry is insisting on at least a three-fold expansion. Indeed, this, Mr. Singhi, said, was the crux of the problem facing the industry today. In this connection, he pointed out how, by the end of the Second Plan period in March, 1961, the Paper industry hoped to attain its output target of 3.50 lakh tons as set by the Planning Commission, despite all its handicaps, and wondered why the target for installed capacity under the Third Five-Year Plan had been set up at only 8.20 lakh tons, instead of at 9 lakh tons, as had been urged by the IPMA so as to ensure an actual output of seven lakh tons. According to Mr. Singhi—and experience has also established this—installed capacity should always exceed anticipated production by a margin of at least 20 per cent to 25 per cent. Accordingly, he was afraid that, if the capacity was limited to 8.20 lakh tons, the actual output might eventually fall short of the target of even seven lakh tons. Further, whatever the programme of development decided upon, he made it clear, could be carried out successfully, only if the Government gave the industry all the necessary facilities, such as, priority in allocations of foreign exchange, etc.

Alluding to the Tariff Commission's recent recommendations on paper prices, Mr. Singhi expressed the view that the officially prescribed prices at which mills have to sell their products, are "uneconomic", in that they are not even enough to cover costs. Elaborating the point, he said this was so, because the prescribed prices now in force were estimated on the basis of costs prior to November, 1958, since when there have been further increases in costs, as, for example, in railway freight, surcharge on raw materials, and prices of waste papers and chemicals, among others. He further felt that the contingency allowance of five per cent allowed by the Tariff Commission to cover any cost increase was hardly enough to compensate for the rise that had already occurred between the time the new prices were announced and the time the officially fixed prices actually came into force, that is at the beginning of this year.

On the highly controversial question of a fair return on capital employed, the retiring President of the IPMA was highly critical. As against the 25 per cent return on capital employed, which the industry had asked for, he complained, the Tariff Commission had allowed only 12 per cent. And he raised the pertinent point as to how the Commission came to estimate 12 per cent as a fair return on capital employed. (12 per cent now seems to be the TC's standard rate). It is needless to say that this 12 per cent is hardly adequate to provide investors with the incentive necessary to put in all the additional capital required by the industry to carry out the expansion programme expected of it during the Third Plan. In addition to this, as Mr. Singhi stated, the depreciation allowances, for income-tax purposes, also were quite inadequate. But, perhaps the worst of all, the turning down of the industry's claim for a separate rehabilitation allowance seems to have created difficulties and this might come in the way of modernisation of equipment. As anyone even with an elementary knowledge of the condition of the Indian paper mill industry will admit, without modernisation, any appreciable increase in our paper production must be ruled out.

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FROM THE CAPITAL'S CORRIDORS

AN INTERESTING EXERCISE !

An interesting exercise is being done in the official circles here to assess how much of the public sector outlay of Rs. 7,250 crores under the Third Five-Year Plan will benefit the Indian economy as a whole, what portion of it will have its direct impact on the rural population and what percentage of it will help primarily the urban areas.

According to one tentative estimate, about 60 per cent of this outlay is likely to benefit the economy as whole. Thirty per cent of the outlay will have its impact on the rural population and only 10 per cent of the outlay will have its bearing directly on urban areas. This estimate is based on the following calculations:

(1) Almost the whole of the expenditure (Rs. 1,025 crores) envisaged to be incurred during the Third Plan period on agriculture, minor irrigation and community development will help the rural population.

(2) Of the total outlay of Rs. 250 crores earmarked for the development of village and small-scale industries, roughly two-fifths or Rs. 100 crores are expected to be utilised for the development of khadi, village industries, coir industry and sericulture. This expenditure will, therefore, directly benefit the rural population. The remaining Rs. 150 crores will benefit the urban population for that sum is likely to be used for the development of small industries to be set up in industrial estates round small towns.

(3) The whole of the outlay on power (excluding the expenditure to be incurred on electrification of rural areas and towns), Rs. 820 crores, will help the economy in general. The outlay of Rs. 650 crores earmarked for irrigation and flood control and Rs. 105 crores provided for rural electrification (making a total of Rs. 755 crores) will directly benefit the rural population.

(4) The outlay of Rs. 1,500 crores provided for the development of large-scale industries and mining will benefit the entire economy as it will be spent on the expansion of steel plants, setting up of machine-building units and other heavy industrial units and establishment of fertilizers factories.

(5) The outlay earmarked for the development of transport and communications (Rs. 1,450 crores) will also benefit the economy as a whole though its impact on the rural population will be appreciable inasmuch as quite a substantial part of it will be spent on construction and improvement of roads in the countryside, opening of post offices there, and implementation of community listening schemes of the Information and Broadcasting Ministry.

(6) As regards the allocation made in the Third Plan for the provision of social services (Rs. 1,250 crores), it is difficult to estimate the impact of this expenditure separately on the rural population, urban areas and the economy as a whole. Roughly, about Rs. 150 crores out of the funds earmarked for the spread of education are likely to benefit the rural population, about Rs. 210 crores may benefit the economy as a whole and the remaining Rs. 140 crores will cover the schemes which will benefit the urban population. Under "health", schemes envisaging the setting up of primary health units, malaria eradication, supply of water in rural areas and establishment of family planning centres in the countryside will directly benefit the rural population. The schemes envisaging supply of water in urban areas and setting up of urban family planning clinics will benefit the city population. Only about Rs. 120 crores are likely to be spent on schemes relating to hospital services, medical education, control of tuberculosis and leprosy. This outlay will benefit the economy as a whole. Similarly, under "housing", about Rs. 35 crores are likely to be spent for the benefit of rural population on such schemes as building of houses in the countryside and those for plantation labour. The whole of the outlay earmarked for social welfare and uplift of backward classes (Rs. 125 crores) will also help the rural population. Bulk of the outlay under the head "miscellaneous", which include items like rehabilitation, collection of statistics, public co-operation etc., will help the economy in general. The urban sector will benefit directly by building of houses for industrial workers and slum dwellers.

Apart from the above outlay in the public sector, considerable expenditure is expected to be incurred in rural areas by the private sector. As indicated in the Draft Outline of the Third Plan, the following investment may occur in rural areas through private effort: agriculture and community development Rs. 800 crores; village and small industries Rs. 275 crores; social services Rs. 1,075 crores.

THIRD PLAN: STATE OUTLAYS

According to lobby reports, Mr. Morarji Desai, the Union Finance Minister, has ruled out the possibility of any major upward revision of the Third Plan outlay of Rs. 10,200 crores. He is understood to have told the Informal Parliamentary Consultative Committee that the resources position as now envisaged did not permit the taking up of any additional burden. Any substantial increase in the Third Plan outlay, according to Mr. Desai, can only be considered at some future date in the light of production trends, execution of the Plan programmes and course of prices.

The Minister, it is learnt has expressed the opinion that the Central Government could not agree to the proposals of State Governments to increase the size of their Plans even if they promised to find out additional resources. He, however, did not rule out the possibility of some minor adjustments in State Plans, provided they did not come in conflict with the overall scheme of priorities.

Mr. Morarji Desai is also understood to have told the Consultative Committee that there would not be any increase in the Bank Rate for the present.

Meanwhile, the Planning Commission has finalised the pattern of outlay for all the States and the Union Territories for the Third Plan period. The outlay for the various States, with its break-up between their share of expenditure and the Centre's contribution, is as follows:

(Rs. Crores)

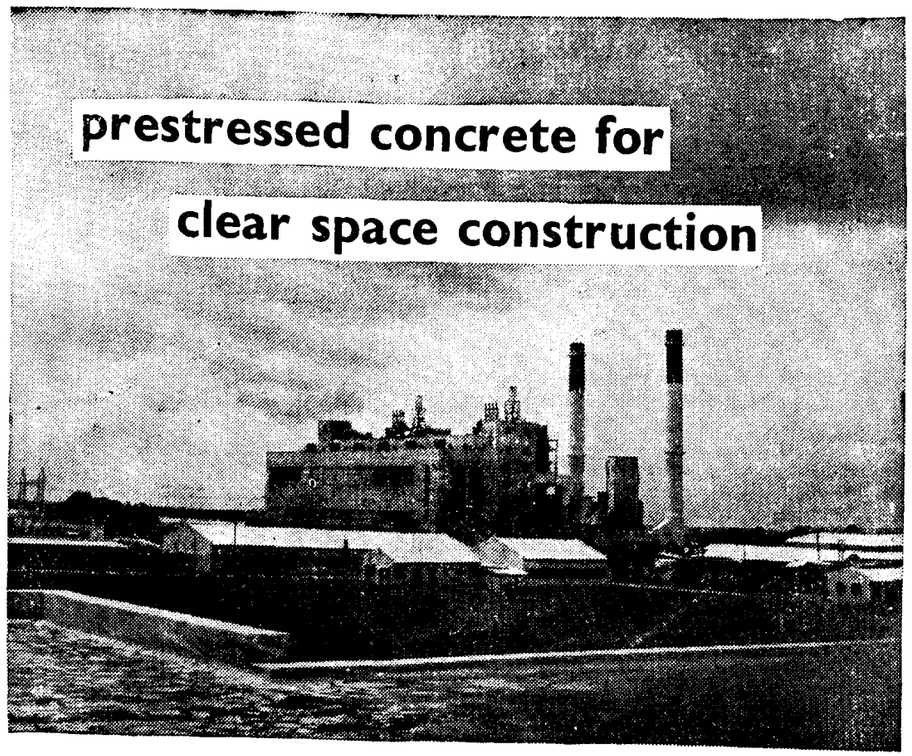
State	Total outlay	State's Share	Centre's Contribution
Andhra	305	105	200
Assam	120	33	87
Bihar	337	119	218
Gujarat	230	122	108
Maharashtra ..	360	205	155
Kerala	170	58	112
Madhya Pradesh ..	300	93	207
Madras	291	101	190
Mysore	250	110	140
Orissa	160	28	132
Punjab	231	97	134
Rajasthan ..	236	80	156
Uttar Pradesh ..	497	147	350
West Bengal ..	250	90	160
Jammu & Kashmir ..	75	13	62
TOTAL ..	**3,812**	**1,401**	**2,411**

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Durgapur Thermal Power Station

Prestressed Concrete Plank Roofing was adopted for the Durgapur Thermal Power Station because of its lightness thus reducing the cost of the foundation and superstructure. It also made rapid construction possible.

A conventional cast-in-situ roof was ruled out because of the unusual height between roof and floor.

The roof area covered was 50,000 sq. ft. The job was completed in about twelve months.

An additional feature is thermal insulation with foam concrete blocks.

Stp

SHALIMAR TAR PRODUCTS (1935) LIMITED

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Agents: The Bombay Co. Private Ltd., Madras-1 R. C. Abrol & Co. (Private) Ltd., New Delhi-1

TSTP 74

The outlays proposed for the Centrally-administered Territories are as follows:

(Rs. crores)

Union Territory	Outlays
Delhi	81.8
Himachal Pradesh	27.9
Manipur	12.9
Tripura	16.3
Pondicherry	6.9
Andaman and Nicobar Islands	9.8
Locadive Island	1.0
N.E.F.A.	7.5
N.E.T.A.	7.5
Total	***171.6***

FORMATION OF EXPORT HOUSES

The Government of India has decided to recognise a limited number of private trading concerns as export houses. A trading firm seeking recognition as an export house will have to contain in its Memorandum and Articles of Association provisions stating:

(a) the range of goods with which it proposes to deal and the countries to which it would be exporting these goods (it is not necessary to limit the export to any one country). The commodities selected shall, as far as possible, be such as are not normally exported, in large quantities, to countries referred to. Further, it will undertake the export of more difficult or non-trading items and to difficult destinations;

(b) that a minimum of 50 per cent of the net profit would be set aside and utilised as trade development reserve;

(c) the aims and objects indicating the policy which will be adopted in the matter of (i) purchase and sale of goods for export, (ii) development of brand publicity in foreign markets, and (iii) arbitration for settlement of commercial dispute;

(d) that in case any Corporation owned by Government is a share-holder in an export house, the Managing Director of the same shall be a person approved by the Central Government (Company Law Deparment) as required under Section 269 of the Companies Act, 1956;

(e) that the Central Government will have a right to nominate a Director on the Board of Directors of an export house, notwithstanding the fact that the Central Government may not hold any shares;

(f) that the Memorandum and Articles of Association shall not be amended without obtaining the concurrence of the Central Government.

The Government will give the following facilities to such a concern:

(i) The recognised export house would be granted incentives and facilities available to individual exporters in accordance with the rules and regulations in force. The services offered by it would be kept in mind in routing foreign trade enquiries or transactions where possible.

(ii) The Export houses would be granted facilities in the matter of rebates, refunds or drawback of duties, preferential freight rates, transport facilities etc., as are available to individual exporters.

(iii) Commercial Representatives of the Government of India abroad would forward to the export house enquiries and reference regarding export of Indian commodities.

(iv) Facilities would be provided to the export house to undertake the study of markets and conduct surveys of consumer tastes in foreign countries.

(v) Whenever possible, representatives of export houses will be included in selected Trade Delegations sponsored by the Government.

(vi) Reasonable facilities would be accorded to the export house to enable it to participate in international fairs and exhibitions.

(vii) The export house will be given reasonable facilities to open branches in foreign countries, if considered necessary.

(viii) Individual barters or compensation arrangements submitted by the export house will be examined on merits and reasonable facilities will be accorded.

IMPORT POLICY

The import programme for the current half-year in respect of six more items has been announced. As expected, imports of these items have also been reduced in line with the overall import policy. Now there remains only one item, cork manufactures (not otherwise specified), the import programme for which has yet to be announced.

Of the six items in regard to which import policy has been announced now, the import of four items, viz., betelnuts, mace, cassia and cinnamon, and cloves, has been linked with the export of groundnut oil and tapioca flour.

Ad hoc licences for the import of betelnuts will be issued to established imporers for a value equal to their entitlement at 2½ per cent of half of their best year's imports on the condition that the licensees will, within six months of the import of betelnuts, export groundnut oil or tapioca flour, either direct or through an Export Council or Association or through an established exporter, at the rate of one ton of groundnut oil or 8 tons of tapioca flour for every 7.5 cwts. of betelnuts.

For cloves, ad hoc licences will be isseud to established importers for a value equal to their entitlement at 5 per cent of half of their best year's imports on the condition that the licensees will, within six months of the imports, effect exports of groundnut oil or tapioca flour at the rate of one ton of groundnut oil or 8 tons of tapioca flour for every 2.5 cwt. of cloves.

In the case of mace, ad hoc licences will be issued to established importers for a value equal to their entitlement of 5 per cent of half of their best year's imports. For every 2.5 cwts. of mace to be imported, two tons of groundnut oil or 16 tons of tapioca flour will have to be exported.

Ad hoc licences for the import of cassia and cinnamon will be issued to established importers for a value equal to their entitlement of 5 per cent of half of their best year's imports of cardamom, cassia and cinnamon. For every 2.5 cwts. of cassia and cinnamon, one ton of groundnut oil or 8 tons of tapioca flour should be exported.

For the import of dates, established importers will be given ad hoc licences for a value equal to their entitlement at 20 per cent of half of their best year's imports on the condition that the licensees, within six months of the date of importation of dates, will effect export of tinned fruits, biscuits and confectionary, cyrups, and juices, pickles, mollases, cigarettes and bidis, etc., upto a value of 50 per cent of the imports.

In all these cases, licensees will be required to give a bond duly supported with bank guarantee for an amount equal to the c.i.f. value of imports for fulfilment of the export obligation.

For import of nutmegs, the established importers' quota will be 5 per cent.

The last date for receipt of applications by the licensing authority for the import of the above-mentioned items will be January 31.

IMPORT OF GOODS FROM PAKISTAN

The Government of India has decided to grant licences for the import of 12 more items from Pakistan as provided for in Protocol No. 1 to the Trade Agreement signed between the Governments of India and Pakistan on March 21, 1960. These twelve items are fresh fruits, betel leaves, dhanicha seeds, chuna khari pearls, eggs and poultry, books and periodicals (in Indian and Pakistani languages), gramophone records (in Indian and Pakistani languages), films exposed (in Indian and Pakistani languages), fish dry and salted, betelnuts, drugs and medicines including Unani and Ayurvedic, and mother of pearl shells.

Protocol No. 1 to the Trade Agreement provides for import of these items from Pakistan against payment in non-convertible Indian rupees.

TRADE PACT WITH INDONESIA

Negotiations for the revision of the trade agreement with Indonesia are expected to take place some time in February-March, 1961. In the meantime, necessary action is being taken to extend the present agreement upto March 31, 1961.

EXPORT OF IRON ORE TO RUMANIA

Negotiations are currently in progress here between the Government of India and a Rumanian delegation for the export of about one million tons of iron ore from here to that country.

TEA EXPORTS TO USSR

India exported 23,261,000 lbs. of tea to the USSR in 1959-60, compared to 29,081,000 lbs. in 1958-59. The Soviet Union only buys from here unblended tea in bulk.

PETRO-CHEMICAL INDUSTRY

An inter-departmental Committee has been set up to evolve a programme for the organisation of petro-chemical industry under the Third and the Fourth Five-Year Plans. The Committee is headed by Dr. G. P. Kane, Senior Industrial Adviser (Chemicals), Ministry of Commerce and Industry. Its other members are: (1) Mr. K. K. Sahni, Joint Secretary, Ministry of Steel, Mines and Fuel; (2) Dr. J. S. Ahluwalia, Chemical Engineer, Ministry of Steel, Mines and Fuel; (3) Mr. K. Vyasulu, Chief of the Industries Division, Planning Commission; (4) Dr. A. Seetharamaiah, Development Officer, Development Wing, Ministry of Commerce and Industry. Dr. Seetharamaiah is the member-secretary of the Committee.

The terms of reference of the Committee are (a) to make an assessment of the types and quantities of materials whose production may have to be organised in petro-chemical industries, (b) to evolve a suitable pattern for development in India in the context of the integrated pattern of production of petro-chemicals in advanced countries, (c) to assess the extent to which aromatic as well as aliphatic raw materials may have to be produced as petro-chemicals during the period 1961-71, and (d) to recommend the pattern of development of petro-chemical industries in the country.

The Committee is to submit its report within four months.

EXPANSION OF DURGAPUR STEELWORKS

A British technical expert is expected here shortly to look into the expansion programme of the Durgapur Steel Plant. After having discussions with him, the Government will get a project report prepared by its consultants on the basis of which it will invite tenders, only from British firms, for the supply of plant and equipment required for this expansion programme. The Indian Steelworks Construction Company (ISCON), it is expected, will be one of the tenderers.

Meanwhile, following the Hoffman Mission's Report, the Western countries have shown little interest in helping India to set up a steel plant at Bokaro.

ALUMINIUM INDUSTRY COSTS

Cost of production of aluminium can be reduced only if the following conditions are fulfilled:

(i) The plant is an integrated one, i.e. reduction of bauxite to alumina and refining of alumina into aluminium is done in the same place and in the vicinity of bauxite deposits.

(ii) The plant is of the minimum economic size, viz., 20,000 tons per annum capacity.

(iii) Electric power is made available at cheap rate.

At present, there is no aluminium unit in the country which fulfils the first two conditions. Units fulfilling these conditions are expected to go into production during the Third Five-Year Plan.

SETHUSAMUDRAM PROJECT

Capt. J. R. Davies R.N.R. (Retired) has been invited by the Government of India to advise her on the navigational requirements of the Sethusamudram Project. This project envisages linking of Palk Strait and the Gulf of Mannar by means of a shipping canal. When completed, it will help in avoiding long trips round Ceylon and would result in shortening the distance between the east and the west coasts by about 360 miles, with consequent saving in time of voyages upto a day and a half.

BOMBAY HARBOUR ENTRANCE CHANNEL

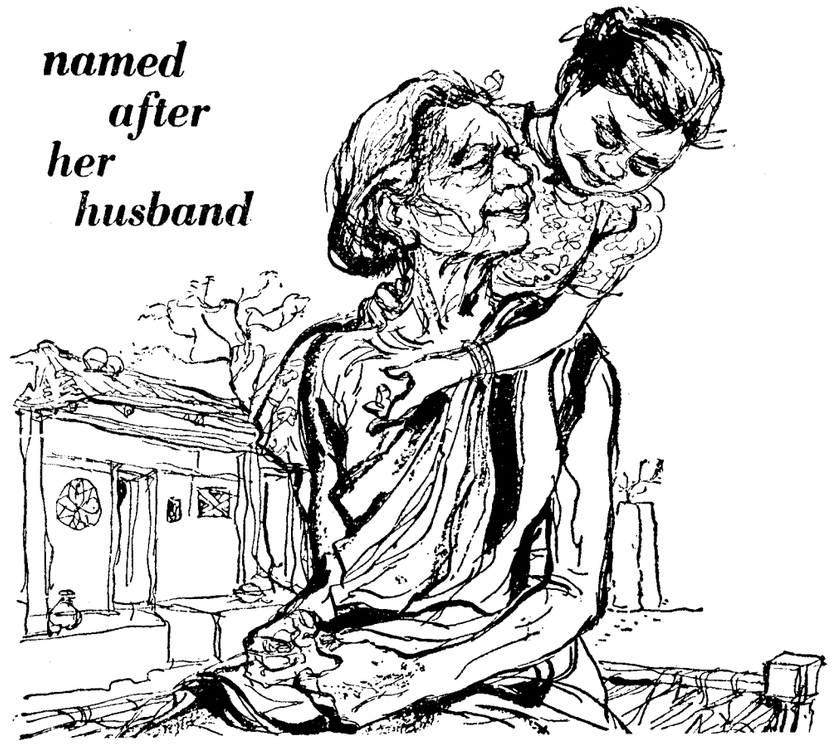
A three-phase scheme has been prepared for the dredging of the Bombay harbour entrance channel. The first two phases, covering the middle and the northern portions of the channel, will be executed by contract dredging and the third phase, covering the southern portion of the channel, which is not considered to be so urgent, is likely to be executed departmentally after the new dredger, at present being built for the Bombay Port Trust in the Netherlands, is received. The governing depth in the entrance channel at present is 30 feet. It is proposed to dredge the channel to a depth of 33 feet. In addition, an anchorage, dredged to a depth of 38 feet, will be provided to accommodate three deep-draft tankers.

On the basis of the model experiments conducted by the Central Water and Power Research Station, Poona, two sites—one off the Thal Reef and the other off the Prong Reef near the mouth of the harbour—have been selected for the disposal of the spoil in the flood and ebb tides respectively.

PLANTATION INDUSTRY WAGE BOARD

The Government of India has set up a Wage Board for the Plantation Industry "to work out a wage structure (for the industry) on the principles of fair wages, as set forth in the report of the Committee on Fair Wages, as far as practicable." The Board consists of Mr. L. P. Dave (Chairman), two independent members, Mr. T. Manaen, M.P. and Dr. R. Balakrishna, two employer's representatives, Mr. L. T. Carmichael and Mr. J. B. Soutar, and two workers' representatives, Mr. G. Ramanujam and Mr. B. Bhagwati, M.P.

In addition to the consideration relating to fair wages, the Board, while fixing the wage structure,



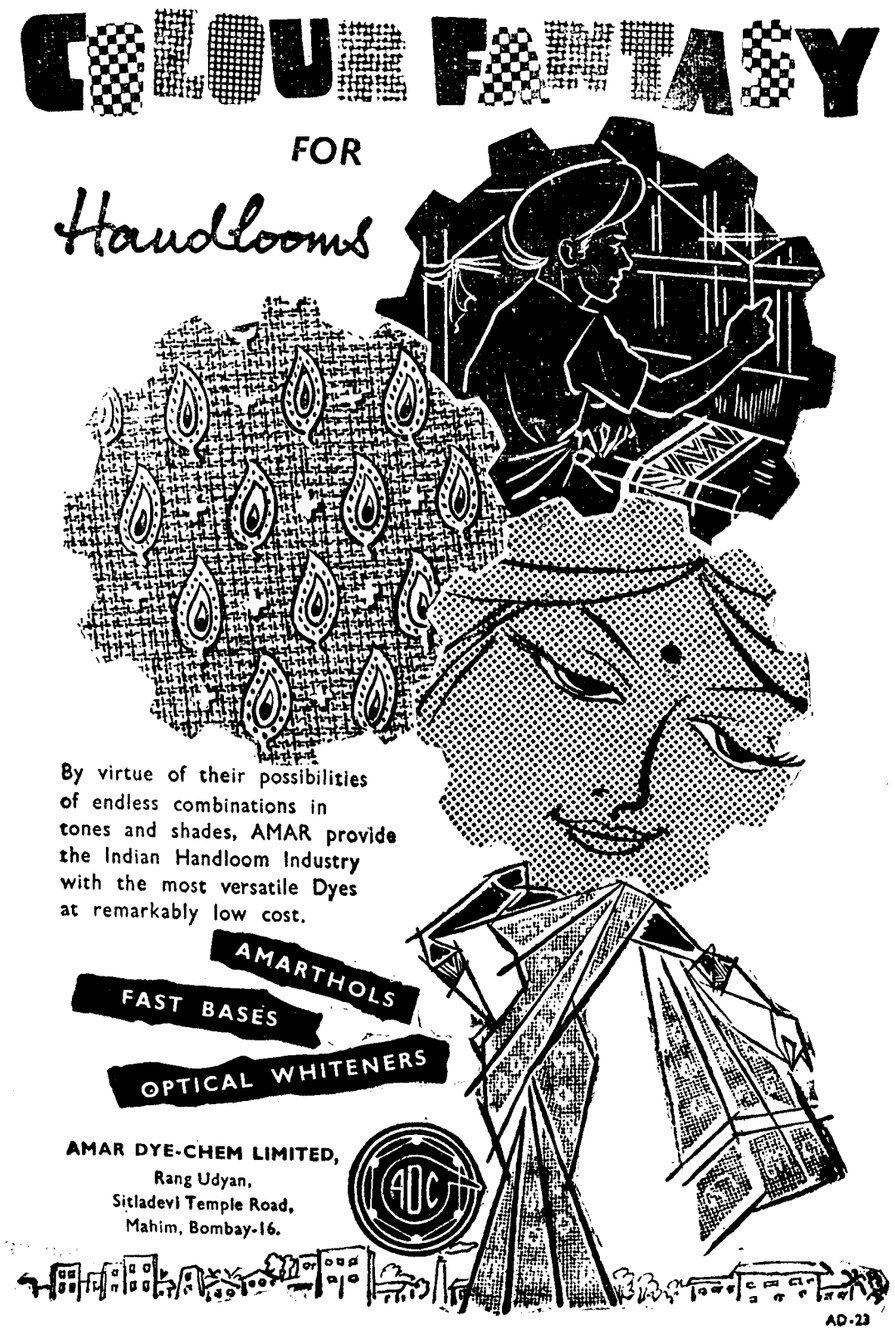
Last year, 61-year old Lakshmi Hansda retired from the Jamshedpur Steel Works which she and her late husband, Sitaram Hansda, joined as a young Adivasi couple shortly after the first steel ingot was cast in 1912. The family connection with the Steel Works is maintained through two of her three sons who work there.

Lakshmi and her family — sons, daughters and grandchildren — live in the same area in Jamshedpur where she first set up her home on arrival from a Ho village in Seraikella nearly 50 years ago. That once-desolate spot is now a busy, bustling Adivasi community, with clean huts, roads, water supply and a primary school and is named Sitaramdera in memory of Lakshmi's husband.

Like men and women from other parts of India, Adivasis have found a happy home in Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR
THE STEEL CITY

The Tata Iron and Steel Company Limited



will take into account (i) the needs of the industry in a developing economy, (ii) the system of payment by results, (iii) the special characteristics of the industry in various regions and areas, (iv) the various categories of workers to be covered (this may be according to the definition of workmen given in the Industrial Disputes Act,) and (v) the working hours in the industry. Whenever applying the system of payment by results, the Board shall keep in view the need for fixing a minimum (fall-back) wage and also the safeguards against over-work and undue speed. The headquarters of the Board will be located at Calcutta.

PACKAGE PROGRAMME

The Intensive Agricultural District Programme, popularly known as the Package Programme, has been launched as yet only in three districts out of the six in which it was expected to be launched in the beginning of the current rabi season. The three districts where it has been implemented are Pali (Rajasthan), West Godavari (Andhra Pradesh) and Shahabad (Bihar). In Ludhiana (Punjab), Aligarh (Uttar Pradesh) and Raipur (Madhya Pradesh) arrangements are being made to implement the Programme partially during the current rabi season and fully from the next kharif crop.

A training course for the officials who will be incharge of implementing the Programme, began at Nilokheri last week. Both Mr. S. K. Patil, the Union Food and Agriculture Minister, and Mr. V. Shankar, Special Secretary, Food and Agriculture Ministry, told the project officers that this concentrated attempt to deal with the problem of food production was so full of promise and so vital to the country's economy that there was no room for any dilatory or half-hearted measures. They stressed the need of making the scheme a success.

Requirements of nitrogenous and phosphatic fertilizers of the districts covered by the Programme are being met through indigenous production and special imports. Supply of good quality seeds to the farmers has also been arranged.

The Reserve Bank officials connected with the Programme have already visited Ludhiana, Aligarh, and Pali to examine, in consultation with the local co-operative bank officials, the question of building up a proper credit structure for meeting the needs of these districts. They will be visiting West Godavari, Shahabad and Raipur districts within the next one or two months. The Central Government has also communicated to the State Governments its decision in matters such as State participation in the share capital of the primary agricultural societies in these selected districts and the contribution to be made by the Government to the bad debt funds of the primary co-operative credit societies and Central co-operative banks to make more resources available for agricultural purposes.

All the State Governments concerned, it is understood, have communicated to the officers incharge of the Programme their decision to liberalise the financial and administrative powers, so that the officers may have adequate freedom of action.

BRIEFS

The Durgapur Industries Board is constructing a railway siding which would serve a number of industries around Durgapur, including the Coal Mining Machinery Project. The capital cost of the siding, amounting to Rs. 16 lakhs, is being borne by the Board. The parties using the railway siding will share the annual recurring expenses which will include depreciation charges and interest on capital employed.

•

The Government of Canada has agreed that a portion of the counterpart fund representing rupees generated by the sale of its 1958 wheat gift, equivalent to $10 million, be earmarked for the development of technological institutes for higher studies in this country.

•

It has been decided to establish a regional engineering college at Rourkela during the Third Plan period. The college will conduct degree courses in engineering and will have an admission capacity of 250 students per year.

•

Hindustan Steel Limited has under consideration a proposal to extend the technical consultation agreement with M/s. Krupp Demag in regard to the Rourkela Project.

•

It is proposed to have diesel traction for goods trains on about 3,800 miles of busy sections during the Third Plan period for the movement of coal and raw materials for steel plants and other through freight traffic.

•

The major and medium irrigation projects taken up under the first two Plans, on completion and on full development, would irrigate about 38.51 million acres.

THE BRITISH INDIA CORPORATION LIMITED,
KANPUR
BRANCHES DIVISION
Cawnpore Woollen Mills Branch
New Egerton Woollen Mills Branch
Cooper Allen Branch
North West Tannery Branch
LONDON OFFICE.
BEGG SUTHERLAND DIVISION
SECRETARIES & TREASURERS
The Elgin Mills Co. Ltd.
Cawnpore Textiles Ltd.
Brushware Limited
Cawnpore Sugar Works Ltd.
Champaran Sugar Co. Ltd.
Saran Engineering Co. Ltd.
Secretaries for: Beta Picker & Co. Private Ltd.
Agents for: Royal Exchange Assurance.

COMPANY AFFAIRS

ASHOKA CEMENT LTD.

The directors in the annual report have pointed out that the Central Wage Board for Cement Industry while recommending substantial increase in wages with effect from 1st January, 1960, came to the conclusion that the Industry had no capacity to pay the high wages recommended. The Government accepted the recommendations but gave specific assurance that they would correspondingly increase the ex-works price payable to cement producers covering the additional burden. The implementation of Government's resolution substantially increases the Company's wages and cost of limestone. The directors have indicated that but for Government's assurance about compensation it would not have been possible for the Company to agree to the implementation.

It has been made clear that the retention price allowed for the Company's cement was unremunerative. Representations made to the Government of India for suitable increase in the price of the Company's cement have not produced any results so far. Even the recommendation of the Tariff Commission in the matter of increase in price to the Cement Industry to cover the rise in the pit-head price of coal has not been considered by the Government. The directors feel that the difficult situation confronting the industry is not appreciated by the Government.

The Government of India have requested the Tariff Commission to undertake forthwith a fresh examination of the cost of cement production for the purpose of determining the fair ex-works prices payable to the cement producers from July 1, 1961. The adverse basis of the last price fixation seriously impaired the resources of the Industry. The proper measure should be that the Tariff Commission and Government should fix revised prices on the basis of working conditions as they actually exist and not by application of theoretical capacity or standards of working. The price revision should help alleviate the losses sustained under the current price fixation. The determination of prices on actuals would enable the industry to receive an adequate margin of profit and the working results of the Company would substantially improve.

During the year a significant improvement was brought about in the production capacity.

Calendar year	Production (Metric Tons) Clinker	Cement	Cement despatches
1958	1,15,848	1,19,741	1,18,489
1959	1,35,880	1,63,453	1,57,286
1960 (11 months upto November)	1,50,654	1,58,541	1,56,233

During the year to March 31, 1960, the profit was Rs. 15.89 lakhs out of which a sum of Rs. 6.90 lakhs was separated towards depreciation and Rs. 2.50 lakhs towards general reserve. The directors have recommended the payment of a dividend at the rate of 7 per cent subject to tax per equity share which will absorb Rs. 4.20 lakhs.

THE JAIPUR UDYOG LTD.

During the year to March 31, 1960 cement and clinker production of the Company increased by nearly 2 lakh tons. With this improvement in production, the increase in profits would have been larger but for the higher cost particularly on account of substantial rise in the freight on limestone, the incidence of which is very high in the case of this Company. A breakdown in a turbine affected production in the current year which would otherwise have been substantially higher. A new Turbine of 4200 KW is being installed as a stand-by till the expected power supply from Chambal is available. The Company has been experiencing acute difficulty about proper quality of coal. The position has deteriorated with the Government's revised grade-wise allocation of coal under which the grade and size of coal for cement industry has been considerably lowered. This creates difficulties in working and hampers production due to lower power generation on account of unsuitable quality of coal. This has also resulted in increased consumption of coal and consequent increase in production costs. The directors are hopeful that the Government and the Tariff Commission would take notice of the position.

During the year under review cement sales increased considerably to Rs. 5.97 crores against previous year's figure of Rs. 3.79 crores. In line with sales the gross profits also recorded an increase at Rs. 104.74 lakhs against the previous years Rs. 78.2 lakhs. After making allowances for depreciation and development rebate reserve, the directors have recommended the payment of a dividend at the rate of 6 per cent subject to tax on ordinary shares of Rs. 10 each.

GANGES MANUFACTURING CO. LTD.

Jute prices in April, 1959 were the lowest during the year under review. However, when it became known that the Jute crop of 1959-60 would be smaller than estimated, the prices started rising and at the close of the year i.e. end of March 1960 the prices had risen by approximately 50% as compared to the beginning of the year.

During the year to March 31, 1960 the company recorded a new figure of profits of Rs. 28.59 lakhs, the highest for the last seventeen years. It has been possible not only to wipe off the entire loss brought forward from the previous years but also to provide for the full arrears of dividend on the Cumulative Preference Shares due for the last three and half years as also for the current year. Furthermore the directors have recommended a dividend on Ordinary Shares at 10 per cent—a rate which has not been available to the holders of Ordinary Shares over the last thirty years.

Out of a gross profit of Rs. 28.59 lakhs, provisions were made for depreciation, taxation, development rebate reserve and general reserve so that balance came to Rs. 11.16 lakhs and a dividend at the rate of 10 per cent per annum was paid on ordinary shares. The Dividend on Preference Shares for the year under report has been recommended subject to deduction of tax pursuant to the provisions of the Finance Act, 1960. However, the Directors have recommended that the preference shareholders may be paid such further dividend as may become payable on enactment of the Preference Shares (Regulation of Dividends) Bill.

HEAD, WRIGHTSON INDIA LTD.

A well-known British engineering firm which has had close links with India for many years is forming a new subsidiary with administrative headquarters in Calcutta. Head, Wrightson & Co. Limited, of Thornaby-on-Tees, County Durham, has announced the registeration of Head, Wrightson India Limited, which will act as contracting company for the supply—as far as possible from Indian sources—of various types of plant to the designs of the parent company. Head, Wrightson is at present playing an important part in the Durgapur Steelworks project, and is supplying all the iron-making plant together with much of the ancillary equipment.



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COMMODITY NEWS AND NOTES

EXPORT OF BENGAL DESHI COTTON

The Government of India have decided to allow for export a quantity of 50,000 bales of Bengal Deshi Cotton of 'Superfine and Above' in grade, valid for shipment up to August 31, 1961. A quantity of 2,500 bales out of the 50,000 bales is ear-marked for distribution among co-operative societies situated in areas growing such cottons and the balance will be licensed on a 'First Come First Served' basis, on presentation of shipping bills, subject to an individual quantitative ceiling of 10 per cent of the quantity allowed. Apart from other conditions, it is laid down in the trade notice under issue by the Joint Chief Controller of Imports and Exports, Bombay that each intending exporter shall have sold and delivered, after December 9, 1960 to a cotton textile mill or a factory manufacturing absorbent cotton which are traditional consumers of Bengal Deshi, a quantity equal to the quantity sought to be exported. The relevant trade notice will be issued in due course.

TWO LAKH TONS OF SUGAR RELEASED

The Government of India has decided to release 2 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, Bihar and Punjab, except a small quantity which will be released to each factory for sale to its employees. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Maharashtra, Gujarat, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In case of Punjab and Jammu & Kashmir, allotments will be made direct to the State Governments or to their nominess. Allotments to Delhi will continue to be made on the existing basis. Allotments will be made at prices fixed under Notification No. GSR 1112/Ess. Com/Sugar dated September 15, 1960. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

PRODUCTION OF PIG IRON

Maximum productipn of pig iron has been reported from the blast furnace of the Durgapur Steelworks during the month of November. During the period, the total production of pig iron was 35,710 metric tons making an average of about 1,200 metric tons daily while the rated capacity of the blast furnace is 1,000 tons per day. At present only one blast furnace out of the three to be set up is in commission. The second one is expected to go into production shortly. In the steel melting shop production reached a new high on November 26 when 968 metric tons of rollable steel was produced in one day in two open hearth furnaces, which is a creditable performance in relation to the rated capacities of the furnaces. Three open hearth furnaces are functioning at present in the steel melting shop out of eight to be set up.

RECORD RICE CROP FORECAST FOR INDIA

A record rice crop is now forecast for India as well as Japan and a good, though late, harvest is expected in Thailand, says the Commonwealth Economic Committee rice report, issued recently in London. Dealing with production, the report says: "Prospects for the 1960-61 crop appear, in general, to be satisfactory, although unfavourable weather conditions have occurred in parts of Asia and in Europe." India expects the record crop despite the drought and subsequent floods in some areas. In East Pakistan, however, the autumn crop is estimated to be 27 per cent lower than last year's, owing to drought in the early stages of growth. Further floods have occurred in that region. Because of a shortage of rain, the crop in Burma will probably fall a little short of earlier expectations.

In spite of severe weather conditions, the crop in South Korea is estimated at nearly 3,100,000 tons—only slightly smaller than that of last year.

IMPORT OF COPRA AGAINST GROUNDNUT OIL EXPORTS

The Deputy Minister of Commerce and Industry, Mr Satish Chandra, laid a statement on the table of the Lok Sabha when Mr. A. K. Gapalan and three others called attention to 'the situation arising out of the policy of the Government allowing exporters of groundnut oil to import coconut oil and copra'. The statement reads: "Coconut oil is not allowed to be imported and the question of its import by the exporters of groundnut oil does not arise. Groundnut oil has been an important source of earning foreign exchange, which in the year 1955 amounted to about Rs. 21 crores. Though the production of groundnut improved in subsequent years, it became difficult to export groundnut oil on account of high internal prices and severe competition in foreign markets. It was decided sometime ago to link the export of groundnut expeller cake carrying a good margin of profit with the export of groundnut oil to compensate the loss incurred in selling the oil at international prices. The gap between the internal and world prices widened further during the current year and this link of groundnut expeller cake became ineffective.

The landed cost of imported copra is much lower than its local price, so that the actual users or crushers who get import allocations enjoy a high margin of profit. It was felt that part of the profits earned on imported copra, for which appreciable amount of foreign exchange is spent, should also be linked with the export of groundnut oil. Tenders were, therefore, invited to quote the minimum quantity of copra to be imported against export of each ton of groundnut oil. This was done to provide an additional incentive to the usual export allotment of 3½ tons of expeller cake for each ton of oil. The total quantity of lowest tenders, which have been accepted, comes to only 175 tons of copra at the rate of half ton for each ton of groundnut oil to be exported. This quantity is negligible in comparison to the total import of copra which was about 90,000 tons in 1959. It is obvious that the small quantity of 175 tons is not likely to affect the copra crushing industry in any way. Government will, in formulating any scheme for promotion of exports, ensure the supply of imported copra in reasonable quantities to the actual crushers."

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Manufactures: Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108 1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
September 1959 ..	120.6	99.7	116.3	122.6	111.3	109.8	110.0	117.2
October „ ..	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
November „ ..	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
September 1960 ..	123.9	104.5	119.8	138.7	129.5	121.5	122.7	125.3
October „ ..	121.8	113.5	119.9	146.6	130.2	123.8	124.7	126.3
November „ ..	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
5-11-1960 ..	121.0	117.8	119.9	149.9	131.5	124.6	125.6	126.7
12-11-1960 ..	120.8	117.8	120.0	147.9	*131.4	125.1	126.0	126.4
19-11-1960 ..	119.7	117.2	120.1	147.1*	131.5	124.2	125.2	125.5
26-11-1960 ..	119.3	114.5	120.2	146.6	132.0	124.8	125.8	125.3

*Revised.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal Calcutta	U.P Kanpur	Central Provinces Nagpur	Central Provinces Jubbulpur†	Madras June 1936=100	E.P. Ludhiana†	Bihar Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	188*
1959 December ..	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January ..	403	422	304	159	385	460	509	168	441	164	173	168
February ..	399	418	294	161	389	468	511	165	448	167	167	168
March ..	395	414	287	157	392	464	510	165	446	166	168	167
April ..	402	421	288	155	392	463	511	165*	446	162	163*	168
May ..	402	421	295*	153	396	461	510	165*	452	166	163*	170
June ..	403	422	297*	154	399	460	510	165*	462	167	164*	171
July ..	404	423	299*	160	406	484*	515	165*	467	169	164*	174*
August ..	402	421	302*	160	410	484*	515	—	470	169	—	174*
September ..	399	418	—	161	403	485	520	—	472	167	—	174*
October ...	402	421	—	162	396	488	517	—	477	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 9-12-1960 High	Low	Average	2-12-1960 High	Low	Average	25-11-1960 High	Low	Average	18-11-1960 High	Low	Average
Gold (per 10 grams) ..	115.05	113.75	114.48	116.10	114.40	115.10	116.00	115.45	115.69	115.75	114.30	114.88
Silver (per kilogram) ..	196.50	194.10	195.43	196.65	195.55	196.32	195.70	194.35	195.11	195.85	194.60	195.20

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	454,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117.76	329,65	447,41	28.79	1,30,06	975,96	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333,83	1,750,77
Average of Fridays										
Sept. 1959 ..	1,658,75	24,40	1,683,16	117,76	163,01	280,77	16,68	136,13	1,266,26	1,683,16
October „ ..	1,674,25	19,70	1,693,95	117,76	163,01	280,77	16.57	135,67	1,277,51	1,693,95
Nov. „ ..	1,690,83	20,51	1,711,34	117,76	163,01	280,77	16.41	133,90	1,296,68	1,711,34
Sept. 1960 ..	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.30	131,80	1,437,70	1,810,26
October „ ..	1,806,43	16,56	1,823,00	117,76	123,01	240,77	13.21	130,37	1,451,87	1,823,00
Nov. „ ..	1,816,70	18,32	1,835,02	117,76	123,01	240,77	13.12	129,70	1,464,55	1,835,02
Week-Ending										
11-11-1960 ...	1,827,22	14,50	1,841,72	117,76	123,01	240,77	13.07	'128,89	1,472,06	1,841,72
18-11-1960 ...	1,820,31	22,35	1,842,66	117,76	123,01	240,77	13,07	129,84	1,472,06	1,842,66
25-11-1960 ..	1,810,97	22,65	1,833,62	117,76	123,01	240,77	13.13	130,79	1,462,06	1,833,62
2-12-1960 ..	1,828,11	24,00	1,852,11	117,76	123,01	240,77	13.00	129,28	1,482,06	1,852,11

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other assets
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,79	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19.85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51.82	13,60
1957-58* ..	54,61	11,28	81,90	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,81	25.57	28,23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
Sept. 1959 ..	61,55	20,48	78,06	120,78	280,88	65,03	430,91	24,51	4,30	20,60	17,35	76,50	278,28	9,36
Oct. „ ..	58,32	18,90	76,83	118,73	272,78	69,69	427,47	19,82	27,98	22,48	20,23	84,61	242,36	9,99
Nov. „ ..	50,55	20,41	81,23	119,16	271,35	78,47	434,82	20,60	13,19	39,88	23,77	83,31	243,33	10,75
Sept. 1960 ..	67,44	30,26	108,27	92,64	298,59	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85	12,03
Oct. „ ..	56,65	28,05	104,94	89,43	279,07	85,39	449,45	16,64	14,98	18,33	29,93	125,78	231,40	12,40
Nov. „ ..	62,29	14,72	100,64	89,46	267,10	97,00	449,10	18,41	10,53	17,49	32,85	120,42	236,37	13,06
Week-Ending														
11-11-1960 ...	53,61	14,86	105.09	88,98	262,54	101,68	449,21	14,58	19,95	18,10	34,81	125,99	223,04	12,74
18-11-1960 ...	53,69	23,49	95,17	86,79	259,13	99,86	443,99	22,43	8,48	16.62	30,28	118,42	234,98	12,83
25-11-1960 ..	67,35	10,32	98,48	89,75	265,91	98,76	449,67	22,74	6,00	16,96	31,39	114,50	244,16	13,92
2-12-1960 ..	60,71	11,71	89,78	91,16	253,37	101,42	439,79	24,10	10,22	28,75	35,58	121,15	203,99	16,01

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1952-53 = 100)

Average of weeks ended Saturday	Govt. & Semi-Govt.	Debentures	Preference shares	Variable Dividend Industrial Securities: Total	Tea	Coal	Sugar	Cotton Textiles	Jute Textiles	Cement	Paper
1957-58†	98.3	99.6	88.0	125.4	143.5	89.1	159.7	119.9	63.4	125.2	159.6
1958-59	99.9	100.1	87.2	137.3	145.2	107.1	163.9	113.6	80.2	129.0	184.8
1959-60	101.2	101.2	92.2	155.3	160.1	113.7	178.6	129.2	96.6	136.0	208.9
October 1959	101.7	102.1	93.4	156.1	143.5	111.7	184.0	131.9	98.8	135.9	214.2
Nov. „	101.6	101.9	92.6	157.2	152.1	109.6	186.7	133.6	99.8	134.7	223.4
Dec. „	101.5	101.7	91.7	157.6	156.0	105.4	185.0	134.6	95.1	132.1	213.0
January 1960	101.5	101.7	91.3	158.7	167.4	107.5	183.2	141.5	94.5	135.1	209.2
February „	101.4	101.7	91.2	158.3	165.7	111.2	178.9	139.9	92.9	134.7	206.9
March „	101.3	101.5	91.1	165.0	169.9	117.4	182.9	144.6	96.0	141.9	215.2
April „	101.3	101.3	90.8	166.5	168.4	119.5	184.9	144.5	95.1	142.8	222.6
May „	101.2	101.1	90.1	173.4	169.4	124.0	190.1	148.4	94.0	146.2	233.5
June „	101.1	101.0	89.4	175.3	172.8	122.9	195.3	152.2	94.7	146.1	234.6
July „	101.2	101.0	87.3	178.1	170.6	122.9	194.2	159.5	92.4	148.9	233.5
August „	101.2	100.9	86.9	179.8	170.9	123.3	193.3	161.3	96.8	149.6	236.1
Sept. „	101.2	100.8	86.9	173.6	161.8	119.7	192.5	155.3	92.5	145.5	226.5
October „	101.0	100.7	86.5	166.1	154.8	114.7	188.5	148.3	88.3	140.7	214.7
Nov. „	100.6	100.7	86.2	169.7	157.1	113.8	192.3	147.9	85.6	143.1	218.1
5-11-1960	100.6	100.7	86.2	169.3	155.8	114.5	191.4	148.2	87.1	144.1	216.9
12-11-1960	100.6	100.7	86.3	169.4	157.5	114.0	191.6	148.0	85.7	143.1	216.9
19-11-1960	100.6	100.7	86.2	169.9	157.6	113.5	192.4	147.5	85.1	142.8	218.6
26-11-1960	100.6	100.7	86.0	170.0	157.6	113.1	193.9	147.8	84.5	142.4	219.9
3-12-1960	100.6	100.7	85.8	169.0	157.4	112.6	192.4	146.5	84.5	142.0	219.9

†Average of 40 weeks.

Treasury Bills

GOVERNMENT OF INDIA TREASURY BILLS

(In lakhs of rupees)

Period	Transactions with the Public: Amt. offered	Amt. tendered	Total Sales (4+5+6)	Amt. sold by tender: Against maturing Treasury Bills	Against Cash	Sales of Intermediate Treasury Bills	Amt. discharged	Sold in favour of Reserve Bank	Total Amount outstanding*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951-52	—	—	—	—	—		—	1,335,50	314,34
1952-53	42,00	65,60	42,00	1,17	40.83		30,00	1.233,09	315,29
1953-54	56,50	91,38	56,50	3,46	53,04		56,50	1,309,06	334,95
1954-55	23,50	37,97	23,50	38	23,12		23,50	1,523,81	471,87
1955-56	55,50	86,25	55,50	2,60	52,91		54,50	1,994,09	595,25
1956-57	1,00	1,03	1,00	—	1,00		14,00	2,737,58	835,70
1957-58	—	—	—	—	—		—	4,236,65	1,295,12
1958-59	81,00	122,06	86,79	4,01	76,99	5,79	61,29	4,644,56	1,225,32
1959-60	102,00	122,40	139,25	32	101,68	37,25	138,52	5,011,87	1,297,60
May 1959	10,00	10,85	10,00	—	10,00	—	10,50	417,28	1,317,88
June „	8,00	9,33	8,24	—	8,00	24	8,00	396,28	1,330,71
July „	9,00	13,90	18,20	—	9,00	9,20	10,00	726,44	1,305,32
August „	8,00	9,05	10,36	—	8,00	2,36	8,00	241,38	1,330,28
Sept. „	9,00	10,19	14,14	—	9,00	5,14	8,24	329,97	1,325,14
Oct. „	10,00	13,66	20,30	—	10,00	10,30	18,20	666,92	1,283,08
Nov. „	8,00	14,95	15,50	—	8,00	7,50	10,36	273,40	1,320,23
Dec. „	8,00	8,40	8,28	32	7,68	28	16,14	193,92	1,176,13
Jan. 1960	8,00	8,07	10,06	—	8,00	2,06	18,30	727,72	1,228,87
Feb. „	8,00	8,00	8,12	—	8,00	12	15,50	247,42	1,195,51
March „	8,00	8,00	8,05	—	8,00	5	8,28	300.24	1,297,60
April „	10,00	10,79	12,01	—	10,00	2,01	10.06	686,24	1,262,08
May „	8,00	9,12	9,30	—	8,00	1,30	8,00	277,72	1,293,56
June „	8,00	8,27	13,34	—	8,00	5,34	8,00	277,27	1,275,88
July „	8,00	8,02	8,00	—	8,00	—	10.00	617,42	1,181,52
August „	8,00	8,26	9,52	—	8,00	1,52	9,30	253,29	1,149,49
Sept. „	6,00	6.50	6.15	—	6,00	15	15,34	244,83	1,122,01
Oct. „	10,00	11,90	10,08	—	10,00	8	6,00	622,24	1,141,11

* At the end of the period.

COMPOSITION OF INDIA'S FOREIGN TRADE

Exports

(Rs. Lakhs)

Selected Commodity Groups	Jan.-Mar. 1959	Jan.-Mar. 1960	Apr.-Sept. 1959	Apr.-Sept. 1960
1. Food				
Fish fresh or simply preserved	1,35	1,17	2,99	1,97
Fish and fish preparations	11	5	10	9
Fruits and nuts fresh (not including oil nuts)	3,93	4,68	8,61	10,29
Dried fruits	7	10	8	10
Fruits preserved and fruit preparations	1	1	4	4
Vegetables fresh and dry	73	1,09	1,72	1,59
Vegetables preserved and vegetable preparations	62	15	32	22
Sugar	1,07	24	1,24	46
Coffee	1,33	1,41	3,84	3,18
Tea and mate	20,11	23,22	56,26	46,52
Spices	2,03	6,34	4,00	6,81
Feeding stuff for animals	4,34	6,00	8,53	6,14
TOTAL OF (1)	36,07	44,82	88,53	78,23
2. Beverages and Tobacco				
Tobacco unmanufactured	4,66	5,34	7,32	8,26
Tobacco manufactures	14	23	50	57
TOTAL OF (2)	4,81	5,56	7,83	8,83
3. Crude materials, inedible				
Hides and skins undressed	2,63	3,17	4,90	4,59
Oil seeds, oil nuts and oil kernels	1,61	1,33	57	1,55
Wood, lumber and cork	60	60	89	1,22
Silk	3	6	14	16
Wool and other animal hair	2,66	2,65	5,80	3,93
Cotton	4,79	2,92	8,69	4,49
Jute, including jute cuttings and waste	—	22	1,86	2
Crude minerals	2,95	2,79	6,21	6,40
Iron ore and concentrates	2,50	4,41	6,91	7,20
Iron and steel scrap	76	1,16	2,34	3,06
Ores of non-ferrous base metals	4,74	3,98	8,10	9,27
TOTAL OF (3)	29,04	29,72	57,50	52,64
4. Mineral Fuels and Lubricants				
Coal, coke and briquettes	1,36	1,25	2,38	1,63
TOTAL OF (4)	2,25	2,54	3,82	3,48
5. Vegetable oils and fats				
Animal oils and fats	1	—	—	—
Vegetable oils	1,23	2,17	6,33	6,14
Oils and fats preserved	17	17	49	64
TOTAL OF (5)	1,40	2,34	6,85	6,78

COMPOSITION OF INDIA'S FOREIGN TRADE

Exports—Contd.

(Rs. Lakhs)

Selected Commodity Groups	Jan.-Mar. 1959	Jan.-Mar. 1960	Apr.-Sept. 1959	Apr.-Sept. 1960
6. Chemicals				
Inorganic chemicals	3	3	5	8
Organic chemicals	12	23	28	37
Pigments, paints and varnishes	4	7	15	12
Medicinal and pharmaceutical products	17	25	42	49
Essential vegetable oils	39	73	98	1,97
Perfumery, cosmetics and soap	11	12	25	19
TOTAL OF (6)	1,12	1,54	2,42	3,46
7. Manufactured articles				
Leather	5,24	7,08	15,12	12,39
Rubber manufactures	4	11	13	16
Paper and paper-board	18	14	28	26
Textile yarn and thread	2,75	2,84	4,80	5,07
Cotton fabrics, grey (unbleached)	5,82	8,30	14,06	14,97
Cotton fabrics other than grey (bleached, dyed, printed, etc.)	6,69	7,15	13,52	13,44
Hessian cloth	16,03	15,51	31,57	34,61
Jute hessian new bags	1,45	1,64	3,19	5,21
Jute sacking bags (new)	4,26	5,59	13,43	15,28
Fabrics of synthetic fibre	1,93	1,02	1,29	2,85
Floor coverings and tapestries	2,11	2,13	4,64	4,39
Cement	33	21	45	34
Glassware	4	7	12	11
Iron and steel	54	41	77	4,59
Copper	—	1	4	3
TOTAL OF (7)	52,71	58,20	115,83	130,25
8. Machinery and transport equipment				
Machinery other than electric	25	38	64	87
Electric machinery, apparatus and appliances	19	38	32	51
Road motor vehicles	1	2	3	6
Road vehicles other than motor vehicles	1	1	2	4
Aircraft	—	2	10	11
TOTAL OF (8)	47	82	1,11	1,61
9. Miscellaneous manufactured articles				
Furniture and fixtures	10	9	17	11
Travel goods, hand bags, etc.	18	11	36	20
Clothing (except fur clothing)	29	23	43	48
Footwear	86	87	1,23	1,53
Exposed cinematographic films	29	42	83	92
Printed matter	17	18	55	46
TOTAL OF (9)	2,57	2,71	5,50	5,78
Grand Total (incl. others)	134,35	153,01	297,64	298,67

DIRECTION OF INDIA'S FOREIGN TRADE

Exports

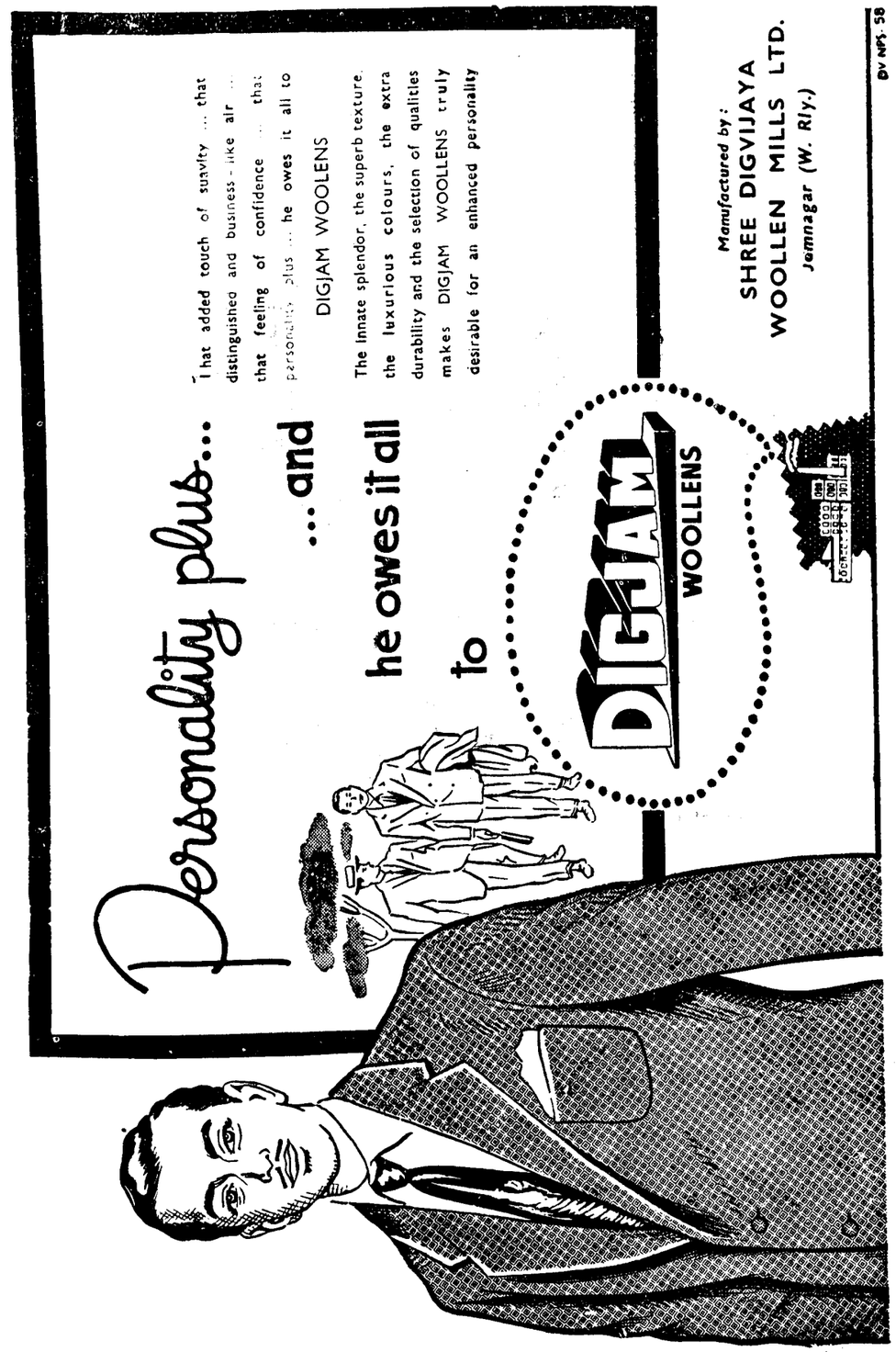
(Rs. Lakhs)

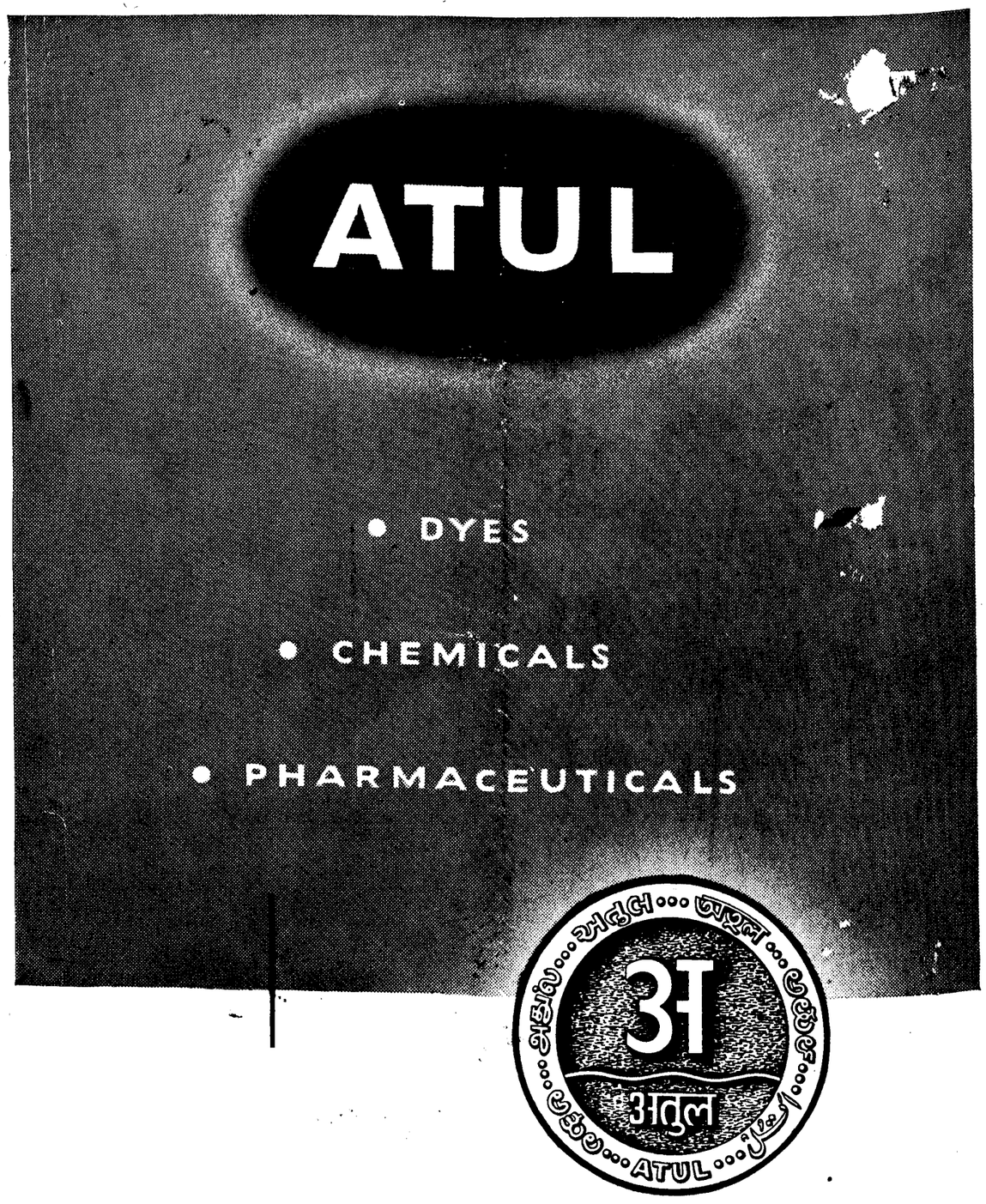
Selected Countries	Jan.-Mar. 1959	Jan.-Mar. 1960	Apr.-Sept. 1959	Apr.-Sept. 1960
Aden	1,68	1,29	2,42	2,48
Afghanistan	1,34	1,56	1,67	2,56
Argentina	1,10	1,82	5,00	4,10
Australia	4,55	3,93	9,93	12,03
Austria	4	3	14	13
Belgium	92	1,51	2,27	2,07
Bahrein Islands	60	43	1,08	80
Bulgaria	7	2	15	13
Burma	2,22	2,18	5,22	3,41
Canada	4,20	4,19	7,54	8,13
Ceylon	4,89	5,07	11,44	8,73
China	17	38	4.42	4,88
Cuba	14	7	1,14	2,05
Czechoslovakia	69	1,57	2,45	2,49
Denmark	50	57	1,34	86
Egypt	2,10	3,59	3,07	5,65
Ethiopia	83	63	1,10	1,16
Federation of Malaya	1,30	1,10	2,29	2,11
Finland	8	5	14	9
France	1,96	1,39	3.66	3,17
Germany, Eastern	77	1,20	99	2,34
Germany, Western	3,66	4,94	9,30	8,42
Ghana	57	55	39	53
Hongkong	98	56	1,50	1,25
Hungary	24	22	28	40
Indonesia	56	1,57	2,61	1,21
Iran	1,01	90	1,73	2,20
Iraq	87	96	1,13	1,52
Irish Republic	1,69	1,67	2,16	1,44
Italy	1,25	1,64	2,80	4,01
Japan	7,82	8,60	18,10	16,92
Kenya	1,13	1,08	2.41	2,39
Kuwait	1,23	1,02	1,72	1,29
Netherlands	1,95	1,95	3,69	2,94
New Zealand	84	1,45	2,77	3,81
Nigeria	83	89	2,01	2,73
Norway	28	33	68	42
Pakistan, West	47	97	1,61	2,19
Pakistan, East	68	1,09	1,60	2,17
Poland	9	1,42	1,57	79
Rhodesia, Northern	6	5	14	7
Rhodesia, Southern	20	25	39	53
Rumania	9	45	1,48	52
Saudi Arabia	90	1,96	1,82	1,46
Singapore	2,38	1,72	3,19	3,23
Sudan	41	1,26	6,52	3,05
Sweden	33	39	58	60
Switzerland	24	12	41	44
Syria	24	21	60	68
Tanganyika	50	50	1,62	1,17
Thailand	76	42	88	1,65
Turkey	1,40	64	1,79	1,50
United Kingdom	33,74	38,83	76,48	74,67
U.S.A.	24,21	25,17	46,36	49,11
U.S.S.R.	6,10	6,36	13,77	15,51
Viet-Nam, South	45	33	53	41
Yugoslavia	3	87	1,03	1,93
Total Exports (incl. other countries)	134,35	153,01	297,64	298,67

DIRECTION OF INDIA'S FOREIGN TRADE

Exports

(Rs. Lakhs)





THE ATUL PRODUCTS LTD.
Atul, via. Bulsar,
Western Railway.

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EASTERN ECONOMIST

VOL. XXXV. NO. 26 NEW DELHI: DECEMBER 23, 1960 ONE RUPEE

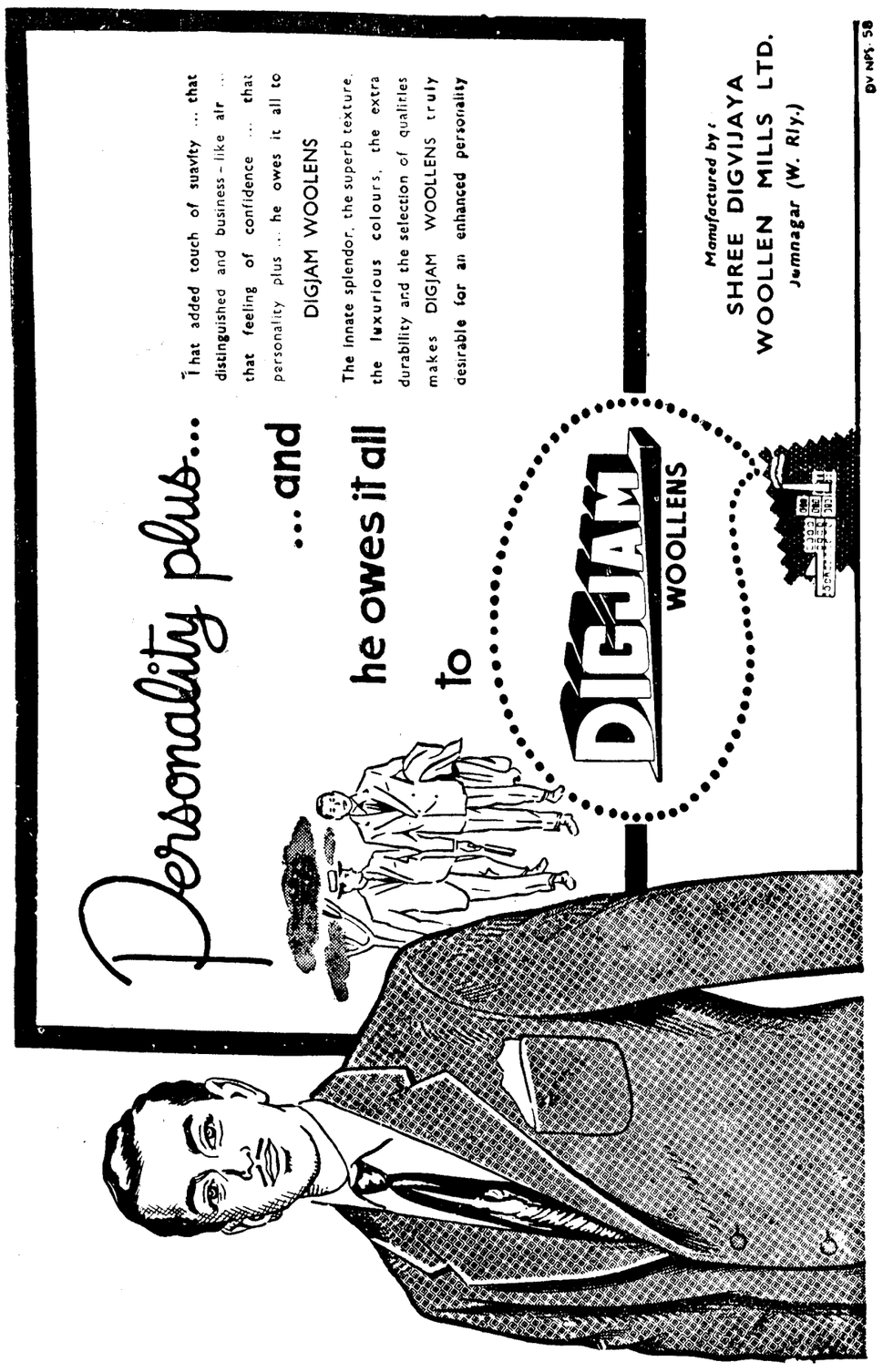
UNDER SECRETARY TO G VERNMENT
27 DEC 1960
PUBLIC DEPARTMENT

NOTICE

There will be no issue of "The Eastern Economist" dated Friday, December 30, 1960. The succeeding issue will be the Annual Number for the current year, "India and North America", priced Rs. 10. The Special Number will be supplied without additional charge to the subscribers on our circulation lists on January 7.

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The Eastern Economist

DECEMBER 23, 1960

United in Balanced Optimism?

THE Annual General Meeting of the Associated Chambers of Commerce of India held in Calcutta this week has served a useful purpose in underlining the extent to which, under the pressure of events, leaders in India's public and private sectors now carry, at least in their speeches, the same refrain. This was particularly happy in the address of Mr. H. M. L. Williams, the President of the Associated Chambers. He paid a warm tribute to Government's achievements in the decade, which can bear repetition. "Government deserves", he said, "great credit for the energy and resource which have been shown in planning and commissioning these gigantic projects—the Steel Works, the Chittaranjan Locomotive Works, Sindri Fertilizer Factory, the Integral Coach Factory, Hindustan Machine Tools and the Hydro-Schemes—which, I think, it is now generally accepted, would have been beyond the ability of private industry to finance in so short a period." Returning the compliment, the Finance Minister paid his tribute to the private sector and emphasized the fact that its opportunities were increasing and should increase even further. He stressed the point that implementation under the Industrial Policy Resolution—as the case of coal had shown—was flexible and there was no intention to divide industries into "two water-tight compartments". There is broad agreement on the size of the Plan, the absence of narrow competition between the two sectors, the willingness to make the most of existing investment, to push on with productivity, and accept the discipline necessary with the current bottlenecks on foreign exchange and the pressure on prices. Against this vast area of agreement everything else might be described as truly marginal.

The marginal differences arise largely in respect of the manner in which inducements should be set out for development of both foreign investment and local incentives; secondly, in respect of priorities which must obtain when foreign exchange threatens to be an almost permanent bottleneck. On the first point, while Mr. Williams' suggestions, both on taxation and on a better climate for foreign investment, were not accepted by the Finance Minister, one might argue that the room currently to manoeuvre is small. Indeed, the President of the Associated Chambers even made his submission on personal taxation "without much hope". It is obviously impossible, in view of the size of the Plan and the political repercussions likely to be raised by reducing taxation on higher income groups, to do very much in the short period. But this is the more reason to make inexpensive gestures for the future. The Finance Minister might well have responded to the point that the remuneration of managements should not be restricted when the rates of taxation are high enough to provide significant ceilings. There are other means of social reform than the use of the Companies Act to restrict managerial remuneration. Top management happens to be the most severe bottleneck on the fulfilment of the Plan; the determination to ignore the workings of the laws of supply and demand will only end in India's losing some of the best talent available on the world market for this top management in very short supply. Indeed, as the President stated, our policy is an inducement for men of high qualification and experience to seek employment in other parts of the world. All this points to that, while taxation must necessarily be high, it must reckon with India's need for foreign capital, to assist in solving the foreign exchange problem, and with the need of some foreign management "to break through" at levels at which we are now encountering great obstacles. The Ministry of Finance and the Ministry of Commerce must recognise that the problem of a true 'take off' raises issues far beyond the colour of the society, which the Congress Party decrees; its faith born out of austerity, or the deep feelings of inequality created by the large paper salaries which managements seem to draw, is unworkable beyond a point. The hard facts of economic life must rise superior to both political and social ideological shibboleths.

A difference on another point, namely, the use of limited foreign exchange, is likely to be less important. Where allocations of foreign exchange are tied to development, obviously no question of choice arises. Mr. Williams did not refer to the

"tied" loans as an element in the criticism that maintenance does not take enough preference over development. The truth is that there are foreign exchange development allocations untied, which can be used for maintenance. There are development schemes which are given high priorities but which have no business to be included in the list when existing capacity is not being utilised. The case of the small car is only one bla.ant instance of waste of foreign exchange, loading the foreign exchange bill with a component which does not "belong". Surely, the Finance Minister should agree that the admission of every single development scheme should be allowed only after the fullest consideration that the national interest is assisted by choosing development in place of maintenance. The Plan is full of doubtful, or at least low priority, cases.

At this particular meeting, the Associated Chambers of Commerce passed three resolu.ions which are central to the whole problem of priorities. These resolutions were on power supplies, transport and communications, and effective implementation of agricultural policy. These migh' be said to be the pivots of good priority and of sound operation of the economy at this time. Every.hing else should be put into cold s.orage until the power, transport, and agricultural bottlenecks are firmly broken. All the country's foreign exchange, if severely limited, must be commit.ed to these ends, and must be seen to be so committed, just as justice must not only be done but also seen to be done. The margin of agreement would be far greater if the Government of India were ready to prepare its schemes of priority and publish them first for general criticism, and then indicate how the na ional interest was, in each case, justified by the priority chosen. Even to exhibit them would produce new assurance that the Government has a lively sense of proportion. To remove "pet schemes" altogether would show both wisdom and imaginative political sense. The Finance Minister's reply would have carried much greater convic.ion if he could assert without doubt that he was sponsoring nothing which did not pass the hardest scrutiny on grounds of essentiality.

I.A.C.: Saturation Point?

THE Indian Airlines Corporation has rightly received high praise for its new and encouraging financial performance in the last official year ended March 1960. A special tribute is to be paid o its top Management, which, under the effective leadership of Air Vice-Marshal P. C. Lal, has accomplished what seemed incredible twelve mon.hs ago. The depressing period of heavy losses has been left behind—probably for all time—and the Corporation has given evidence that the public sector has at times the capacity to so order its affairs that it can hold promise of a new phase of dynamism, both in financial working as well as in tapping of new sales potential. It was certainly a remarkable achievement on the part of the Corporation to reduce the loss of Rs. 103 lakhs in 1957-58 to Rs. 91 lakhs in 1958-59 and then to make a supreme effort to turn the corner and earn a profit of about Rs. 8 lakhs in 1959-60. The fact that this profit is modest is not so important as the fact that the gap beween the loss of the previous year and the profit of the last year is substantial. That is the real measure of its financial success.

The cost per available ton-mile was brought down from Rs. 1.83 to Rs. 1.75. This speaks for the Corporation's improved and effective control over its financial operations. But the key to last year's success is to be found in the striking increase in the capacity operated and to a lesser extent in the rationalisation of the route pattern. It is significant that no additions were made to the fleet last year and consequently one has to look to the aircraft utilization factor for a correct explanation of the expansion of capacity operated. The utilization of the Dakotas (55 units) was held at an average of 1,441 hours per annum in contrast wi.h the peak of 1,506 hours in 1958-59 for reasons of airframe modifica.ions. The Skymasters (5 in all) improved their performance to 2,196 hours, but it was a far cry from their all-time high of 2,574 hours in 1957-58. It is the Vickers Viscounts (10 in an active fleet of 73) which enabled the Corporation to step up the capacity offered.

Since the introduction of Viscounts in 1957-58 they have shown progressive utilization from an average of 2,447 hours to 2,478 hours in 1958-59 and from there steeply to 2,633 hours in 1959-60. The Viscounts now fly all the trunk routes as well as the medium ones, with the maximum load factor, which has very nearly approached the hundred per cent mark. They combine safety with speed and comfort, while their capacity is the largest among the types of aircraft in use. These factors have made them the most valuable assets to the Corporation. Commercial firms and industrial concerns, which cannot afford prolonged periods of absence of their executives on business tours, have found in the Viscount an irresis.ible instrument in their activities. The results are not all happy. Two years ago, bookings were available at short notice, but today even ten days' advance action for booking is likely to turn the client away in despair and resentment. It is of the essence of the service rendered by an airline that it must accommodate the traveller who rushes to it under emergency. This is true of the business client, but it must also be true of the foreign tourist who is now being sadly neglected.

The fact that the saturation point is being reached in so short time must be construed as a serious warning. It threatens not only to stultify the Corporation's progress but set the tempo for air travel in the reverse direction for reasons of dependability. Repeated frustration is most likely to generate a psychological hardening of attitude and seriously undermine preference for the airline. Intensive utilization of aircraft has carried the Corporation's performance to an all-time high, but further strides cannot be made unless more Viscounts are pressed in'o service. The five Fokker Friendships which are due to be delivered by March next year are intended to replace only one-eleventh of the Dakotas. They are no answer to the dearth of aircraft capacity on the trunk routes. Already last year, the Corporation lost two opportuni.ies of placing orders for two second-hand Viscounts. Whe.her the Corporation is responsible for it or the Finance Ministry's red tape is a matter for in'ernal apportionment. The Corporation must buy at least five Viscounts in the immediate future to break the stalemate on the trunk routes.

The cost factor need not deter it. While economies of large-scale operations assure increasing returns, it is short-sighted policy to consume time in cold and cautious calculations. The Corporation and the travelling public must face up to the reality that air fares in India are among the lowest in the world and they provide sufficient elbow-room for stepping up much needed financial resources. Even without this factor of fleet expansion, the Corporation will be constrained to raise its fares. There is a candid and purposeful reference in the last year's report that the wage-bill is bound to be inflated substantially — partly by recruitment of additional staff, but mostly by increases in pay and allowances. One estimate puts the increase at not less than Rs. 40 lakhs per annum. This threatens a saturation point in the Corporation's finances which have just had the initial glimpse of buoyancy. An effective breakthrough cannot be provided by expansion of fleet alone. An increase in air fares is inevitable and nothing less than 10 per cent rise on Viscounts will meet the current critical situation. This choice must be accepted without hesitation as no alternative can be found, but it is justified on strictly commercial grounds as a necessary charge for servicing the capital for additional aircraft.

The Planning Commission, the Ministry of Finance and the Cabinet should come to an emergency decision to buy five additional Viscounts and put them in service before the current tourist season ends.

The Jaipur Statistical Conference

MORE than a hundred eminent statisticians from all over the country assembled at Jaipur between December 15 and 19 to deliberate upon some highly topical statistical problems. Outstanding amongst these may be mentioned the estimation of regional income, analysis of distributive trade throughout the country, new consumer price indices of working and middle classes, and index numbers of agricultural production for States. The discussions at Jaipur demonstrated that there was great urgency about resolving differences speedily and getting Indian statistics into a business-like frame. There was a widely expressed feeling that too much time was being wasted on refinements which ultimately did not produce the anticipated far-reaching difference.

Almost all the participants were agreed upon the need for a set of figures for State incomes compiled by a single agency. Only one of the papers submitted produced estimates, the rest dilated unduly upon the methodological niceties. Many delegates demanded that the papers submitted to the Statistical Conference should concentrate on producing some estimates instead of getting bogged down in statistical refinements. By and large, the definition of the State income as "income originating within the geographical bounds of a particular State" was accepted as the most plausible and convenient defintion that could be used under the circumstances. Suggestions were also made that the State incomes could be built up through the expenditure approach — a line of thought which had not been touched upon in any of the twelve papers on State income which had been presented at the Seminar. Unfortunately, the only agency which can produce useful and reliable estimates at the State level by the expenditure approach is the National Sample Survey. Somewhere in the archives of the N.S.S. lies buried data which could be processed so as to arrive at some useful results which may be of great use to the planners as well as the businessmen. While the consumer expenditure data could be processed through the National Sample Survey, extreme doubts were expressed in regard to the pattern of capital formation at the State level. The all-India estimates of capital formation prepared by the Central Statistical Organisation have got stuck at 1953-54. For reasons unknown, the CSO has not carried forward its series relating to capital formation.

The Central Statistical Organisation has, however, done valuable work in the field of industrial statistics. The time lag in the collection and publication of the census of manufacture statistics has been considerably reduced. It was made known that the census results for all the industries were available for the year 1958. From 1959 onwards the number of industries included in the census was being raised to 63 as against 29. This was necessitated because of the vast expansion which had taken place in the industrial sector. The international classification of data is being adopted from 1959 and this is indeed a healthy change because it will make easy the comparison of Indian industrial growth with other countries.

Precious little seems to have been accomplished in the field of distributive trades. A fruitful suggestion was made at the Conference that a proper use of the sales tax statistical data available at the State level could be made. Directorates of Economics and Statistics at the State level were particularly requested to examine the sales tax data which was readily available from the Sales Tax Departments. It could certainly throw up useful information in regard to the changes in the pattern of income in certain groups of society.

There has been considerable delay in releasing the new series of consumer price index numbers for the middle classes. The survey of middle classes has long been over and it seems that the work has been held up at the processing level. For a number of years, the Pay Commissions have repeatedly asked for data in relation to the movements in the cost of living of the middle classes but have received little help from the official agencies. The Indian Statistical Institute which has the responsibility for processing these results should expedite its processing machinery so as to supply the much-awaited middle class cost of living series.

Thrown into the common pool, official research agencies may gather something of the impatience which the country is developing against ancient figures on the one hand and theoretical faddists on the other. The time is ripe for a quick response to public feeling which, in this case as in others, is perhaps better appreciated by commercial agencies compelled to sell their output in a new competitive market.

A DELHI DIARY

FOUR THINGS, YEA, FIVE

SOLOMON, the wisest of men in his time, delivered himself of a profound observation when he said:

> "There be three things which are too wonderful for me, yea, four which I know not: The way of an eagle in the air; the way of a serpent upon a rock; the way of a ship in the midst of the sea; and the way of man with a maid."

No doubt, had he been living today, he would have found some substitute for the eagle in the air; he might have preferred to talk of jets rather than eagles. But would he not also have added something about the tortuous ways of some politicians? I am daring to add Mr. Krishna Menon to Solomon's list, having just read (for the second time!) Comrade Zorin's approval of Mr. Krishna Menon's performance in the United Nations General Assembly this week. That I am not the only person to be so struck is shown by the fact that Pandit Kunzru, in the Rajya Sabha, made a pointed attack on Mr Krishna Menon to which the Prime Minister's reply has generally been deemed to be extremely inadequate. What on earth has come over the Indian delegation in the United Nations now that it is clasped to the bosom of the Soviet Union and has become a rebel against the Secretariat of the United Nations? Our own officers are operating for the Secretariat and bearing all the burden and heat of the day. It is a nice debating point as to whether or not they are Indian officers or United Nations officers as the verbal technicians (or political technocrats) may say: the fact remains we are criticising ourselves when we criticise the Secretary-General, for we are more than ever responsible for the conditions that prevail there since Indians head both the administrative and military set-ups.

What encourages me to say my piece about Mr. Krishna Menon's behaviour — in Solomon's words too wonderful for me! — is the point that he is now supporting a totally indefensible position. Almost everyone in India knows that the United Nations in the Congo is surrounded by three times its numbers in armed troops. It is, therefore, just not militarily possible for Mr. Rajeshwar Dayal to demobilise Colonel Mobutu and put Mr. Lumumba back on the throne (which is what, more or less, the Soviet Union would like). If India's proposal is not this, what is the point of interference? Is it merely to indicate our capacity to order other people's affairs better than our own? All my friends here were greatly taken aback when Mr. Krishna Menon allowed himself to be rebuked by the Secretary-General exercising his right of immediate reply. My own sympathy is entirely with the Secretary-General of the United Nations. What is his charter or mandate to act in the manner which Mr. Krishna Menon has left delightfully vague? Obviously, there must be some resolution of the United Nations Assembly or the Security Council under which Mr. Krishna Menon deems that the United Nations has the power to carry out raids in the Congolese territory and take charge of the law and order situation rushing in all directions? But if they exist, may I kindly have the appropriate resolutions and mandates? Why is he unable to convince anyone, including the General Assembly, that there has been such a mandate? Even the U.S.S.R. and Comrade Zorin, who now quotes Mr. Krishna Menon with extraordinary approval, can have no proof that the mandate of the Secretary-General has been as sweeping as proposed. And if he has the mandate, who has provided him with the forces with which to implement it? There are not a few of us who feel that, under extreme pressure, the Secretary-General may be goaded into getting out of the Congo saving nobody's face, but his own. This will be a momentous defeat for India which has headed both the administrative and military wings.

COMRADES ALL

I am not myself extremely worried about the Congo though there are a large number of people who are so obsessed with the "do good elsewhere" philosophy that they cannot bear to think of a single unfortunate incident in which India's moral integrity is not somehow involved. Most of us are far more concerned about our neutrality, which is dangerously under suspicion, since Mr. Krishna Menon is roundly attacking the West, while Comrade Zorin seems to be hugging the leader of our delegation to his expansive breast. The Prime Minister cannot fail to see that the feeling has become widespread that we are now almost entirely in the Congo in the Russian camp. Is it not time to restore the balance?

AND NEPAL

My friends — who must be a reactionary lot — were also taken aback considerably by the Prime Minister's somewhat uncertain remarks on Nepal. If, as he said, we did not have sufficient information, surely we should refrain from passing judgment on King Mahendra's action. He has contrived to give the impression that he is taking the side of the dismissed Prime Minister. My friends keep on asking whether India is to subsisit on these high moral principles, or is she to consider the hard facts of political life? The truth now is that power vests with the King; it is vital that India should have a firm ally in Nepal. Again, in Sikkim and Bhutan we have non-democratic systems with which we are in "complete" alliance. Why should we find Nepal alone such a difficult situation. Obviously, the Prime Minister has made a serious error in appearing to criticise the King's action. It has assisted anti-Indian feelings in Kathmandu. Obviously, the error has to be corrected forthwith.

CURTAIN ON BERUBARI

At the time of writing, the Rajya Sabha is still dealing with the Constitution (Amendment) Bill on Berubari, but the political prophets tell me that all will be well in a day or two. If this is so, the curtain is best rung down on that affair, though it must be admitted that even at the moment of his success, the Prime Minister has made one or two damning admissions. The first is that he did not know that there were so many refugees in Berubari and, secondly, that a constitutional amendment was necessary for him to act as proposed. Meawhile, the Berubari Committee is determined to go to the Supreme Court again on January 2, thus carrying this controversy unhappily into the New Year.

A HAPPY NEW YEAR

The new year is not likely to be — both on the political and economic fronts — a very propitious one. I say this without consulting my astrologers, unless the economic prophets can be so described. Meanwhile, since "The Eastern Economist" has no issue on the 30th December and the next issue is the Annual Number, in which I am forbidden to appear, may I wish, on behalf of "The Eastern Economist", all readers of this Diary a very happy and prosperous New Year!

ARGUS.

The Human Touch

Humanism has been defined as devotion to human interests. You are certainly entitled to receive the necessary attention.

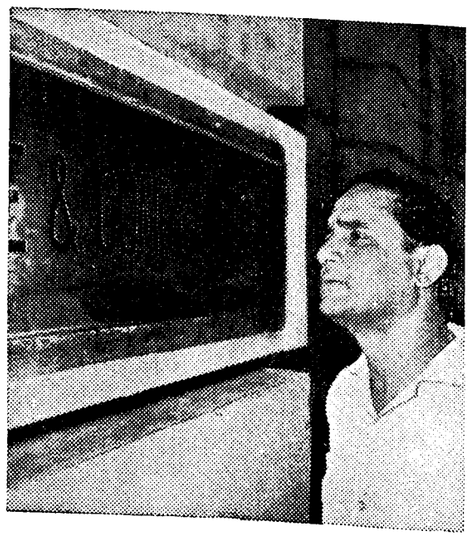
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THE WEEK'S NOTES

The Akali Agitation

A GRAVE DEVELOPMENT

SANT FATEH SINGH'S action is going on a fast unto death marks a grave development in the Akali Agitation for the creation of the Punjabi Suba. There cannot be any doubt that it will create nation-wide concern inasmuch as it is not only deplorable but fraught with sinister consequences. Potti Sriramulu's death by fasting which set the conflagration in Andhra, ultimately leading to the creation of the Telugu speaking state, cannot by any means be invoked as a precedent. A very delicate problem is posed before the Punjab Government and the Centre, but they have to be firm in safeguarding the bigger national interest on this frontier of India. One fact at least cannot be ignored that the demand for the creation of Andhra State was practically a unanimous demand of the people of the region, whereas the demand for the Punjabi speaking State emanates essentially from the Sikhs and its character as a demand for a communal state stands.

The Punjab Government is following a policy of responsive concessions to the demands of Sikhs. The modifications introduced in the Regional Formula recently as well as the action of the Punjab Government in going full speed ahead with the plan to set up a Punjabi University in the State are eloquent proofs of this policy. The fast unto death in question, if unfortunately it is carried out, is likely to touch off statewide disorder. The issue is surcharged with intense emotion and considerations such as those of martyrdom might add to the complexities of the situation. It is to be sincerely trusted that Akali leaders themselves would strain every nerve and pursuade Sant Fateh Singh to give up his fast. The Punjab Government has shown extreme tolerance is not taking strict action, dictated by considerations of law and order. Ample proof has been forthcoming that the Akali agitation is being guided from within the precincts of Sikh gurdwaras. Preservation of law and order requires that the police should deal with these centres of the direction of the movement as any other trouble spots. The Punjab Government has stayed its hands obviously in order not to hurt religious susceptibilities of the Sikhs and to give a handle to communal hot-heads in raising the cry of religion in danger. The State Government is acting with great restraint and undoubtedly under serious strain on its potience. It is doing so in the hope that its hands will not be forced to take a course which it would be most reluctant to take. In the interest of the state as well as in their own interest, Akali leaders should take stock of the situation and avert any ugly developments.

Labour

WAGES OF AGRICULTURAL LABOUR

THE SECOND AGRICULTURAL LABOUR ENQUIRY REPORT for the year 1956-57, published this week, makes a depressing reading in relation to the First Report for the year 1950-51. The major conclusion of this report is that between 1950-51 and 1956-57, the average wages of agricultural labour declined while there was a rise in unemployment and indebtedness.

It is a pity that the findings of the Enquiry are being made known almost four years after the survey. While the report indicates that the First Plan had no major beneficial impact on agricultural labour, it is necessary to find out the impact of the vast development expenditure during the Second Plan on the way of living of agricultural labour. It cannot be that the enormous economic development which has taken place throughout India during the last decade has failed to affect agricultural labour at all. It is high time that the Third Enquiry was initiated and its report made available without much loss of time in order to assess the impact of ten years of planning on this important section.

The results of the Second Enquiry are not exactly comparable with the results of the First Enquiry because of the conceptual differences in definitions introduced in the Second Enquiry. There were, for example, 16.3 million agricultural labour households in 1956-57 as against 17.6 million in 1950-51. If the results of the two surveys were strictly comparable, this would certainly be an encouraging feature. But the report clearly indicates that this fall might be due to the difference in the definition of agricultural household. The Second Enquiry defined an agricultural labour household as one for which agricultural wage earnings constituted the major source of income. In the First Enquiry, an agricultural labour family was defined as one in which either the head of the family or 50 per cent or more of the earners reported agricultural labour as their main occupation.

During 1956, the average income of an agricultural labour family was Rs. 437 while the average consumption expenditure was Rs. 617, the deficit being of the order of Rs. 180. The gap between income and expenditure was filled from past savings, sale of stocks, remittances received and loans. The last item, namely, loans was specially analysed to find out if there had been any appreciable rise in indebtedness. As against the total indebtedness of Rs. 80 crores in 1950, the latest enquiry for 1956 showed the rise of indebtedness to Rs. 143 crores. The debt was incurred for various reasons. 46 per cent of the debt was incurred for meeting consumption expenditure while 24 per cent was incurred for social purposes. Only 19 per cent was incurred for productive purposes while remaining 11 per cent was for miscellaneous uses.

In 1950-51, the general level of food prices throughout the country, both in rural and urban areas, was higher than in 1956-57. This fact to a major extent explains the fall in the wage level between the two enquiries. Also, agricultural wages in 1950-51 were generally higher than non-agricultural wages but the position was reversed in 1956-57. Thus in 1956-57, there was either a decline both in employment and wages or an increase in employment but a decline in wages. This resulted in lowering the per capita income of agricultural labour from Rs. 104 in 1950 to Rs. 99 in 1956. Since the national per capita income was Rs. 291 in 1956-57, it seems that standard of living of agricultural families in terms of money incomes was one-third of the all-India average income.

Handlooms

NEW DESIGNS IN TEXTILES

THE RECENT exhibition "Designs 1960" organised by the Weavers' Service Centres of the All-India Handloom Board at the All-India Fine Arts and Crafts Society

galleries, New Delhi, indicates a vital new approach to the problem of designs in relation to textile production. The Weavers' Service Centres are the technical cells of the All-India Handloom Board concerning themselves with problems of research and training and acting as service channels through which handloom units receive design, dye and technical assistance in the pre-loom, loom and post-loom production processes.

One of the major weaknesses of the handloom industry has been that because of the decentralised nature of the industry, the handloom weaver has had to function in isolation from the advances of the laboratory and yet had to meet the demands of a rapidly altering pattern of production, and has had to absorb the impact of changes in his raw materials and tools from handspun to mill spun yarn, from vegetable dyes to aniline dyes and from simple looms to semi-automatic looms and new appliances. This he has had to put into operation without technical personnel trained in the new methods of the laboratory and capable of translating the language of the laboratory into the idiom of the handloom.

Rapid changes in socio-economic relations, improved communications and the breakdown of the traditional pattern of life have resulted in an increasingly complex pattern of rural and urban distribution with new consumer demands both in the internal and export markets.

The strengthening of the structure of the handloom industry demanded technical cells that could integrate the programmes of research production and marketing. The Weavers' Service Centres, five of which have started functioning at Bombay, Madras, Banaras, Calcutta and Kancheepuram operate through the following sections:

(a) A weaving shed, with master weavers representing the various traditional skills and techniques.

(b) A design studio, with young artists drawn from the main art schools in this country as well as traditional "naksha bandhas" or indigenous designers.

(c) There is a dyeing and finishing laboratory with a printing section. These laboratories undertake research into the problems faced by the handloom weaver in the field of dyeing and finishing. They also advise the Handloom Board on the types of dyehouses to be set up by co-operative societies under the Cess Fund Schemes. Artists work in close collaboration with the dye laboratory and the weaving shed. All designing is within the disciplines imposed by the yarn, the dyes and the techniques. A great deal of emphasis is given to the necessity for designing for various income groups and for integrating the work with production units.

The recent tremendous demand for 'bleeding' Madras varieties in the USA and the equally abrupt dropping of interest in this highly specialised variety lead to accumulated stocks with the producers. An impressive solution is being worked out by the Weavers' Service Centres—in over printing of the Madras Plaids, resulting in a totally new dimension of design and in the production of cloths of great beauty both in quality and design and in the depths of colour. An export of these new over printed varieties has already commenced and the reaction abroad has been excellent.

With the changing pattern of handloom exports, and the increasing barriers to export to the traditional markets—the whole future of handloom export will be largely dependent on the capacity of the handloom industry to produce new designs which would attract the foreign consumer.



The European Scene

BIRTH OF THE O.E.C.D.

From Our Special West European Correspondent

PARIS, December 17.

ON Wednesday, December 14, twenty governments met together in Paris to sign a treaty which, the developing nations hope, will give birth to the most effective instrument for international economic co-operation yet devised. The twenty were: the USA, Canada, the Seven of the Little Free Trade Area, the Six of the Common Market, plus their five economic satellites, Greece, Spain, Turkey, Ireland and Iceland. In short, all the advanced nations of the non-Communist world save Japan. A twenty-first party did not sign the treaty but will be present in the new organism as a full member: the Common Market Commission. The treaty set up a body called the Organisation for Economic Co-operation and Development which will begin work when the 20 national parliaments have ratified the convention; that should be by autumn 1961.

The document itself was of an extraordinary banality. It simply listed the members, declared that they would meet periodically and take decisions unanimously except in certain cases where a majority vote would suffice, and finally that the Organisation would have a secretary-general elected for five years. A separate communique stated the aims of the OECD; the promotion of economic expansion and full employment in the member-countries in conditions of financial stability, assistance to economic development in other countries, and the expansion of world trade on a multilateral and non-discriminatory basis. This declaration of pious intentions is not very earth-shaking, and the reference to non-discrimination might be regarded as simply hypocritical—because most of the signatories are members of regional trade associations of which discrimination is the very essence. Six are united in the Common Market, seven are in the Free Trade Area, and Britain is in the Imperial Preference network as well. None of the five satellite members could possibly afford to practise free trade, while the most powerful member, the USA, celebrated the signing of the treaty by issuing instructions to developing countries forbidding them to use US aid to buy goods from most of the other signatories! So much for non-discrimination.

Moreover, a procedural scuffle that went on in the wings of the conference showed that the signatories had very different ideas about the nature of the new association. Some members, led by France, urged that the secretary-general have three mentors, one American, one British and one French. This recalls recent Russian suggestions about the organisation of the UN Secretariat, and has a similar purpose: to consecrate the three-fold division of the association into: the dollar world, represented by the USA, the Free Trade Area, represented by Britain, and the Common Market, represented by France. This was totally opposed by West Germany not so much because Bonn objected to Paris representing the Common Market, as because it seemed undesirable to crystallise in procedure a division that should be the object of the new association to overcome. Secondly, a group of small countries (Switzerland, Austria and Benelux) expressed their nostalgia for the old OEEC and wanted the new OECD to write similar rules about the liberalisation of European trade. In other words, they had not accepted the US view that the OECD should be concerned with global matters instead of the limited question of internal European trade.

These differences concerned trade, but unanimity was no more evident in matters of aid. The US Government, shortly before the conference, had sent emissaries to Bonn asking for more West German help in relieving the burden on the dollar. They went back to Washington empty-handed, in part because it had emerged that Washington and Bonn had radically different conceptions of the utility of foreign aid for development. Worse (from the point of view of the developing countries) the dollar crisis had become so serious that Washington seemed less interested in using the OECD to expand the sum total of such aid, than in reducing the American contribution to existing aid programmes. Just when the USA, by joining the OECD, seemed to be co-operating with West Europe as an equal partner, a number of signs suggested that Europe was being taken down a few pegs in Washington's list of priorities: Mr. Herter came to a NATO meeting to threaten a reduction of US forces in Europe, American soldiers' families were being sent home, military spending and the budgets of US embassies in this part of the world were being cut in favour of expansion in new African states. The feeling grew — and it would cause as much anxiety in Delhi as in Bonn — that the great new organisation for Western aid was being converted into an instrument for the defence of the dollar rather than for the support of backward economies.

In sum, despite official eloquence, the birth certificate of the new organisation was written this week in Paris in quite unpropitious conditions. The developing countries, who have seen more than one grandiose international aid wonder delivered still-born into an expectant world, might well wonder whether the rich nations were not once again settling accounts with each other while giving themselves a good conscience with declamations about more aid and freer trade. Since they will have to wait a full year for the newcomer to get legally on its feet, it might be a long time before the aid-hungry capitals of Asia and Africa know whether the OECD is going to mean one rupee of extra assistance. Scepticism and indifference would appear to be justified.

On the other hand, there are reasons for optimism. An exactly similar scepticism greeted the formation of the OEEC which, after Stalin had torpedoed the great design of General Marshall, made its appearance as the sorry relic of a much more ambitious plan for international economic co-operation. Yet the OEEC went on to become one of the major factors in the spectacular recovery of West Europe from the ruins of the war. The successor OECD faces equally vast, and yet no more difficult, problems. The recovery of West Europe is complete, the USA is at grips with certain financial problems but is in an inherently sound economic position, all the countries of the Atlantic world are convinced of the need to co-operate more than they have ever done in the past, and all are alive to the needs of the developing countries. In these circumstances, the mere decision to co-ordinate their activities and to act inside a general agreed framework could be of immense importance, and in any event has no precedent in history.

Even if, at first, the Atlantic nations are forced by the Americans to give priority to the question of the weakening of the dollar, this could be, in the long run, of direct benefit to the developing nations. After all, whatever the Americans say, it is not their aid to developing countries that is jeopardising their currency. On the contrary, much of their foreign aid for development and for defence comes back to the USA in the

form of orders for American goods, and thus the aid programmes are, as Barron's of New York lately said, simply round-about subsidies to American export industries. A dollar off foreign aid seems to be a dollar off the payments deficit, but it is also a dollar off the trade surplus — and 50 cents off the Federal Government's tax revenues into the bargain. So the Americans are not going to strengthen the dollar by unloading part of the aid burden. Yet they could strengthen it by protecting the exposed flank of the US reserves: the competition for funds between Western central banks, and in particular the power of attraction of West Germany as a harbour for convertible capital.

By agreeing among themselves to stop competing for a limited fund of gold, the Western nations could free themselves of the need to cut each other's throats, and thus be able to give more attention to assisting the backward countries. The boasts about "how much we are doing for the developing economies" and the complaints about "how little West Germany is doing" are entirely irrelevant, because the plain fact is that all the aid the Western countries are giving added up together and multiplied by five would still not be enough to weaken any one of their currencies — provided they co-ordinated their credit policies. Has not France just succeeded in doubling her gold and foreign exchange reserves in the space of two years, while continuing to give more economic aid than anyone else to Africa, wasting a fortune every day in a colonial war, repaying much of her foreign debts and spending lavishly on atomic weapons? She was able to do this because, compared with the USA, her economy was in full expansion, her credit tight and her costs, expressed in dollar terms after a massive devaluation, were low.

Similarly, because West German costs were lower, money dearer and expansion faster than American, the movement of convertible funds became a headlong rush out of the dollar. So the problem — and it is important to see that it has been created by the return to convertibility — is the discrepancy between various Western economic policies in the domestic sphere. If this discrepancy were reduced (as it has been, somewhat, by the recent reduction of money rates in France, Britain and West Germany), many anxieties would disappear. Naturally, there can be no question of removing the discrepancy entirely, because the whole sense of convertibility of currencies is that it introduces automatic rewards for sound policies and automatic punishments for inflation. A uniform bank rate throughout the Atlantic world, for instance, would be nonsense. If Americans continue to live beyond their means while Europeans continue to reap the benefits of a wider market and a technological revolution, then a movement of funds across the Atlantic is inevitable and no international organisation is going to stop it. It will continue until certain familiar, slow-acting economic mechanisms have restored the balance by making European prices and wages higher and US investment opportunities more attractive.

Nevertheless, within these limits, there is much the Atlantic nations could do to make life easier for each other, and the new OECD is the best possible forum for such arrangements. Even if it does not seem to be producing much extra aid quickly, the developing nations will see that the elimination of unnecessary throat-cutting in the West is a guarantee of more Western aid in the long run. The future of economic aid will be uncertain as long as, every time one Western central bank loses gold to another Western central bank, it declares that for the safety of its currency it must limit its contribution to development assistance programmes.



Our West German Letter

THE BATTLE OF BERLIN HAS STARTED

From Our West German Correspondent

BONN, December 15.

IN the same building, the Foreign Office, which some weeks ago the Anderson-Dillon Delegation had left without achieving success of their mission, the Soviets too did not reach their aim, i.e. the conclusion of a new trade treaty. There are differences between the two cases. The Americans had spent only two days in Bonn while the Russians had been negotiating for exactly two months. But the greatest difference was—strange as it may sound—that in the latter case everybody expected a positive outcome because these German-Russian parleys took place, we were assured, in a friendly atmosphere till it came to the break-up. The whole crowd of accredited journalists waited on 12th December from 8 p.m. onwards in the press-room of the Foreign Office convinced that the treaty would be signed till after 2½ hours Minister von Brentano appeared and told us that it had not been possible to come to an agreement. The "casus belli" was the so-called Berlin clause. The German Government wanted to include Berlin's trade with the Soviet Union but the head of the Soviet Delegation, the Russian Deputy Foreign Trade Minister Borissow, declared that he was not authorised to do so. In other words, this means that the purely commercial arrangement had slipped into world politics which is a bad omen for things to come in 1961. So the battle of Berlin has started. Although from 1st January, 1961 onwards there will be no trade treaty one can take it that the trade as such will go on but not increase as suggested by the Russians. On the whole the trade between countries on both sides of the Iron Curtain works quite satisfactorily. Even West Germany's trade with Red China is increasing and bigger than the trade of other Western nations with that country. To a great extent it is being handled via Switzerland, the Netherlands and U.K. During the first four months of 1960 China imported for about 184 million DM from West Germany, and it is assumed that this import for the whole year will amount to 550 million DM. West Germany imported from China to the tune of 147 million DM from January to April 1960. To quote another example of co-operation, at least in the future, the Government of Poland had invited Mr. Berthold Beitz, number one of the Krupp industrial empire, with all the paraphernalia which goes along with a royal visit. Even a battue is officially included! As the Krupps have built in the twenties of our century huge works of different kinds in Soviet Russia, it is quite possible that Poland will follow the steps of the great brother.

* * * *

The subject "Entwicklungshilfe", meaning aid to developing countries has stirred up the conscience of the German people which in some cases was perhaps clouded by a kind of what might be called "boom lethargy". Associations of industry and commerce, trade unions and religious circles organize continuously lectures, mainly given by people who know a particular developing country. Even if their views may not always be completely correct, these lectures give some impression of the urgent necessity to lift the living standard of the countries concerned. It should after a while, or to be more exact, after the next year's elections obviously be possible to issue a new tax, direct or indirect, the yield of which would go to the Entwicklungshilfe. But not money and machinery alone can help. It is also necessary to prepare engineers and foremen, teachers and all kind of experts before they go abroad. Let us quote the example of the Rourkela steelworks. First class German technicians came out to the Orissa jungle some years ago and had to start work with thousands of Adivasis. Or, in other words, the technically highly developed 20th century met with the primeval period. Both sides were not prepared for this unexpected encounter and one can well imagine that all kind of misunderstandings occurred or simply had to occur which could have been avoided. Even if such extreme cases will be an exception, it is no doubt most important to train beforehand outgoing Germans and, the other way round, to train technicians and students coming from developing countries to the Bundesrepublik. The Institute of Economics and Social Policies (Institut fur Wirtschafts—und Sozialpolitik), generally known as "Haus Rissen" and named after the suburb Rissen of the Hansa city of Hamburg, is one of the institutions which in Germany have taken over the above mentioned additional task.

Your correspondent had been asked to lecture there on "India as seen from India" in a seminar for people shortly leaving for India. The other lecturers were an indologist of Hamburg University, two former German consuls who had served for longer periods in India, an official of the Indian Embassy in Bonn and an Indian importer living since many years in Germany. Besides the German participiants were an Indian atom physicist and an Indian shipbuilding engineer, both studying in Hamburg. After the lectures there were discussions lasting generally more than two hours and since lecturers and students were living for a couple of days together in guest houses, having their meals together, one can say without any exaggeration that there was a very lively atmosphere which certainly serves the wanted purpose. This is the merit of the Director of this remarkable establishment, Mr. Gerhard Merzyn, an outstanding personallity who had visited India this year for about two months. He had trained in "Haus Rissen" the so-called Nehru-scholars. One will remember that when Mr. Nehru visited Hamburg in 1956, one hundred scholarships were donated. These 100 people stayed for two months in Haus Rissen to study the German language and German habits before being admitted to universities, technical colleges, industrial firms and banks. Mr. Merzyn was now invited by former students, amongst them engineers, bankers and teachers to stay with them in India. In fact, he arranged according to these invitations his trip which brought him from Trivandrum to Amritsar. (By way of parenthesis it should be mentioned that this institute holds also seminars for German industrialists and trade unionists, for officers and non-commissioned officers of the army, not only at Haus Rissen but also elsewhere, i.e. in Bonn and Berlin. A similar institute has now been opened in Berlin which is exclusively concerned with developing countries. Krupp will be sending out to Rourkela next year a team of 200 technical experts who will attend a 10 days seminar on India there).

* * * *

There is something more to be said on the inexhaustible subject of Entwicklungshilfe. The annual meeting of the Social Democratic Party in Hannover carried a resolution which pleaded for a new ministry which should only be concerned with aid for develop-

ing countries. In Dortmund, the centre of the Ruhr, the chairman of the board of the Vereinigte Glanzstoff-Fabriken AG., one of West Germany's huge chemical undertakings, Dr. E. H. Vits made an appeal to the audience consisting of leading industrialists to support the 1.5 milliard DM loan which is part of the 4 milliard DM West Germany's aid programme for 1961. Dr. Vits said verbally: "How could we expect from worthy personalities like the Indian Prime Minister Nehru that they support us continuously in the Berlin and the German questions if we do not show understanding for the situation in their own countries and prove our understanding by deeds." Within Prof. Erhard's Ministry of Economics a study group has been formed which will in due course publish come proposals to be put forward to the European Common Market of the SIX. The gist of these proposals is that the SIX should reduce the custom's level towards the developing countries without asking for similar measures in return. There should also be no difference in customs between raw materials and finished products imported from developing countries. Furthermore, these countries should also be helped in exporting their goods. Up till now it was assumed that it was entirely their own affair to look after the export. The Minister himself told recently journalists that the Western industrialized nations had to import finished products from countries in Asia and Africa. It would be illogical, he said, to help these states to industrialize and then to refuse to take their goods. The German Federation of Chambers of Commerce came at their meeting in Bonn to similar conclusions. This is altogether a very healthy development and it is only to add that the West German Parliament has formed a committee which will exclusively deal with all questions of aid. There remains the problem to find the right people in Western countries who would be prepared to go out to Asia and Africa for a couple of years. No doubt, amongst the younger generation in Europe the lust for adventure has diminished. West Germany's President Lubke appealed the other day to young farmers at an agricultural meeting to go to Asia and Africa to show modern methods of cultivating land. Prof. Erhard said in an article published by the independent newspaper "Welt" that one often hears nowadays one should give way to the young generation for public activities. In going to developing countries young people, in his opinion, would have a wide field for their activities.

We mentioned above the necessity of increasing imports from developing countries to industrialized countries. In this connection an economic report published by the Institute of German Industry in Cologne is quite interesting. According to it, imports of West Germany from countries in Asia rose to 1.580 milliard DM for the first nine months of 1960, up a sizeable 40 per cent on the comparable 1959 period. Exports increased by about 6 per cent only, to 2.180 milliard DM. Direct shipments accounted for about 50 per cent of West German purchases and 90 per cent of West German deliveries. The "Ostasiatische Verein" in Hamburg (the association of traders with East Asia) hailed the figures as a "clear indication that the Federal Republic of Germany is not only a large supplier but also a good customer of countries in Asia." India continued to be West Germany's most important partner by buying goods 612 million DM worth and sold goods 136 million DM worth. So far the report. There remains, as we see, still a great discrepancy. But to be just, Indian exporters could do perhaps also more on their part to increase their business. Your correspondent was told by the head of one of the biggest import firms in Hamburg that he had placed large orders for Indian artistic handicrafts to be sold to departmental stores all over Germany which, after having seen samples, placed their orders well in time for Christmas. The goods in spite of written and cabled reminders were shipped too late. In fact, they have just arrived in Hamburg when the wholesale Christmas business is over since two months. It should likewise be considered whether the Trade Centre of the Government of India is sufficiently staffed. It should be staffed by suitable people and not by officials who are able to catch the Minister's eye.

* * * *

The following paragraph will deal with—I am sorry to say—alcoholic drinks. But the writer feels his duty to report in accordance with truth. He went from Bonn to Hamburg by sleeper and just when he was going to retire there was a knock at the compartment door and the attendant offered a bottle of champagne — mind you — free of charge. Admittedly, it was a small bottle bue when inquiring about the kind sender I was told: "The Railway". It was the German Railway's 125th birthday since the first train rolled from the city of Nuremberg to its neighbouring town of Furth. The next morning in the dining car the passenger received at the breakfast table a huge slice of Christmas cake, nicely wrapped and wishing him in print good speed and merry Christmas. In this remarkable train called (sorry again!) after the legendary inventor of beer-brewing "Gambrinus" there is wireless telephone and a special compartment with a lady secretary to whom you can dictate in German, French and English for two Rupees an hour. If you are interested in shares the latest market-rates of stock exchanges are thrown in printed forms into the compartment. As we have dared to talk about alcoholic drinks let us finish with the news that this year's vintage in West Germany shows the record figure of 6.9 million hectolitre which means that the already reduced wine prices will go down further. A good Rhine wine costs today about two rupees a bottle, but I better close, not to water the mouth of the readers if one could use that idiom in this connection without being accused of adulteration....

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	1957/58	1958/59	1959/60
	(Rs. in lacs)		
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Profit for the year	19	30	32
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Economic Report from the U.S.

DEVELOPMENTS OF 1960

By GUY SIMS FITCH

WASHINGTON, December 13.

THIS has been a strange year for U.S. economic relations with other countries — a year both of notable rewards and persistent difficulties. Yet, in the final analysis, the rewards for outweigh difficulties, as the U.S. and other free nations have scored significant gains in their international trade and have marshalled their resources in new co-operative efforts to advance economic progress throughout the world. In summary, 1960 has been a year in which U.S. exports and surplus earned in trade with the rest of the world have soared. Yet in which the deficit in its over-all balance of international payments has been reduced hardly at all. It has been a year in which the U.S. has joined in setting up new economic development programmes and international financing institutions, yet in which the U.S. Government felt it necessary to take steps to protect its own reserves of gold and dollars. It has been a year of remarkable economic progress among the industrialized nations of Europe and Japan, yet in which the needs of developing land received a new awareness.

From the view point of U.S. trade, the most notable single development of the year has been the sharp improvement in the U.S. trade balance — the excess of exports over imports. After dipping to barely $1,100 million in 1959, the trade surplus rose to a more "normal" level of about $4,500 million in 1960 — close to an all-time high. Principally responsible for this improvement has been the sharp rise in U.S. commercial merchandise exports, to an estimated and near record $19,500 million from last year's $16,300 million. Imports, meanwhile, have held their own at close to the $15,200 million record of last year, as the U.S. economy again has demonstrated its ability to absorb large quantities of all kinds of goods from other lands. There was a tendency earlier in the year to attribute the export rise mainly to expanded shipment of a few products, such as cotton and jet aircraft. The final record, however, indicates the wide variety U.S. merchandise has shared and contributed to the increase.

The importance of this development cannot be exaggerated. It demonstrates that U.S. products can compete successfully on world markets, and that a continued export improvement is possible. This means that, given a reasonable opportunity to sell its goods abroad, the U.S. can look forward to a substantial improvement in its balance of payments position, in which exports play the major role, without having to fall back on protective measures that could restrict imports or otherwise impede international flow of commerce and capital. To foster a continued and healthy growth of its exports and trade, the U.S. has embarked on a new government-sponsored export promotion campaign. It includes planned increases in U.S. trade missions around the world, new credit facilities for private U.S. traders, enlarged U.S. participation in international trade fairs, and an expanded flow of foreign trade information to U.S. businessmen. In the final analysis, of course, the most effective export promotion steps are those taken by businessmen themselves in seeking out new markets, expanding old ones, and generally making their products and services available. At the same time, the U.S. has been urging other countries to continue reducing and removing their barriers against U.S. goods and services. Many of these barriers were erected in past years to protect foreign exchange reserves, but in general — particularly in the case of other industrialized lands with their greatly-improved gold and dollar holdings — are no longer needed or justified.

This is a matter of special concern, since, despite the large exports surplus it ran up during 1960, the U.S. continued to lose gold and dollars in its transactions with other countries. This was because, as in most other post-war years, its huge outflow of capital has more than counter-balanced its export surplus. This outflow has taken such forms as U.S. Government economic assistance and military spending abroad, private investment capital, tourist outlays, and other remittances. An additional factor in 1960 was the move of speculative funds from the U.S. to Europe, where interest rates generally were higher. As a result of all this, the 1960 balance of payments deficit could well approach the $4,000 million mark, and thus approximate the extraordinary high and generally unacceptable levels of 1958 and 1959. Part of the U.S. deficit normally is taken in gold by other countries. In 1960, the gold loss was intensified by speculative moves in some foreign capital markets. Firm assurances by the U.S. Government that it would not raise the price it has been paying for gold for more than a quarter of a century seems to have contributed effectively to stilling the speculation, and the gold drain seems to be abating.

Nevertheless, the U.S. gold supply has fallen to the lowest level in 20 years. At about $18,000 million, it still is close to half the free world's useable reserve — evidence enough of continued U.S. monetary and financial strength. But during the past year it became clear to the U.S. Government that the gold and dollar losses would have to be stemmed. In 1960, then, U.S. Government was moved to take some strong steps to safeguard its balance of payments position. Involved were actions to reduce military spending abroad; to put primary emphasis, wherever feasible, on the purchase of U.S. goods under U.S. Government aid programmes; and to hold down foreign spending by U.S. Government agencies generally. The belief is that these moves, put into effect gradually and with a minimum of disruption to present international programmes eventually could save the U.S. as much as $1,000 million a year. Behind them too, was the recognition that other industrial nations, with their economy clearly rebuilt and prospering — the result in good part of past U.S. assistance — now are in position to finance their own exports and to increase their commitments to international economic progress and stability.

It should be emphasised that these moves were not designed to curtail U.S. international obligations. They will diminish neither U.S. economic assistance to developing lands nor U.S. participation in international security endeavours. Nor will they affect the normal flow of international commerce. U.S. Government officials have been specific and emphatic on these points. This continued adherence to international responsibility

is demonstrated by U.S. participation during 1960 in new and enlarged efforts to help developing lands accelerate their economic progress and to advance the well-being of peoples everywhere. Noteworthy was the formal establishment, largely as a result of earlier U.S. initiative, of the International Development Association (IDA), new $1,000 million soft-loan affiliative of the United Nations World Bank, to which the U.S. is by far the largest financial contributor. Similarly, the U.S. is the largest contributor to the inter-American Development Bank, new regional organization set up by the American republics to help finance economic development in Latin American countries. In another effort to aid Latin American progress, the U.S. has offered financial help to the projected inter-American Bank for Economic Integration and Development. The past year also has seen the launching of one of the most significant and ambitious of all U.S. aid ventures. This is the $500 million programme to help advance social as well as economic development in Latin America, which won the approval of the Organization of American States (OAS) in the now-famous act of Bogota. It would involve such fields as education, housing and land reform, as well as the more traditional industrial and agricultural development projects. No less important have been the co-operative steps taken by the industrial nations to foster world economic-growth and development. Early in the year, the U.S. joined with eight other capital-exporting countries, including Japan, plus the European Economic Community (EEC) Commission to form a Development Assistance Group (DAG). This body was designed to promote more effective international aid efforts through co-ordination of national programmes and the exchange of information among its members.

DAG now is being incorporated within the larger framework of the Organization for Economic Co-operation and Development (OECD), new 20-nation body which has recently been established officially as the successor to the old Organization for European Economic Co-operation (OEEC). The fact that the U.S. and Canada, formerly associate members of OEEC, are full members of OECD indicates international orientation of the new organization, as against the primarily European orientation of its predecessor. The use of the word "development" in its title, moreover, indicates that OECD's primary concentration will be on stimulating economic growth around the world. OECD will not, itself, be an aid-dispensing agency, but through its concentration and co-ordination machinery, the assistance base can be broadened and the aid total can be enlarged and made more effective. Reflected in all these 1960 developments is the new ability of other industrial nations to take up an increased share of the international economical responsibilities which have been borne primarily by the U.S. — to step up their aid efforts, finance their own exports and reduce their trade barriers. From this one can deduce that the liberal trade and aid policies of the United States, aimed at post-war economic reconstruction and the re-establishment of a sound and orderly international trading system, have done their work well. Now the world stands at the threshold of a new era, one in which the resources not only of the U.S. but also of many other strong and free industrial nations can contribute in their full measure to the advancement of economic well-being around the world.

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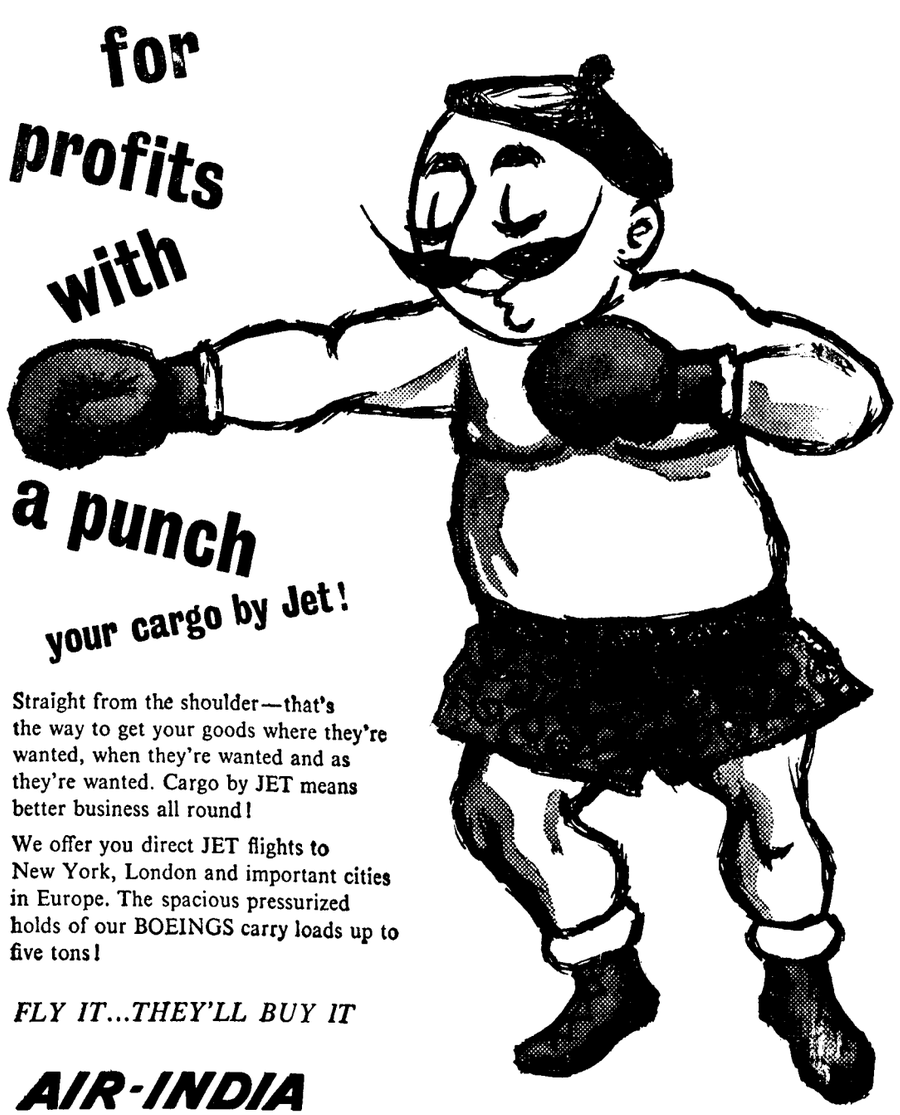
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WORLDGRAM

India

Major Development Programme for Non-Ferrous Metals: A major expansion of the country's production capacity in respect of non-ferrous metals has been programmed for the Third Plan period. While the country cannot afford self-sufficiency in some cases on account of the limited natural resources, the main objective of the development programme in this field would be achievement of self-sufficiency in aluminium and a many-fold increase in the domestic output in copper, zinc and lead. The development programme as envisaged in the Third Plan would save the country foreign exchange to the tune of Rs. 30 to Rs. 40 crores. In 1959, the import of non-ferrous metals accounted for as much as Rs. 37.5 crores. The need of the country in non-ferrous metals by the end of Third Plan would be about Rs. 80 to Rs. 100 crores per annum. In the field of aluminium, self-sufficiency by the end of the Third Plan is the aim. As against the present installed capacity of 17,500 tons, a five-fold rise in the indigenous capacity to 82,300 tons annually has already been licensed, which would materialise during the Third Plan period. This consists of two expansion schemes in respect of the existing units and three new schemes—in all with an aggregate capacity of nearly 65,000 tons. One more scheme of aluminium is under consideration. As against the present capacity of 17,500 tons the total demand for aluminium in the country by the end of the Third Plan period has been estimated at 1.25 to 1.5 lakh tons annually.

*

Progress at Durgapur. Iscon at Durgapur is determined to beat the scheduled date for the completion of Stage 3; more than three-quarters of the work will be finished and with five months still in hand it seems most likely that this will be achieved. This year has been one of intensified activity for Iscon with No. 1 Blast Furnace going into production at the end of last year. Half way through 1960, steel making and the rolling of steel were well on their way, with the commissioning of the first 3 Open Hearth Furnaces, the 42" and 32" Mill, Billet Mill and Sleeper Plant. The rest of the programme for Stage 2 including the By-Product Plant also saw completion as Iscon advanced towards the third phase of this construction which is scheduled for completion at the end of next April. Upto the end of November the Blast Furnace had produced 3,90,000 tons of iron in the form of pig iron, foundry iron and hot metal for the Open Hearth Furnaces. The furnaces themselves have produced nearly 75,000 tons of steel. This in turn has been rolled into over 45,000 tons of billets, the rest has gone into blooms, and stocking for the future mills. The Sleeper Plant too has produced nearly 3,000 tons of sleepers. Operation and construction now continue side by side with increasing productivity, but entail adjustments so that each can proceed according to plan. Included in the Stage 3 plan is the completion of the third and final units of the Coke Ovens and Blast Furnace Plants. The third Battery of Coke Ovens, 78 in number, will bring the total number of ovens upto 234. The third blast furnace like the second one, is equipped for operation with high top pressure.

*

Cow-Dung Gas Plant: In a written reply to a question, Mr. M. V. Krishannappa, Deputy Minister for Agriculture, said in the Lok Sabha that the potentialities of the latest developments in the design and manufacture of cow-dung gas plants had been scientifically examined with a view to conserving cow-dung manure in the country. It was proposed to conduct a short training course in installation and working of the cow-dung gas plant at the Indian Agricultural Research Institute, for the benefit of supervisors and mechanics employed in State agriculture workshops.

*

Interest Paid on Foreign Loans: The amount of interest paid in foreign currency during 1959-60 in respect of foreign loans repayable by the Government of India was Rs. 13.03 crores approximately. In addition, a sum of Rs. 4.21 crores approximately had been paid towards interest in foreign currency during the same period by the public sector non-Government organisations and private sector agencies in respect of foreign loans repayable by those bodies.

*

Central Revenue Collection for October 1960: The revenue realised from items on which duties are levied and collected by the Central Government in the first seven months of the financial year 1960-61 amounted to Rs. 441.11 crores. Of this, Rs. 71.67 crores were collected during October, 1960. The corresponding figures for the first seven months of the financial year 1959-60 and for the month of October, 1959 were Rs. 386.70 crores and Rs. 58.21 crores respectively.

Following are details of the revenue under various heads:

(In lakhs of Rupees)

	October		April to October	
Revenue Head	**1960**	**1959**	**1960-61**	**1959-60**
1. Customs	1,576	1,301	9,371	8,722
2. Union Excise Duties excluding coal cess and salt cess	3,269	3,052	22,643	19,871
3. Corporation Tax	1,038	400	4,911	2,843
4. Income Tax	1,201	890	5,908	5,955
5. Estate Duty	22	17	104	114
6. Taxes on Wealth	37 (Prov.)	49	184 (Prov.)	207
7. Expenditure Tax	8	5	21	19
8. Gift Tax	5	4	28	24
9. Railway Passenger Fare Tax	N.A.	95	668 (Prov. upto	728 Sept.)
10. Opium	11	8	273	187
Total:	7,167	5,821	44,111	38,670

N.A.: Not available.

U.S.A.

Aid for Indian Rehabilitation Research Projects: Mr. Donald V. Wilson, Secretary-General of the International Society for the Rehabilitation of the Disabled announced recently that Rs. 12 lakhs would shortly be made available to India for research in rehabilitation of the physically handicapped. The money will be distributed in the form of grants to individual research projects whose aim is the investigation, analysis and

evaluation of current rehabilitation techniques. The amount earmarked for India, Mr. Wilson said, is part of the U.S. Government's P.L. 480 rupee fund which the office of vocational rehabilitation of the U.S. Department of Health, Education and Welfare has been empowered to allocate. Grants under this programme will be made after scrutiny by the Department of Applications for Specific Projects.

*

Affiliate of Union Carbide Announces Start-up of Latin American Liquid-Oxygen Plant: S. A. White Martins of Rio de Janeiro, affiliated with Union Carbide Corporation, has announced that their new liquid oxygen plant, the largest of its kind in Latin America, has gone into production. The plant has the capacity to produce upto 25 million c.f. (over 7 lakhs cubic metres) of liquid oxygen per month, and can produce liquid nitrogen and high-purity argon as well. Storage facilities for 10 million cubic feet (almost 300 thousand cubic metres) of liquid oxygen have also been completed. Through the utilisation of the latest oxygen production and distribution equipment, the plant is expected to fulfil the demands for these liquefied gases in the rapidily expanding economy of the Sao Paulo area for several years. Beginning with a specially built tank truck fleet and other liquid distribution equipment capable of supplying industry within a 150 mile (240 km.) radius of Sao Paulo, services will be increased as needed to keep pace with the local product demand. Under its technical assistance agreement with Union Carbide, S. A. White Martin now has the largest, most modern and efficient, Brazilian production facilities yet designed for the manufacture of liquid oxygen. Its future growth potential is excellent because of its access to the extensive continuing research of Union Carbide in this field.

U.S.S.R.

High-Speed Computor: Assembly of a high speed BESM-2 electronic computor has been completed at the computing centre of the Leningrad branch of the U.S.S.R. Academy of Sciences Institute of Mathematics. One of the best of its kind in the U.S.S.R., this computor does nearly 10,000 arithmetical operations per second on an average, which is 100 times faster than the widely used Ural mathematical machine. The experimental computor can with the aid of an arithmometer complete up to 2,000 arithmetic operations in a 7-hour work day. The new machine will shortly be adjusted. It will go into operation next year.

*

Record Crop of Sugar-Beet: This year the Soviet Union grew the record sugar-beet crop of almost 57 million tons, 13 million more than last year. The biggest yields were in the Ukraine, which is the country's principal sugar-beet centre. In some regions there, as many as 250 to 300 metric centners of beet were lifted per hectare. Before the October Revolution in 1917 Russia produced only a fifth as much sugar beet.

France

French-Moroccan Trade During the First Half of 1960: Moroccan imports from France during the first half of 1960 totalled 49,780 million Moroccan francs compared with 32,832m. Moroccan francs during the same period of 1959, which was an increase in value of 51.41 per cent. Moroccan exports to France during the same period of 1960 totalled 41,739 million Moroccan francs compared with 35,787 million a year ago, which was an increase of 17 per cent. 83.8 per cent of all purchases were covered by sales in 1960 compared with 108 per cent in 1959. The increase in value was partly due to the currency devaluation of October 17, 1959 (17.5 per cent), partly to the increases in purchases of industrial equipment and consumer goods, and partly to the increased sales of agricultural and mining products. Moroccan imports from France accounted for 49.7 per cent of Morocco's total purchases during the first half of 1960. Moroccan exports to France accounted for 44.8 per cent of that country's total exports. In 1959, these percentages during the same period were 45.6 per cent and 49 per cent respectively.

Holland

Investments in Fixed Assets: According to the Netherlands Central Bureau of Statistics gross investments in fixed assets in Holland were f4.95 milliards in the first half of 1960, compared to f4.21 milliards and f4.91 milliards respectively in the first and second half of 1959. Investments in the first half of 1960 included f882 millions in houses, f905 millions in business and government's building, f1,124 millions in means of transport, f520 millions in road and hydraulic engineering constructions and f1,518 millions in machinery and other equipment.

Poland

Coal Extraction: The production of coal this year will reach the record figure of 104 million tons, thus exceeding by 5 million tons the 1959 output and by some 3.5 million tons the targets of the national economic plan. A marked increase of labour productivity was noticed in the coal industry this year which contributed to this rise in output. The extraction costs were also reduced in this year. The mechanisation of work in collieries contributed no less to this phenomenal progress. At present already more than 27 per cent of coal is loaded mechanically. As compared to the preceding year, the share of machines in coal extraction has increased nearly two-fold.

I.F.C.

Investment in Columbia: International Finance Corporation has announced commitment to invest U.S. $700,000 in a Columbian company, Envases Colombianos, S.A., of Barranquilla, primarily to help finance the construction and initial operation of a plant to manufacture metal cans for food packing and for general use. The new company will also take over the paper and sheet metal printing operations of an existing Colombian company, Empressa Litografica, S.A. Controlling interest is owned by Messrs. Alberto Roncallo and Adolfo Gieseken of Barranquilla. The minority stockholder of the company is American Can Company, the world's largest producer of metal cans. Equipment for the new plant will be supplied by American Can Company and installed under the supervision of American Can Company experts. American Can Company technical personnel will be in charge of production until completion of a training programme designed to replace American personnel with Colombians. Production is expected to begin about mid-1961.

Total cost of the project is estimated at $2,830,000 in U.S. dollars and dollar equivalent. In addition to the IFC investment of $700,000 this will include U.S. $1,300,000 equivalent of share capital, plus other peso financing. The IFC investment will be in unsecured dollar notes bearing 7% interest payable in U.S. dollars and maturing from 1966 to 1972. IFC expects also to receive additional interest on a deferment plan related to profits, and an option on capital stock of the Colombian company. IFC's commitment is subject to completion of the necessary legal formalities.

NEWS IN BRIEF

INDIAN

The Government of India have decided to grant a special rebate of 5 nP in the rupee on all retail sales of handloom cloth during the Eighth All India Handloom Week celebrations from February 5 to 12, 1961.

*

The Government of India have accepted the Tariff Commission's recommendation that protection granted to the cotton textile machinery (spinning ring frames, spindles, spinning-rings, fluted rollers and automatic looms) industry should be continued at the existing level of duty of 10 per cent ad valorem for a further period of three years i.e. upto December 31, 1960.

*

During the Second Five-Year Plan a generating capacity of 650 kw had been added for rural electrification in Manipur, including Imphal town.

*

It is reported a large number of entrepreneurs from all over the country have already sought an allocation of space to the extent of over 250 acres in the proposed Kandla Free Trade Zone, which is expected to be launched by April next.

*

The private and public sectors in India produced 37.92 million tons of coal till September this year against 35.93 million tons in the corresponding period of last year.

*

Reduction in sales tax on articles manufactured in the local industrial units and subsidizing power rates to some extent in respect of power supplies to new industrial units, with a view to inducing entrepreneurs to start new industries were under the consideration of the Government of Andhra Pradesh.

*

The Government of India have decided to release a quota of 20,000 tons of H.P.S. groundnut kernels for export by all shippers against registration of contract in the form of cable offer and cable acceptance in 1961.

*

Japan is likely to offer a 5,000 million yen credit to India to help build a vast chemical fertilizer factory in Assam State. The proposed credit is to become part of an overall capital assistance plan for India now under study by Japanese Government authorities for submission at the next international conference of India's creditor nations in March.

*

The President has given assent to the Bombay Tenancy and Agricultural Lands (Gujarat Ammendment) Bill, 1960. The legislation amends the Bombay Tenancy and Agricultural Lands Act, 1948, to make the intention of the Legislature quite clear in respect of some provisions and to remove certain lacunae in the Act.

FOREIGN

An Arab Development Fund with an initial capital of £20 million was proposed recently at the Arab League Economic Conference. The capital, which would be put up by member countries in proportion to their contribution to the League, would be used for development projects in the Arab States.

*

During the first ten months of 1960, French production of electricity and the balance of exchanges with foreign countries (consumption and losses) totalled 56,384 million kWh compared with 50,585 million kWh during the same period of 1959 and 48,752 million kWh during the same period of 1958.

*

It is reported that no visible provision has been made for servicing pre-war foreign debt in the 1961 Greek Budget. Nearly 26 per cent of revenue is devoted to defence and internal security.

*

Steel export sales worth $110 million are expected to be made this year by Canada's four basic producers. This is double the 1959 volume and is largely attributable to surging U.K. and European demand for plate, strip and sheet steel.

*

Trade between the Soviet Union and Austria in the next five years is likely to increase by at least 50 per cent. An agreement on reciprocal goods deliveries between 1961 and 1965 and a protocol in the volume of trade has been signed.

*

Nigeria has announced higher import duties on a wide range of goods, including bicycles, motor vehicles, clothing, shoes, textiles, beer, wines and spirits and cement. Protective duties are imposed on flour and sugar.

*

Savings banks throughout Australia will increase their deposit rates from 3 to 3¼ per cent from January 1 and raise the maximum amount on which interest is payable from £A 2,000 to £A 2,500. This increase applies to savings organisations conducted by both Governmental and private trading banks.

*

The Canadian newsprint industry which has been operating at a high rate this year, is expected to show an increase in production of about 341,000 tons or 5.3 per cent. Output will therefore be at a new high record and about 4.1 per cent more than the previous record of 1956.

*

World rubber consumption, exclusive of Soviet bloc synthetic rubber, should reach a new high of 3.8 million long tons in 1961, an increase of 10 per cent above this year's record.

*

The U.S. Export-Import Bank has granted a $25.5 million credit to the Australian Government for the purchase of three Boeing 707 jet aircraft for Qantas and to modify seven 707s already owned by Qantas.

*

New capital issues by West German companies in Germany during the year to September 30 totalled nearly DM 7,500 million, according to the Bandesbank's monthly review for November, more than DM 2,000 million or 20 per cent less than in the previous year.

Special Article

INDIA REVISITED

By

PAUL BAREAU

THE immediate impression left by a visit to India after a four year interval and a three weeks' intensive tour of the industrial areas of West, East and South, is that of a dynamism and momentum which were not so apparent at the close of 1956. The new industrial "middle class" one sees in and around the factories of the Bombay belt, Jamshedpur, the new industrial complex of Bihar and West Bengal, the clean and impressive development near Madras and Bangalore, is a portent for the future as well as a token of what has been achieved in the Second Five-Year Plan. Industrial India is unquestionably on the move. But the journeys made between the public and private showpieces of the Plan reveal to the visitor how much there is to move and from what an abysmally low level of well-being the move has had to begin.

Whatever reservations one may have about the details of the Plan, of its order of priorities and of its pace, there is no doubt that the momentum behind the process of industrialization could not have been imparted without centralised planning and a wide measure of State intervention. The almost compulsory extraction of large masses of external capital and the equally compulsory generation of domestic savings by conscious deficit financing would not otherwise have been possible. Had the industrialisation of India been left to private enterprise fewer monumental investments and, therefore, fewer monumental mistakes, might have been made; but the tempo of the venture would have been slowed down—and time is of the essence of this great enterprise.

In discussing the problems of India with Ministers and officials one gets an impression of greater flexibility and realism. The doctrinaire attitude to the respective roles of public and private enterprise is still there; the orthodox incantations still have to be uttered. But when it comes to action the dogma can be reconciled with practical good sense. What is being done in the realms of coal mining, the manufacture of fertilizers, the refining of oil, the plans for making special alloy steels, the admittance of foreign capital in joint enterprises on majority terms—in these and other respects I detect a healthy relic of the arts of adaptation and pragmatism which must have been inculcated in the days of British India. To make mistakes is a sin; but the mortal sin is to refuse to learn from one's mistakes; and in this respect the authorities in India are showing distinct signs of virtue.

My own personal predilection would be to favour a continuation of this trend admitting what I have already written about the need for planning and for considerable intrusion of the State in industrial enterprise. I still believe that India would have much to gain by blurring still further the frontiers between the two sectors of its economy. It is depriving itself of a considerable inflow of much needed foreign capital by the restrictions placed on the activity of the private sector. The touchstone of commercial profitability is needed in many spheres reserved for the public sector. There is a danger that the siting of oil refineries or steel plants may be dictated by political rather than economic considerations. Here lies real danger of building a high cost structure into the Indian economy —a defect that would be all the more ironic given the present low labour cost advantage which India holds. That way lies far deeper seated danger to the currency than derives from the meagerness of external reserves and the continued dependence on external aid.

If, however, the role of private enterprise is to be extended more emphasis should be placed on the need to enforce on this private enterprise the essential discipline of competition. Large-scale industry in India tends to be given two types of protection. First there is protection from imported goods, given the harsh facts of the balance of payments and the declared policy of the Government not to allow the import of any goods that can be made at home. Secondly, it is protected from domestic competition by the policy of giving each large-scale manufacturer a virtual monopoly in a certain type of article—be it a small or medium sized car, a particular size of truck, and so on. This is done in the interests of economy, to avoid what might be deemed an unnecessary and wasteful duplication of effort. But this is a mistaken view of economy. If the private sector is to be allowed greater scope, it is essential that the healthy breeze of competition should be allowed to keep it sound and to prevent the far greater wastage involved by the abuse of monopoly power.

A visit to the new steel plants and to their natural outlet, Calcutta, has convinced me that rather than start building a fourth State plant the more urgent priorities are to provide good management for the three that have been built and to undertake the major task of dealing with the port and city of Calcutta. I hope India will have the wisdom and humility to entrust the running of these three admirable steel plants to teams of foreign technicians and managers who in due course will train Indians to take their places at the head of these extremely expensive gadgets.

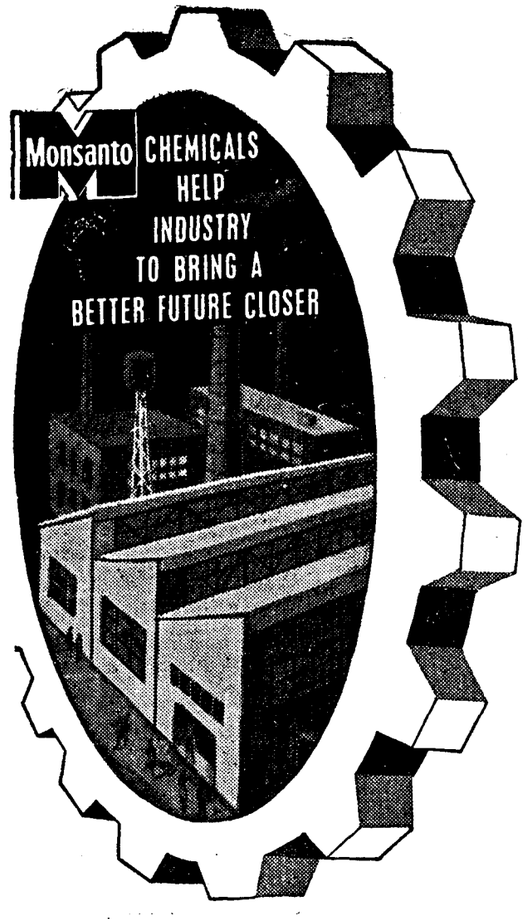
As for Calcutta, it seemed to me the biggest single blot on modern India and also the biggest single social, political and economic problem that has to be tackled. Much of the work that has to be done there is labour intensive, sparing in its foreign exchange requirements and precisely the kind of work needed to employ the available underemployed labour and make Calcutta safe for democratic India.

On the subject of priorities, I would also suggest that underemployed labour be used to improve road communications. That is the best contribution that would be made to raising levels of efficiency in agriculture—a problem which will be priority number one in the Third and also in the Fourth and Fifth Five-Year Plans.

The Second Five-Year Plan, now drawing to a somewhat expurgated close, began with the foreign exchange coffers fairly flush and with the requirements for external aid seemingly within reach. The Third Plan will begin with external reserves down to an irreducible minimum and with grave reservations about the external borrowing programme. The United States have suddenly had to become aware that there is such a thing as a balance of payments. The United Kingdom is likely to show a deficit in its current balance of payments for 1960 and no country can invest a deficit. From India's direction the problem of securing the required aid abroad will be complicated by the fact that the equivalent of some Rs. 600 crores of external debt will be maturing during the next five years and will have to be met by reborrowing or by an extension of maturity dates.

Yet, despite this seemingly unfavourable contrast, I am more confident that the Third Plan will reach its objectives than I was of the prospects for the Second Plan. For that I give credit, firstly, to the greater realism and flexibility with which the task of industrialisation is now being tackled. The second ground for optimism is the fact that the momentum of economic expansion is gaining and shows real signs of becoming self-generating. I would rank as irresponsible optimism the view one often hears expressed in official quarters in India, that the country will be independent of external aid in ten years' time.

The Achilles heel of the Plan is in its balance of payments. The absurd striving for industrial self-sufficiency may load the Indian economy with such high costs, and so burden its traditional exports that genuine equilibrium in balance of payments will not be achieved without damaging adjustments of the external value of the currency.



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THE BUSINESS WORLD

The Indian Urban Markets—A Measure

THE Market Research Department of J. Walter Thompson Company has just brought out a pamphlet dealing with a new consumer index of Indian markets based on a study of "market factors" in 504 cities and towns with populations of over 20,000. The index can be used by manufacturers and distributors as a fairly reliable indicator for planning sales and advertising in urban areas. The urban market has been analysed town by town by taking into consideration no less than 12 major economic factors such as the size of total population and factory labour, the rate of growth in population, the level of literacy, the number of radio sets and private cars in use, the number of banks, doctors, chemists, druggists, cinemas, number of cinema seats and domestic consumption of electricity.*

The city of Calcutta has been assumed as base because it topped the list in regard to all these factors; the consumer index for each city is expressed with the city of Calcutta equal to 100. Thus, the city of Bombay with the index at 79.56 depicts a level in regard to the size of the market which is four-fifths of Calcutta. Delhi's market turns out to be less than half of Calcutta, while Madras seems to possess a market which is almost one-third of Calcutta.

The table alongside summarises the results of this analysis. The big twenty-six cities taken together seem to constitute 46 per cent of the urban market. It is interesting to see that only eight cities in the Indian Union seem to have a reasonably good market as compared to Calcutta, though their combined total hardly exceeds double the size of Calcutta. Two-thirds of the urban market is covered by 83 cities and towns. Almost one-third of the urban market lies scattered in no less than 421 smaller towns.

The index, it seems, had to be built on the basis of these twelve indicators because no direct evidence on the purchasing capacity of each of these towns was available from any published sources. Income surveys in the 26 towns and cities which cover nearly half of the urban market would give a clear indication of the relative status of each one of these major cities and towns. The Indian Institute of Public Opinion has conducted surveys in Calcutta, Bombay, Delhi and Madras and their results are available but if the other towns were also covered, a reliable index, based on the purchasing power of the cities, could certainly be constructed. The city surveys sponsored by the Research Programmes Committee of the Planning Commission in all the major cities could also be utilised for this purpose.

The index suffers from the major defect that it is based on statistics collected during a decade, though corrections have been made on the most plausible assumptions. There is need for a more dynamic index which could indicate the changes in the purchasing capacity of the major markets as a result of the vast development expenditure already incurred by the country, and the likely pools of new incomes to be generated in the next decade.

Class of Market	Index Group	No. of Towns	Total Market Score	% of Market
A (a)	75.00 — 100.00	2	179.56	18.9
(b)	10.00 — 75.00	7	151.44	16.0
(c)	5.00 — 10.00	17	107.00	11.3
		26	438.00	46.2
B (a)	4.00 — 5.00	6	27.46	2.9
(b)	3.00 — 4.00	15	53.19	5.6
(c)	2.00 — 3.00	36	85.83	9.1
		57	166.48	17.6
C (a)	1.00 — 2.00	116	156.71	16.5
(b)	0.50 — 1.00	220	155.65	16.4
(c)	Below 0.50	85	31.37	3.3
		421	343.73	36.2
Grand Total		504	948.21	100.0

Dangerous Deviation

By CROESUS

AS I write this despatch, the prices of shares of sugar companies in the Deccan have been sliding down sharply even after the downward trend on the Bombay Stock Exchange seems to have generally halted. What has prompted this sudden downward trend in the prices of shares of Deccan sugar companies is the fear that the proposed land ceiling legislation of the Maharashtra State Government may not exempt the cane farms of sugar factories, as the land ceiling laws of other States have done. Although the Maharashtra Land Ceiling Bill has not yet been published and nobody knows what the exact contents of the Bill are, reports appearing in the Press since the past few days would appear to have occasioned all the disquiet. For, according to these reports, the Planning Commission, which had been withholding its approval to the Bill, or rather was still considering it, has since given its approval "on the intervention of the Prime Minister". Why was the intervention of the Prime Minister necessary, it is asked, if the Bill followed the same pattern as similar bills enacted, or are in the process of being enacted, by the other State Governments? Evidently, the answer seems to be that the Maharashtra State Bill proposes to deviate from the said pattern. Incidentally, the pat

* The weightage assigned to each factor is, however, not indicated in the brief appendix.

tern for land ceiling laws by all the States has been arrived at after a good deal of discussion between the Planning Commission and the State Governments concerned and also the plantation or farm interests affected. The position, one thought, was further stabilised when the President returned the Kerala Land Ceiling Bill and insisted on certain changes, including exemption of the land held by plantations from the scope of that bill. It is not clear, therefore, whether the deviation from the set pattern actually relates to this exemption or to some other aspect, especially as the general impression all along has been that the Chief Minister of Maharashtra, Mr. Y. B. Chavan, is so shrewd and practical an administrator that he is not likely to subscribe to any such dangerous deviation.

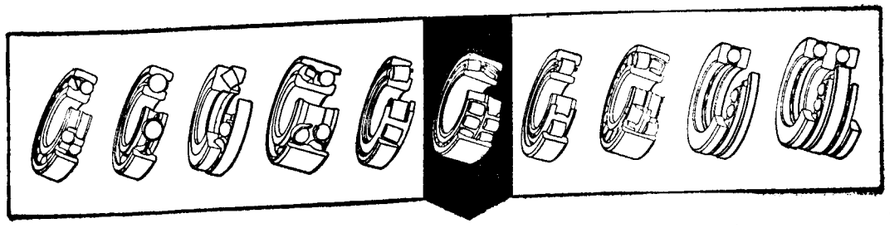
Notwithstanding this, if the sugar shares on the Bombay Stock Exchange have reacted in the way they have done, the presumption obviously is that there can be no smoke without fire. According to those who are usually in the know of things, the Maharashtra State Land Ceiling Legislation bids fair to chalk out a distinct line of its own in the matter of exempting farm lands owned by sugar factories or other joint-stock companies from the scope of the proposed legislation. Whatever form this individualistic line of approach with regard to land ceiling legislation may take, it is now clear that it will deviate from the pattern so far approved and accepted and that it will lead to consequences which no responsible State Government can afford either to ignore or to brush aside, except at its own peril. The arguments—and these are all admittedly valid and reasonable—for exempting certain categories of land holdings from the purview of the land ceiling legislation are too well known, but there are special justifications for exempting the sugarcane farms operated by sugar factories in the Deccan from the scope of the proposed legislation. It should not be forgotten that it is due to the pioneering efforts and great sacrifices of the sugar factories in the Deccan that so much land in the State is today under cane cultivation and adding to the national output of the country. It is to the sugar factories, in a large measure, that the Government of Maharashtra today, and the Government of Bombay until the other day, must be beholden for the profitable utilisation of their canal waters and also contributing a tidy sum to the exchequers of both the Central and the State Governments. If only because of these considerations, any legislation affecting the Deccan sugar factories for all times, must come only after the greatest care and circumspection has been devoted to the subject. It is easy to give assurances and persuade the powers-that-be—as seems to have been done—especially when a general election is in the offing, to concede to a legislation of any far-reaching nature. But it is difficult, nay impossible, to retrace the false, or rather a wrong step, and undo the untold harm stemming from the dislocation and disruption of an otherwise smoothly running economy. Perhaps few industries can lay claim to all the benefits that the sugar industry can lay claim to 'vis-a-vis' agriculture. In no area other than in and around a sugar factory, particularly in the Deccan, can one see practically all the benefits that one can expect from an agro industry that the sugar industry is. And, yet, if an attempt is being made to throw a spanner into this smooth working machinery and create chaos and confusion, which are the certain consequences of the proposed deletion of the exemption of sugarcane farms operated by sugar factories from the scope of the Maharashtra Land Ceilings Legislation, it is to say the least, deplorable.

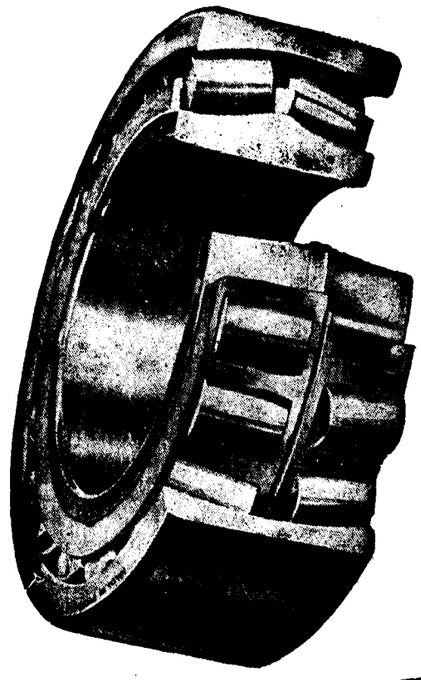
Apart from the fact that the lonely path, which the Maharashtra State Government seems to have chosen to tread, comes in the way of a uniform policy by all State Governments on the vital question of land policy, what are the benefits that the reported proposal in question will yield which the existing position does not? What will, again, be the agency that will take over the management of these large farms? And will any such agency command all the resources in men, material and methods, not to speak of experience, that the sugarcane factories command? Is it prudent, especially when the entire approach to agricultural reforms of the authorities is towards economic holdings, to adopt a course that will not only break up what have been transformed into economic holdings but also to throw to the winds the advantages of large-scale economy which have been so sedulously and strenously evolved by the Deccan sugar industry after years of devoted labour? If the State policy is that the land should go to the tiller, will not the proposed action go contrary to it?

Let us pause and examine what the large cane farms operated by the sugar factories in the Deccan have achieved. In the first place, these farms have ensured regular and assured supply of cane to the sugar factories and have contributed to the increase in the sugar production of the country. It is needless to say that any delay, interruption or dislocation in the supply of cane will disrupt the economy of the sugar industry. Secondly, thanks to the care and attention bestowed by the sugar factories in the Deccan on their farms, the sugar industry in India can boast of not only the latest and the most advanced improvement in agricultural practices but also the use of the most modern and up-to-date equipment, mechanisation, research, soil study, manuring and improved seeds. It cannot be claimed that all these facilities would be available to an individual cultivator or even a small co-operative factory. Thirdly, the farms operated by sugar factories in the Deccan have not only benefited the factories, but practically every cultivator within a radius of several miles all round. The Maharashtra State Government would do well to enquire of these individual cultivators as to what benefits they have derived. Indeed, the factory farms have verily transformed sugarcane cultivation in the entire region, by means of improved seeds, better varieties of cane and pesticides to fight all the known cane diseases. They have contributed to the raising of the standard of living of the cultivator individually and to the augmenting of the national output of the country as a whole. They have also contributed to raising the national income of the country by the admittedly higher prices they pay to both the suppliers of cane and the agricultural labourers on their farms. In short, they are doing a sort of unpretentious extension service in the sphere of sugarcane cultivation. But for them, it is a moot point whether the large tracts of waste and jungle land, which had been practically abandoned as uncultivable at one time, would have been reclaimed and transformed into smiling cane fields of today. The large outlay that all this work entails is certainly beyond the capacity of individual cultivators or even of co-operatives. Above all, let no one forget the large employment potential of these sugar factories, both on the farm and in the factory. If today a good many agricultural graduates, engineers, and chemists are well employed, it is not a little due to the openings provided by these sugar factories, both directly and indirectly. It is doubtful whether any other agency that may be under contemptation to replace the management of farms by sugar factories can provide all the amenities that these factories are providing to the workers on the factory farms.

Granting that all these advantages are going to be guaranteed under the new dispensation envisaged, will the breaking up of the commercial farms not lead to a fall in production? The experience of country after country, not excluding Soviet Russia, has established this beyond a shadow of doubt. Our neighbour Pakistan

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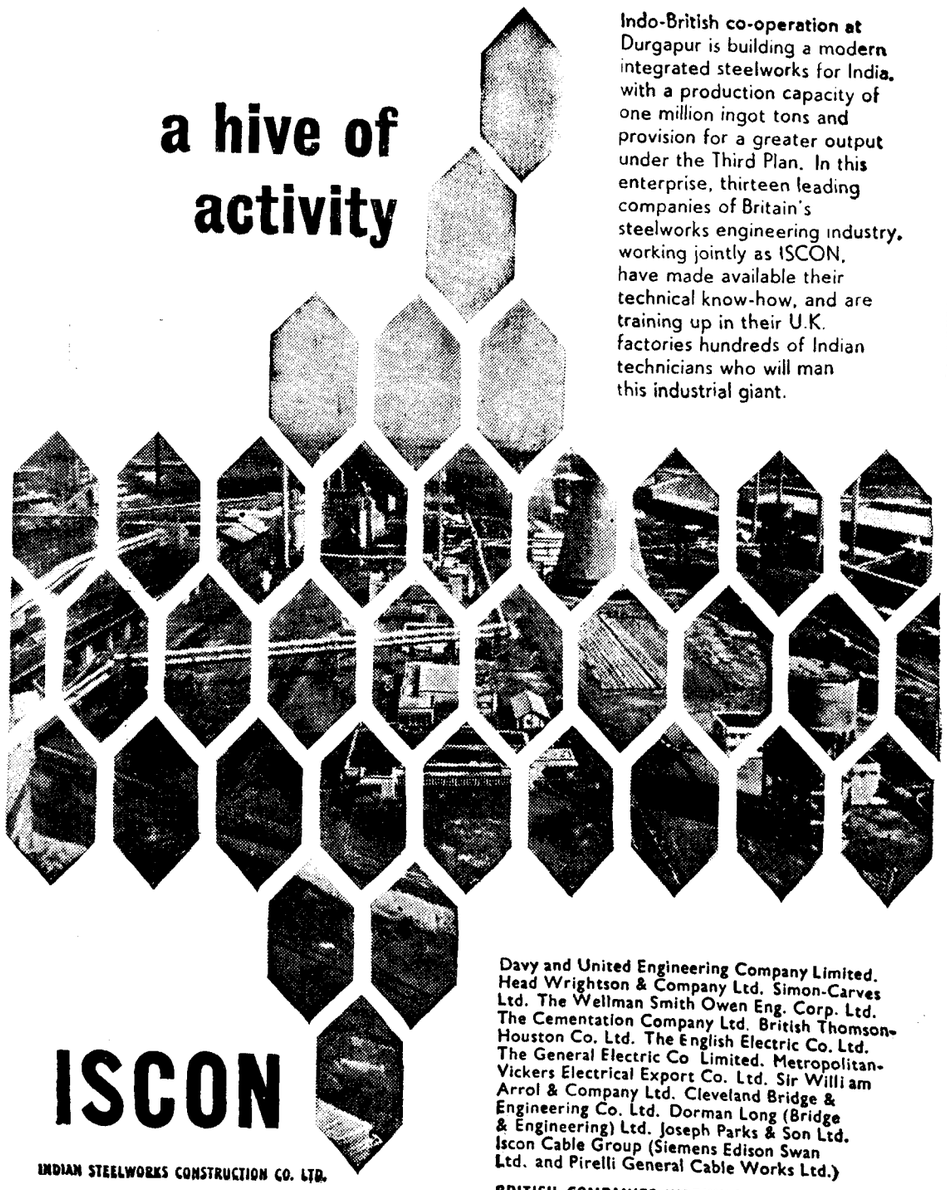
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has found to its cost that the parcelling of commercial farms in small plots has led to a fall in the standard of cultivation and a reduction in production. According to Stalin himself "the weakness of small peasant farming lies in the fact that it lacks, or almost lacks, these opportunities (use of machinery, fertilisers, etc.) and, as a result, it is semiconsuming farming, yielding little grain for the market." Dr. Schacht, the famed wizard of finance of Germany, in his "Account Settled", says: "The breaking up of the big estates will not lead to an increase in harvest yields, but to a diminution. The small-scale holdings will not be able to provide the industrial towns with their food requirements anything like as efficiently as did the bigger farms. Distribution from many smaller units is more expensive, takes up more time, and requires more labour power and, in addition, it increases the danger of wastage by deterioration. Further, the portion of production retained by a small-scale unit for its own consumption is greater than in the case of a large unit. The improvement of agricultural technique is more difficult for the small farm than it is for the large."

Besides these disadvantages, the proposed legislation also leads to a number of complications, especially in the case of sugar factories in the Deccan. For, apart from the land which they hold on their own account and which they have steadily increased from year to year to get the maximum benefits of large-scale economy, they also hold on lease vast areas of land on terms settled not merely mutually as between the factories and the cultivators, but approved by the Government, and the position with regard to these leases, many of which expire in the next 25 or 30 years, requires to be examined. Similarly, there are agreements between the sugar factories and the Government with regard to the use of the canal waters. The factories are required to pay for at least 90 per cent of the "guaranteed supply", whether they use the water or not. Now what will be the position if the factories are prevented by a new legislation by the Government itself which hinders the fulfilment of this obligation? Next, what is to happen to all the investments of these factories, not only on their farms and equipment but also on the large-scale housing programmes imposed upon them by the Industrial Courts? Not all the additional allocation that Mr. Chavan has succeeded in extracting from the Planning Commission for the outlay on the State's Third Five-Year Plan will possibly suffice to meet the cost of taking over the farms and their appurtenances of all these sugar factories. Even if it does, the Maharashtra State can ill-afford such a luxury when it has many more pressing and urgent tasks to tackle. The ultimate decision, which, of course, rests with the Maharashtra Government, will not only show how the conflict (that the proposed legislation involves) between a seemingly attractive ideology and the assured advantages of a realistic and practical approach is going to be resolved but also squarely place on the shoulders of that Government a responsibility for the serious consequences that will follow

Business Notes

I.F.C.

ENLARGED POWERS

THE INDUSTRIAL FINANCE CORPORATION ACT is being amended with the express purpose of strengthening the powers of the Corporation to assist industrial concerns either with direct loans or by means of subscription to their equity capital or issues of their debentures. It is only proper that the Corporation should be provided with new teeth in order to make it a more potential and effective lending agency for industry. In particular, the Amending Bill aims at enlarging the functions of the Corporation as a guarantor to industrial concerns seeking assistance and also to enable it to participate in the equity capital and in the profits of a concern instead of resting content merely with receipt of interest on payment of loans or debentures. This is on the pattern of industrial finance agencies in the West.

The Amending Bill has made substantial changes in Section 23 of the original Act. Under the Act as it now stands, the Corporation can underwrite the issue of shares, debentures etc. and in case it is required to subscribe to the shares or debentures in consequence of its under-writing liability, it can ordinarily retain the shares or debentures in its own name up to a period of seven years. Experience has shown that certain concerns who benefit from the under-writing powers of the Corporation required more loans etc. and their work could be facilitated if some change is made in the present provision in this behalf. The Amending Bill, therefore, enables the Corporation to make direct subscriptions to the shares or debentures instead of acquiring them through the indirect mode of under-writing contracts. The Corporation has further been empowered to subscribe to the shares of an industrial concern irrespective of the fact whether the issue of shares is under-written by it or not. The new power is of considerable significance and it is expected to strengthen the effectiveness of the Corporation and also to fulfil the requirements of industrial concerns for capital. In the light of this new power the Corporation can advance its assistance partly in the shape of loans and earn interest on them and partly by agreement to buy shares and participate in the profits by a right to dividend. This new power, of course, will throw more onerous obligations on the Corporation because, having once obtained a stake in equity capital, it will inevitably have to take the consequential responsibility of participating in the management of industrial concerns by nominating its own representatives on their Boards of Directors. In a sense, this function is not altogether new to the Corporation. Now, under the present Act, if the Corporation has to grant loans or to subscribe to the debentures of an industrial concern in excess of Rs. 1 crores, it has to obtain the guarantee of the Central Government for the repayment of such loans, debentures and the interest on them. It has been argued that since Government owns 20 per cent of the shares of the Corporation and it stands guarantee for the balance of the share capital and all the bonds issued by the Corporation, this additional guarantee in respect of loans etc. of the value of more Rs. 1 crores is superfluous. Therefore, the Amending Bill has abolished the need for guarantee and in its place it has substituted prior approval of the Central Government.

The Corporation already possesses the power to guarantee deferred payments agreements for imports, although such agreements are few and far between. It has been found that small units which find it necessary to purchase indigenous capital goods on deferred payments agreements are handicapped for want of an acceptable guarantor. To remove this handicap the Amending Bill empowers the Corporation to provide such guarantees. The other amendments made by the Bill are of a minor nature and still others are of procedural or consequential nature. All in all, the new powers conferred on the Corporation amount to a ver-

dict of good performance in the past and a vote of confidence in its ability to be an effective agency for financial assistance to industry in the future.

Foreign Exchange

ACCENT ON EXPORTS

EASILY THE most serious developmental problem the country has been facing today is the foreign exchange problem. On the availability of adequate foreign exchange will also depend the future tempo of India's economic development. It is not surprising, therefore, that the question has been receiving urgent and serious attention almost everywhere in the country. The other day, inaugurating a symposium on "Problems of Foreign Exchange Resources" in Bombay, Mr. B. R. Bhagat, the Union Deputy Minister for Finance, observed that the country must make every effort to reduce its imports, on the one hand, and increase its exports on the other, if the foreign exchange problem has to be tided over. The Minister attributed the balance of payments difficulties during the Second Plan period to the high rate of investment, particularly in industry. (But that was precisely what the Plan was intended to achieve.) In the first four years of the Second Plan, he went on to disclose, imports rose by about fifty per cent over the annual average during the First Plan, while there was actually a decline in the annual rate of exports from Rs. 622 crores in the First Plan period to Rs. 607 crores in the first four years of the Second Plan. As reasons for the sudden rise in imports he listed a substantial rise in capital goods imports; an unexpected rise in import prices—particularly of machinery and iron and steel; increases in food imports and imports of raw materials and intermediates.

The last mentioned particularly is significant, in the sense that it is so closely linked up with the progress of our industrialisation. In view of this, it represents, in fact, one of the chief problems of the future, unless we can produce increasing quantities of these new materials and intermediates at home. Referring to factors on the export side mainly responsible for the present weakness in our balance of payments position, the Minister said that not only had the average level of exports been generally declining during the Second Plan period but this decline, especially in our main traditional export items, such as tea, cotton, and jute, was more the result of a fall in quantity than in price. Of course, to some extent, exports also declined because of the international recession in 1957-58. However, the increase in exports in 1958-59 was not because of an expansion in volume but because of a rise in prices. Yet another reason, Mr. Bhagat said, was that the long-term prospects for many of our staple exports were poor, due to competition from synthetic substitutes or from producers from other countries. He did not, of course, say that the neglect of staple exports by ourselves, as witness jute goods, was no less responsible for this result.

Mr. Bhagat estimated that India would require Rs. 1,900 crores for the import of machinery in respect of projects included in the Third Plan and Rs. 200 crores for imports of components and intermediate products, in addition to the maintenance imports of Rs. 3,570 crores during the 1961-66 period. However, as against this, the country's foreign exchange earnings were likely to amount to no more than Rs. 3,570 crores, including receipts of invisibles valued at Rs. 120 crores. But, over and above this, he said, the country would require about Rs. 2,600 crores more to bridge the gap resulting, 'inter alia', from repayment obligations to the tune of Rs. 500 crores. After painting this gloomy picture, the only concrete suggestion that he made was to appeal to the industry and trade to play an active part in the development of the country by taking suitable measures for the improvement and standardisation of all our exportable products. It is, of course, the duty of Indian industry and trade to pull its utmost weight to maximise exports, but is the Government doing everything in its power to stimulate exports? According to Mr. Morarji J. Vaidya, President of the Indian Council of Foreign Trade, at any rate, every effort is not being made to increase exports of our manufactured goods by the trade, but that such is actually being hampered by the constant dependence and long waiting that has become inevitable under the present system of controls, licensing and permits. Even the plans of expansion of industries and their efforts at expanding production by co-operative effort like Export Houses have been continuously delayed, thereby leading to frustration.

Mr. G. L. Mehta, our former ambassador to the United States, has a solution to our foreign exchange problem, which is that the country should undertake the manufacture of light and simple machinery instead of heavy plants. He has also suggested that, Indian steel being the second cheapest in price in the world, steps should be taken to explore the possibilities of increasing steel exports. He further wanted the projects entailing the least foreign exchange requirements to be given a priority.

New Issue

MADRAS ALUMINIUM

THE MADRAS ALUMINIUM COMPANY LIMITED, a 10-crore-rupee project for the production of aluminium is proposed to be established in collaboration with an Italian firm, Messrs. Montecatini, who have rich experience in the production and processing of aluminium. The factory will be located at Mettur where high quality bauxite is available from Salem District, in Madras State. The factory will have the facility of electric power which forms about 25 per cent of the industry's cost of production. The Madras Government have guaranteed power supply at a very concessional rate. The project will have an initial capacity to produce 10,000 tons of aluminium per annum—7,000 tons of ingots and 3,000 tons of alloys. The capacity is likely to be doubled as soon as the first plant is completed. The promoters of the Company have made it clear that no additional capital will be required for the expansion to 20,000 ton capacity, as the Company will be able to meet all the additional capital requirements from its own earnings.

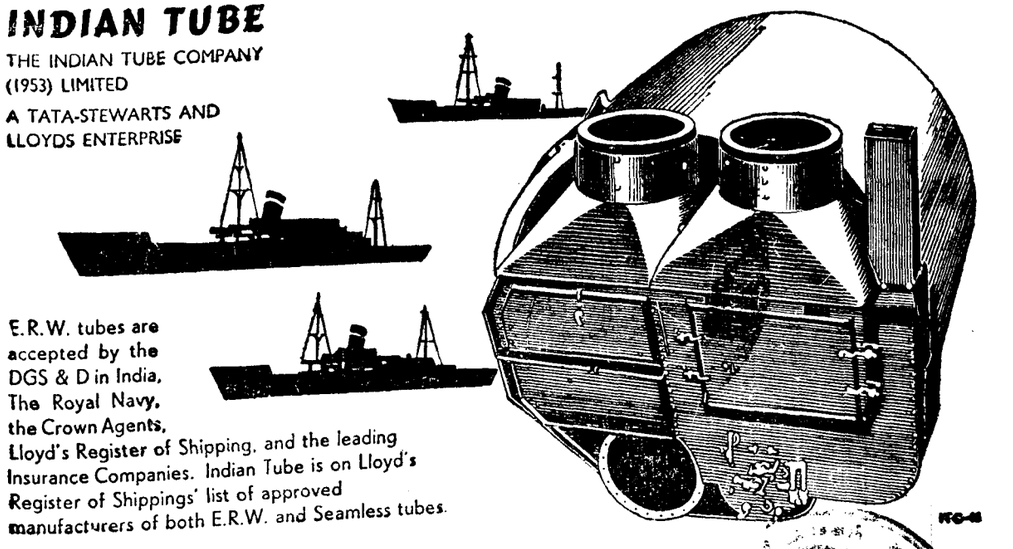
The present issue is of Rs. 6 crores out of which the Italian collaborators are being allotted Rs. 1.20 crores worth of equity shares in lieu of technical know-how etc. offered by them. The Madras Government is subscribing to the extent of Rs. 1.50 crores; preference shares worth Rs. 90 lakhs and equity shares worth Rs. 60 lakhs have been subscribed by the Madras Industrial Investment Corporation. The Industrial Finance Corporation of India is subscribing to the extent of Rs. 1.20 crores equally divided between preference and equity shares. The promoters of the venture and their friends are subscribing Rs. 1 crore worth of equity shares and the remaining Rs. 1.10 crore worth of equity shares are being offered to the public. The issue which opens on January 6, 1961, is obviously likely to receive a good response in the market.

It is gathered that most of the machinery for the project will have to be imported from Italy at a cost of Rs. 3.80 crores. The amount will be paid in 1963 when it is shipped to India. The Italian collaborators of the Company have made arrangements with an Italian bank for the payment of this amount and the interest thereon against ten-year Italian lira Bonds of the value of Rs. 4 crores. This will be a sort of debenture loan at 5 to 6 per cent interest. For an Indian venture, this will be a new experiment and appears to be a fairly sound arrangement.

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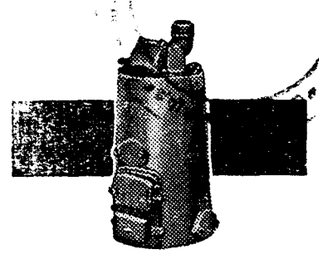
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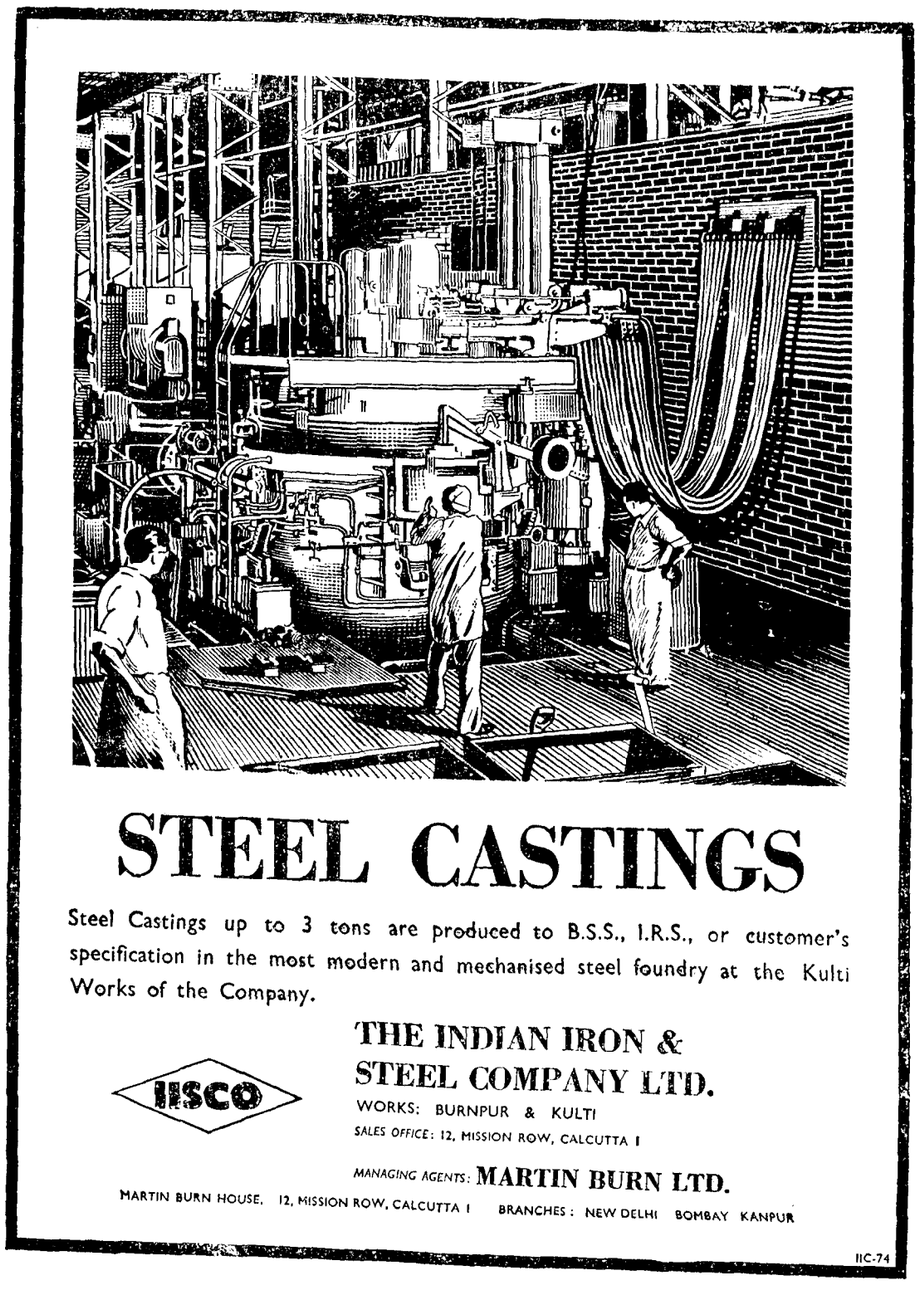
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FROM THE CAPITAL'S CORRIDORS

PROF. GALBRAITH'S VIEWS ON INDIAN ECONOMY

REPORTS from Washington suggest that Prof. J. K. Galbraith will be the next US Ambassador in India. How does he look at our Third Five-Year Plan and the development of the Indian economy during the past ten years? Prof. Galbraith was here in April last. He submitted at that time two notes to the Planning Commission; one on the foreign resources for the Third Plan and the other on the rationale of Indian economic organisation. These notes reflect his views on the need for increased foreign assistance for the implementation of our next Plan and on the deficiencies of the present economic system of this country.

In his note on "Foreign Resources in Third Plan", Prof. Galbraith finds fault with the suggestion made in certain quarters that foreign assistance in our Third Plan, especially towards its close, should be reduced considerably and that the main aim of this Plan should be to make India independent of such assistance. In Prof. Galbraithis opinion these suggestions emanate from dubious and false propositions; the arguments in their defence are mainly political and moral.

Prof. Galbraith has expressed the view that it is very unlikely that India having thrown off the British yoke, will succumb to the control of its creditors. "Among the ominous figures in Indian history", he says, "Eugene Black is unlikely to rank with Robert Clive, Warren Hastings or even the late Lord Curzon." It is true, he argues, that in the past several small countries have been taken in hand for their debts. But this is not the fate of great nations. Had it been so, the United States in the 19th century, always a large debtor and sometimes an unreliable one, would have succumbed to Baring Bros. Creditors, he says, will always presume to make suggestions to debtors. Debtors if they are otherwise strong need not hear or fear them.

About the moral aspect of the issue, Prof. Galbraith thinks that this proceeds from what in the United States is called 'copy book maxim'—neither a lender nor a borrower be. This cogent advice, he asserts, has not been followed by those who have won wealth. And for a developing country like India, this is not the necessary precept.

On the question of mounting service charges on foreign loans, which will make heavy inroads in the balance of payments position of India, Prof. Galbraith has to say this: "It is quite true that service charges on loans are increasing. In the current year (1960-61) they are Rs. 23 crores. In the second year of the Third Plan, according to some preliminary projections, they may reach a peak of Rs. 100 crores. But, save in the fiscal imagination, these are not a unique or a decisive element in the balance of payments. They must be covered. But so the growing payments for oil". Should the burden of repayment of foreign loans become too heavy, he is of the opinion that arrangement can always be sought at least on government loans, for extending the period of repayment. There is no crime in this, he says. It is a common commercial practice. Such extensions so far as inter-governmental loans are concerned might be easier to arrange than new borrowings.

FOREIGN AID AND ECONOMIC DEVELOPMENT

Growing countries, Prof. Galbraith asserts, have almost always borrowed. Even the USSR has frequently indicated its desire to do so. Foreign resources increase the pace of advance and provide capital equipment which is not available in the country. And this foreign assistance has not to be paid for from ordinary foreign exchange earnings, but from its own earnings. Since this claims only a part of the return on suitable investment, there is a net gain from the transaction. In the last century, private capital nourished development of many a country. At present it confines itself certainly in some professedly socialistic countries to a rather narrow range of oil, mineral and marketing activities, combined on occasions with promises of future wonder that have a rather low cash value. Government-sponsored capital movements have accordingly taken the place of private capital movements. Whether good or bad, this is the modern form of capital movement. It is here to stay and must now be regarded as perfectly normal and natural. Prof. Galbraith thinks that there has been probably an improvement in the conscience of the richer nations since World War II. They have come to feel that they owe some responsibility for helping the poorer lands. This should be welcomed, encouraged, cherished and used. "So both government loans and government grants", he says, "should be considered a normal aspect in modern international relations. If the Indian Government by some false calculations or some misplaced morality fails to exploit them fully, it does a disservice to its own people, to other needful countries and perhaps to the souls of those who are impelled to provide the assistance."

The effort to make India independent of foreign assistance, Prof. Galbraith observes, needs to be distinguished from the effort to reduce dependence on imported capital goods. This, he says, is a natural and desirable consequence of industrial development.

Prof. Galbraith's observations in this note on what should be the size of a Plan are provocative indeed. "A Plan', he says, "is not only a projection of intentions and an assurance of internal consistency in what is attempted. It is also a goal. By its existence it stimulates effort and acts as a lodestone to accomplishment. The larger the goals, the larger the effort in mobilising resources and in getting them used... A big plan creates the need. Democracy being what it is in India and elsewhere, we can be sure that a Plan that produces no crisis is a Plan that is too small. The crisis brings the required effort." This is an observation obviously which goes to establish that a developing country has got to embark upon ambitious planning.

US POLICY ON PROVIDING AID

Can an ambitious Plan be executed? Prof. Galbraith's reply to this question would be in the affirmative. An ambitious Plan will call for increased foreign aid. So far as economic assistance from the US is concerned, he thinks it is matched to the size of the Plan and the crisis it produces. Says he, "The same considerations (as mentioned above in regard to the size of a Plan) hold in respect of foreign resources. In the case of the United States, the amount of foreign aid provided is not based on a refined calculation of what as a people we can forego from domestic consumption or what taxes we can pay, or on what spending we can afford without inflation. These matters are all raised in the foreign aid debates but for their orchestral not their economic effort. So far as any historical and arbitrary figure can be rationalised, the amount of foreign assistance voted by the US Congress is a consequence of the size of the request and the urgency of the need. But both the size of the request and the urgency of the need are related to the size of the Plan. If the Second Five-Year Plan (of India) had been smaller, the ensuing crisis would have been milder, the requests for aid would have been smaller and the pace of development would have been slower in a country where to many people it must already seem terribly slow. As it was in the last Plan, so it will be in the next. The amount of the aid will depend on the size

of the crisis. The United States Congress awards no prizes for modestly conceived and neatly executed Plans. Neither do other Governments for whose increasing participation we must hope".

Prof. Galbraith hopes that an increasing number of Indians would take a rational view on the role of foreign assistance in their economic development. And such a view, he opines, should not be concealed by double talks—by coupling defence of capital imports today with resounding promises of balances tomorrow. Aid, he adds, should not be defended today by arguments that will cause difficulty and misunderstanding a few years hence. Even the basic strategy of a Plan, which is that large size makes for large effort at home and establishes the basis for larger claims on foreign resources, should not be concealed.

RATIONALE OF INDIAN ECONOMIC ORGANIZATION

This is what Prof. Galbraith said in April last on the rationale of Indian economic organization.

"Returning to India after an absence of three years, I am impressed by the progress (this country has made) in many directions. I must confess I am also impressed by the lack of progress in working out a rationale of Indian economic institutions. This seems to me the most urgent problem that India now faces....The time has come when India must seriously consider the pattern and shape of its economic institutions. Matters that are now being regarded traditionally and piecemeal must, if this is possible, be viewed pragmatically and as a whole.

"The basic division in Indian economic institutions is between the public and the private sectors. This distinction is commonplace in everyday discussion as is the question of what industries and activities should be in the public sector. There is also a good deal of debate over co-operatives, small industries and other such issue. But there is very little public discussion of the organisation of the public sector. The decisive question is nationalisation. Once in public hands things will work out. The real issue, to which most attention is paid, is how to scrape together resources to establish or expand industries especially in the public sector and what the priorities should be.

POST OFFICE SOCIALISM

"I venture the view that the public sector has reached the point where its organisation requires a great deal of attention. India has a kind of post office socialism which is out of date and which is working far less well than it should and must. Even a fairly brief stay at the actual sites of the new steel mills reveals numerous faults and further difficulties that are on the way. Competent executives are frustrated and angry over the centralisation of purchasing, personnel and financial decision in New Delhi. These delays are a source of discouragement to the younger engineering and technical personnel who should be showing great enthusiasm. The result is poor morale where it should be high.

"Moreover, people in the field feel no responsibility for the next steps in the development, i.e. for the enlargement of these plants. Nor is there much concern over how the present ones, when they come in, can be operated at low cost and with satisfactory earnings. Expansion is a matter for New Delhi. Presumably the foreign engineers will be called on again. Nor is the economics of plants operation a local question although success or failure will be decided locally.

"The problem of earnings and investment in the public sector is especially urgent. Until now the most difficult problem in Indian planning has been where to get resources for investment. In a competently guided country like India—as distinct from most Middle-Eastern or Latin American countries—this, not administrative capacity, is the bottleneck. Everything turns, or seems to turn, on what can be mobilised in taxes and voluntary savings at home and what can be obtained in loans and grants from abroad.

"Obviously, a prime aim of India must be to plan its way out of reliance on such uncertain and exinguous sources of domestic savings. (Foreign resources present a somewhat different problem.) To give people income and then remove it by taxation, inflation or appeals to thrift is an inefficient and self-limiting procedure. In both the Capitalist and the Communist countries, investment is in very large measure from the earnings of the industrial enterprises. These accumulate surplus which becomes available either for their own expansion or elsewhere. The enterprise thus assumes responsibility for both the technical side of its own growth and improvement and also for getting the requisite resources.

FINANCE FOR FUTURE EXPANSION

"Something very like this must happen in India as all Indian economists recognise. Industrial plants must take on their full job which is to be efficient producers and to accumulate the surpluses which will provide for future expansion. It is very important that these surpluses be immediately identified with such further expansion. Otherwise, they may become the target of workers in the industry who can easily be persuaded that they have a privileged claim on them, and consumers may also insist on low prices as in the present case of rail passenger travel. The result will be small surplus (or none) and hence no resources from this source. That I have called post office socialism—public ownership that contents itself with avoidance of loss or a modest profit which it returns to the Treasury, will inevitably prove a stagnant form of economic organisation.

"The proper organisation of the great establishments is not the only problem of the public sector. There is also the task of generating effort and enthusiasm in small activities—those of the villages, extension blocks, cities and perhaps also the States. The need for this is well recognised and is, indeed, one of the recurring themes in Indian discussion. The best planning provides people with an opportunity for doing what is beyond the mind and even the imagination of the planners.

"But the things that arise here in the public sector —expanding local control over local public finances, the sponsorship and development of local industries, the organisation of volunteer labour effort, of co-operatives, the provision for a period of rural service by university graduates—have little relation to the problems of organising steel production or fertilizer manufacturing. They require a different organisation and, to a considerable extent, they call for a different type of mind. This type of public activity and enterprise will be blighted if it is too closely identified with ordinary large-scale industrial development.

NOT ONE PUBLIC SECTOR BUT THREE

"We may think, indeed, not of one 'public' sector but three. One sector is concerned with bringing totally new industries into existence. This has been the important sector so far—it has been creating such industries as electrical generation, fertilisers, iron and steel. The second sector, an outgrowth of the above, is concerned with the operation, expansion and regeneration of the existing industries and with providing capital for the establishment of new industries. Finally, there is the wholly different sector which seeks to develop local responsibility and the release of local energies.

"By way of making this more explicit, let me suggest in summary form, without extensive argument, what each sector involves. I hope this will not be taken as any sort of final suggestion but rather as a basis for discussion.

"(1) The three parts of the public sector may be denoted as follows: Sector A—Initiation; Sector B—Operation, Expansion and Financing; Sector C—Spontaneous Development.

"(2) The 'Initiation' sector will be concerned with the launching of 'entirely' new industries. This, as in the past, will be a ministerial function. However, this does not preclude the granting of more autonomy of effort than at present to companies developing new industries. And existing public firms should often be called upon to foster and develop new ones. Still initiation is a distinct function. It calls for decisions as to what and where and in the early stages of creation of an industry considerations of efficiency and earnings are not vital. It is getting things started which counts. This stage of initiation has principally characterised the industrial public sector in India up to this time. However, a new phase is rapidly approaching.

"(3) The 'Operation, Expansion and Financing' sector embraces those industries which are now fairly launched. While in the initiation sector a considerable measure of ministerial initiative and supervision may be necessary in the 'Operation, Expansion and Financing' sector ministerial supervision and intervention must shrink to a minimum. Civil service decision making is inevitably and properly slow and deliberate and demanding in quality. Operating decisions must be prompt and they need not always be right for most such decisions are reversible. So ministries have as their principal function selection of good managers supported by competent (though not powerful) boards and the provision of firm but workable rules by which the public enterprises shall live. (Covering, in particular, recruitment and labour relations, accounting and financial procedures and procurement policies. While the rules should effectively exclude dishonesty and favouritism, it should be remembered that excessive precautions can be very costly. Rules should be enforced not by advance clearances but by post-audit. Beyond this ministries must hold the companies responsible for results. To this end officials should never be members of the Boards. If they are, the autonomy of the enterprise will almost certainly be lost as the Board becomes a link in the civil service hierarchy. Parliamentarians must have clearly in mind that when they question individual decisions of companies they force ministries to protect themselves by asking for advance knowledge and approval of all decisions. This destroys the autonomy and hence the effectiveness of the public enterprise. And again, it must be stressed, the public enterprise must be free even to make mistakes for these are inevitable in efficiently rapid decision making.

ON WHAT DEPENDS SUCCESS?

"(4) The success of the 'Operation, Expansion and Financing' sector will be measured broadly by the efficiency of its operations—its ability to organise ample production at low cost and to sell at remunerative prices. (Control of prices is a separate chapter. To the largest possible extent they should also be under the control of the enterprise. Then prices will not be an excuse for low earnings. This decentralisation of price-making has been a major accomplishment of recent Yugoslav experience. However, there will be cases, electricity and doubtless steel are examples, where central or group price setting are inescapable.) This means that there will be earnings—profits—and this is the most important test of the effectiveness of the public enterprise. (As a measure of performance the USSR attaches about the same importance to profits as the US). Production is not the only task. The existing concern is also the logical agency to undertake expansion in its own line and even to bring into existence related industries. When it is efficiently organised for operation it will usually be efficiently organised for expansion. In any case it will be more effective for this than a wholly new, inexperienced and untested organisation.

"(5) Expansion and operation in this sector should be tied together by the financing function. When a firm is given an expansion target it should be asked to prepare a plan for financing it. This plan would have first claim on earning. It would come to the Government only for what would not be supplied from earnings. If the expansion schedule does not absorb all the planned earnings, these should be used to repay capital and thus become available for investment in other industries. A public development bank is a logical part of this sector.

"(6) These accounting procedures, which incidentally are also broadly common to capitalist and socialist countries, have the great virtue of keeping the essential character of the enterprises and their tasks in the public view. Thus if the enterprise is obliged to use its earnings for the planned expansion rather than return them to the Treasury their use for development will be clear to workers and consumers. They will be less likely to assert a privileged claim on the assumption that they are profits in the old sense. It will be seen that excessive wage or salary claims—or indeed any waster—is at cost to the nation's development.

"(7) Time does not allow me to comment on the 'Spontaneous Development' sector which I think has great possibilities. Development is not confined to the great industrial enterprises. As a growing body of opinion in India clearly realises, much must be done—always speaking of the public sector—in releasing the energies and efforts of local bodies and organisations. Community development is an important beginning, but I hazard the guess that opportunities here have scarcely been touched.

"(8) These are hurried comments. As I have observed they are intended more to provoke decision not answer questions. I have assumed that India has made a firm decision in favour of a public sector. But this decision is the beginning, not the end, of the discussion. In the old days the principal enemy of public enterprise was, no doubt, those who disapproved socialism. Now it is socialists themselves. For it is socialists who refuse to consider seriously the peculiar requirements of the modern productive enterprise, whether public or private; who decline to give it the autonomy it must have; who destroy it by meticulously passing on its decisions and thus forcing upon it an intolerable and unworkable centralisation; who decline to see that the organisation of public enterprises must keep pace with new conditions and new tasks; who are careless about the standards to which management of the enterprises must be held; and who, on occasion encourage workers and consumers to appropriate the surplus on which expansion and growth depend and without which there will be stagnation. Above all it is socialists who are responsible for the paralysing belief that success is a matter of faith, not works.

"In many parts of the world, including India there is in fact no real alternative to extensive public enterprise. And while public enterprise is often successful, the record is highly uneven. It is sufficiently imperfect so that no one concerned with the success of economic development can take it for granted."

NDC MEETING

The next meeting of the National Development Council will be held here on January 14 and 15. This meeting will finalise the Third Five-Year Plan, the

draft of which has been under discussion in recent months. As a result of the delibrations the Planning Commission has had with States' representatives, State Plans have been revised and financially upgraded by Rs. 300 crores. The State Governments have undertaken to find Rs. 200 crores out of this additional amount required to finance their Plans. The balance will be provided by the Centre.

The outlay on roads development is likely to be stepped up in the final draft of the Third Plan by at least Rs. 100 crores. This will be in addition to Rs. 120 crores earmarked for construction of strategic roads on the border. The final draft is also expected to contain larger allocations for the rehabilitation of displaced persons and development of agriculture. It will also provide for the Central Government's building programme.

FOREIGN ASSISTANCE AND COAL INDUSTRY

Foreign assistance, in a big way, has been offered to India to develop its coal industry during the Third Plan period, the countries offering aid being the United Kingdom, the United States of America, West Germany and France. This follows the visits to India of coal experts from these countries.

The British National Coal Board has offered to develop three underground deep coal mines, while the USA has offered to develop some open cast mines. West Germany has offered to put up and maintain a workshop for coal mining equipment. The French offer largely relates to technical assistance. Ten Indian engineers have already left for France for technical training.

IMPROVING WORKING OF RAILWAY WORKSHOPS

The West German Technical Mission which visited India sometime ago to study the working of railway workshops in this country and to suggest measures to improve their functioning, has recommended that workers for all important and well-paid jobs in these workshops must be picked according to the "choose and pick system". The principle of "promotion by seniority" must in this respect stand back.

The historical development of Indian railways and differences of gauge in various parts of the country, the report says, have led to the establishment of independent workshops in various regions. Lack of a supplying industry has further necessitated a degree of self-production of spare parts and tools in each workshop which is quite unusual in Europe. This organisation has to be efficaciously rationalised, if the aims of higher productivity are to be achieved. The Mission recommends rationalisation of railway workshops according to the new concept of "organisation and distribution of work", which is super-regional in its character and replaces the many-fold tasks of a workshop by a logical and economic concentration of similar work orders that can be executed on the conveyor after appropriate sorting.

The Mission feels that concentration of construction and repair work of passenger-stock bodies at some points will considerably improve the working of the railway workshops in this country and lead to economies in the running of the Indian railways system. In the opinion of the Mission, it is imperative that wooden bodies with metal sheeting are replaced by welded steel bodies as soon as possible.

The new construction and repair work of welded steel passenger-stock bodies, the Mission feels, can be entrusted to the Matunga workshop — which has large and suitable plants only partially utilised at present — in addition to the Integral Coach Factory at Perambur.

Based on its studies, the Mission entertains no doubt that if the recommendations offered by it are systematically carried out, the workshop service of Indian railways will play an important and valuable role in the country's struggle for productivity and a better standard of living of its people.

DIESELISATION OF RAILWAYS

The Railway Minister, Mr. Jagjiwan Ram, inaugurating the meeting of the reconstituted National Railway Users' Consultative Council, said that it was proposed to equip the railways with diesel and electric power to the extent of about 70 per cent of the additional needs of freight traffic during the Third Plan period. Steam traction would, however, continue for all other services.

Complete electrification of about 1,100 miles, including those where electrification programme is currently being executed, and doubling of about 1,600 miles of track were also contemplated, the Minister said. Other measures for improving line capacity, he added, would include remodelling of yards, opening of new crossing stations, providing of additional loops and introduction of centralised traffic control and automatic signalling.

AVOIDANCE OF DOUBLE TAXATION

The negotiations between the Governments of India and the United Kingdom on the question of evolving an agreement for avoidance of double taxation in the two countries have not yet fructified. It has not been possible to reach an agreement on all the points because the Governments of India and the United Kingdom hold different views on some of them. The main hurdle is said to be the taxation of profits of shipping companies.

PORTS DEVELOPMENT

Mr. Posthuma, Managing Director of the Port of Rotterdam, is in India at present on a six-week assignment under the auspices of the United Nations Technical Assistance Board. He will advise the Government of India on the following two issues:

(i) The project for establishing a subsidiary port in Calcutta region.

(ii) The dock modernisation scheme of Bombay Port Trust and other related plans.

BRIEFS

Thirteen haulage gears are under construction for Indian coal mines by the Carron Company of Falkirk, Scotland. They are 100-H.P. spur-geared, single-drum haulage machines, to be delivered to the Singareni Collieries, in Andhra Pradesh, early next year, at a cost of £4,000 each.

* * * *

The Union Government is negotiating with the P. & O. Group of Companies to obtain further reduction in the sale price of the Garden Reach Workshops and the Mazagon Docks Ltd., on the basis of the balance sheet for the year ending March 31, 1960.

* * * *

The Government has approved in principal the proposal of M|s. Sahu Jain Ltd. to set up a factory in Maharashtra, at an estimated cost of Rs. 10 crores, for the manufacture of newsprint from sugarcane bagasse.

* * * *

A boot manufacturing unit is being set up in the Harness and Saddlery Factory, Kanpur. The necessary equipment for it is being obtained from Czechoslovakia. Production is expected to start by the middle of 1961.

* * * *

Without taking into account receipts from foreign aid negotiated during the current year, the net foreign exchange requirements in the last year of the current Plan are estimated at Rs. 170 crores.

* * * *

The Government of India has decided to increase the cess on coal from 36 nP. per metric ton to 49.21 nP. per metric ton, with effect from January 1, 1960.

COMPANY AFFAIRS

THE ASSOCIATED CEMENT

While there was some improvement in gross profits of the Associated Cement Companies Ltd. during the year to July 31, 1960, the results of the year's operations were not very encouraging. This was so mainly because, despite technical improvement resulting in higher efficiency and production, costs have continued to rise steadily. The inflationary rise in prices generally, enhanced railway freight, increase in the rates of purchased power, higher incidence of wages and dearness allowances and the increasing burden of depreciation on account of the much higher cost of expansion and rehabilitation have been in the main contributory causes. The implementation of the recommendations of the Cement Wages Board would have increased the labour costs still further, but for the acceptance by Government of the view expressed by the Wage Board concerning the incapacity of the Cement Industry to bear this additional burden and the consequent need to neutralise it by an appropriate increase in the retention price. The directors have pointed out that unfortunately, in the process of computing the incidence of this higher labour cost per ton of cement, the installed "rated" capacity has been taken as the base instead of the actual production which was considerably lower. And this has been sought to be justified by Government by the mis-application of an erroneous principle enunciated by the Tariff Commission.

The Directors have added that only after repeated representations by the Company and by others engaged in the industry the Government has now referred the whole question of cement prices once again to the Tariff Commission. This means that Cement Industry will have to suffer without any redress not only the entire rise in costs which has already occurred since January 1958 but also the further rise which will undoubtedly occur until 1st July, 1961, when a new retention price will presumably become operative. Such unsympathetic attitude of Government in matters prejudicially affecting a major controlled industry is indeed frustrating.

Production of the Company during the year to July 31, 1960 though somewhat higher than in the previous year suffered for a variety of reasons. As indicated in the annual report by the Chairman curtailment of production for want of workable orders in the early months of the year, break-down of crushing machinery at one factory, shortage of Coal and general inadequacy of railway transport both for the carriage of raw materials inwards and the movement of cement outwards, were the main contributory causes. In the result, neither production nor despatches could attain the level of installed capacity.

The Company has paid considerable attention to the expansion schemes. The first stage of the modernisation and extension of the Kymore Works was completed early this year with the removal of certain initial difficulties experienced since April 1959, when the first of the two 500 tons-per-day Kilns went into production. The second phase of the extension has now completed with the lighting up of the second 500 tons-per-day Kiln in September 1960. As a result of this extension, the capacity of the factory has risen from 3.60 lakh tons to 5.73 lakh tons per annum. The extension of the Shahabad Works which raised its capacity from 4.00 lakh tons to 5.65 lakh tons per annum, was completed in June 1960.

The Directors have recommended the payment of a dividend for the year under review at the rate of Rs. 12 per share subject to deduction of tax at appropriate rates under the Finance Act, 1960.

MYSORE KIRLOSKAR

The Mysore Kirloskar Ltd. has continued to make good progress in the manufacture of its existing lines as well as new lines of Capstans and Turrets and the construction of a new separate building for the separate unit of Capstans and Turrets is also well in progress. During the year to June 30, 1960, the company made a profit of Rs. 12.64 lakhs after providing for taxes and depreciation etc. The Directors have proposed that distribution of dividend at the rate of 12 per cent on the paid up capital. A sum of Rs. 2 lakhs has been proposed to be separated towards dead redemption Fund, Rs. 3 lakhs towards replacement and rehabilitation reserve and Rs. 3 lakhs towards the general reserve. They have also proposed the payment of bonus for the year under review to all employees of the Company including the staff who were on the rolls of the Company during the year ending 30th June, 1960. The bonus to be paid will be equal to one-fourth of the basic earnings of an employee during the year under report. It will be paid before June 30, 1961 in suitable instalments and as desired by the State Government, a suitable portion of the Bonus due will be paid in the form of National Savings Plan Certificates.

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Company Meetings

ASSAM SILLIMANITE LIMITED

Another Good Year

Upward Trend of Profits

Mr. S. M. Wahi's Statement

The following is the statement made by Mr. S. M. Wahi, Chairman, Assam Sillimanite Limited, at the Annual General Meeting of the Company held at Gauhati, Assam, on Monday, 19th December, 1960:

The Company has made some further progress during the past year, with production increased to 6,957 tons and transportation from the Mine reaching a figure of 7,107 tons. The improvement effected in the working of the Company has reflected itself in the profits being Rs. 3,18,488.09, available for disbursement. The shareholders get Rs. 1,80,000 less tax; Rs. 1,05,873 goes to Income-tax and Rs. 32,615.09 has been taken over to next year. On the basis of the above working results, the Board decided to declare an interim dividend of 6 per cent in October and this has been recommended to the shareholders to be approved as the final dividend for the year.

The Directors' Report and the Balance Sheet along with the Auditors' Report have been with you for some time and, with your permission, I shall take them as read.

THE MAIN REFRACTORY PLANT AT RAMGARH

You will, I am sure, want to know what progress has been made with regard to establishment of the Refractory Plant at Ramgarh, Bihar, to which I had referred in my speech last year. Due to the delay in the Government's approval of the Investment and Stock Option Agreements, the original deliveries of Plant and Machinery offered by the suppliers in Germany have been greatly altered. The phasing of the Project had to be redone on the basis of firm quotations and deliveries now offered for Plant and Machinery.

The revised Project would cost Rs. 81.23 lakhs for the First Stage and Rs. 47.60 lakhs for the Second Stage. In the First Stage 29,000 tons valued at Rs. 96.20 lakhs of finished high class refractory bricks and shapes mortars and mixes would be manufactured. On the basis of the present plans, orders for Plant and Machinery to be imported would be placed during January 1961. According to the deliveries stipulated, shipments could be expected by July 1962 and, after erection production should commence from October 1962. Thus in the financial year 1963 approximately 6 months working results would be reflected in an estimated production of finished products worth about Rs. 48.10 lakhs.

THE INITIAL REFRACTORY PROJECT

The working results of the financial year 1961 and 1962 would, therefore, reflect no gains from this new Project, while the investments and expenses would, of course, be there. The Directors had, therefore, decided to cover this interim gap by:

(a) establishing immediately a Refractory Plant at Ramgarh using indigenously procured Plant and Machinery, with an installed capacity of 5,000 to 6,000 tons;

(b) increasing production at the Mine by another 25 per cent over the existing figure of 7,000 tons, through further capital outlay on Plant and Machinery for mining;

(c) development of Fireclay deposits recently acquired in and around the vicinity of Ramgarh Project for own consumption and sale.

With these developments and forward planning, it is expected that the Company would be in a position to have the desired Profitability and Cash Flow during 1961 and 1962. It would, however, be quite a strain initially to develop these Projects from existing financial resources of the Company. The Initial Project would go into production from January 1961, producing 6,000 tons of Fireclay Bricks and Shapes for the industries in the vicinity.

You are aware of the need to gear our development to the dynamic requirements of the country. The Prosperity of this country is largely conditioned by the way it solves the problems of its major industries. There is a rapid expansion of the steel and other industries in the country both in the Public and Private Sectors and there is a gap between the installed capacity for refractories and the anticipated requirements in the Second and Third Five-Year Plan periods. The present installed capacity of refractories in India is 500,000 tons per annum approximately whereas the anticipated requirements by the end of the Second Five-Year Plan period alone are estimated at twice the present installed capacity. Imports of refractories are consuming a large chunk of foreign exchange of the country. With the big industrial development these requirements will continue to rise even beyond the one million ton target envisaged at the end of the Second Five-Year Plan.

EXPANSION OF MINING OPERATIONS

There is only one other point that I shall touch before I conclude. The Company's diversion in the field of industry should not be allowed to lessen its interest in covering the mining operations. The expansion which was planned in last year in respect of our mining operations has been undertaken at Sonapahar Mine and will be gradually extended to the areas in other States where we have received prospecting licenses and are obtaining the mining leases.

The personnel at the Mine with their hard work have made Sonapahar an excellent spot. Some good labour welfare work has also been done including the establishment of a fine children's school. With a pretty lake recently completed and with pineapple orchards along with other agricultural developments, Sonapahar is growing up to be an attractive spot for the people of the locality.

The Mine Manager with his enthusiasm for flying, has established a runway which has made Sonapahar approachable by air in 20 minutes flying time from Gauhati. A small aircraft recently acquired by the Company would prove extremely useful for prospecting and mapping new deposits in the hilly terrain around Sonapahar. A new life seems to be bubbling in this tribal area, hitherto disconnected from the rest of the World. Several such underdeveloped areas have to be developed in India and Sonapahar could easily be set as a good example. And in all this the unceasing efforts of the staff have to be appreciated.

Note: This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

THE INDIAN IRON AND STEEL COMPANY LIMITED

The Annual General Meeting of the Indian Iron and Steel Co. Ltd., was held at the Registered Office of the Company on Thursday the 15th December, 1960. In supplement of his statement issued with the Accounts and Directors Report for the year ended 31st March, 1960, the Chairman, Sir Biren Mookerjee, said at the Meeting:

Gentlemen:

I have pleasure in welcoming you to this the Forty-third Ordinary General Meeting of the Company and with your permission will take the Notice calling the Meeting as read.

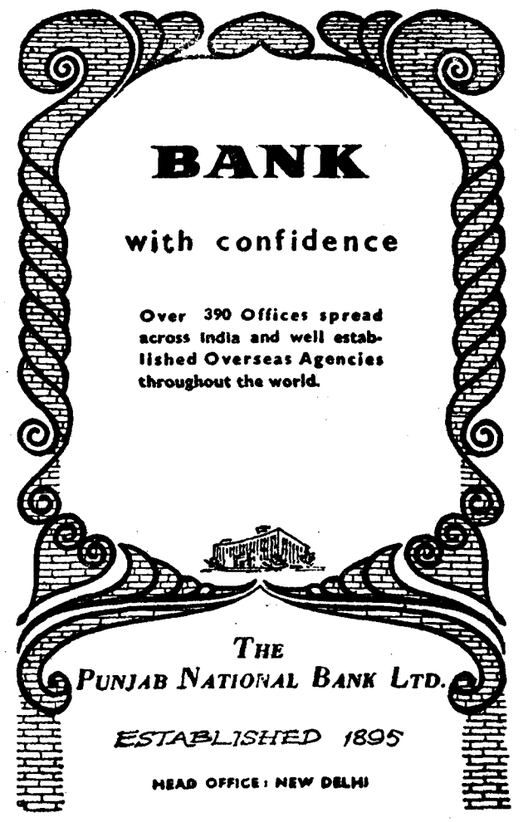
I must apologise for the delay that has this year again taken place in presentation of the Accounts. This, however, is due to no fault on the part of the Company but to the inordinate delay to which our claim for escalation of the steel retention prices has been subjected by Government. As I have explained in previous years, the amounts involved in these escalation claims are of such magnitude that your Directors have not felt it desirable that Accounts should be put forward other than on the basis of confirmed figures, and it was accordingly necessary to await official notification by Government of the increase in question which was not issued until the 10th November, 1960. It is a matter of concern to me that this delay which seems inseparable from all dealings with Government should occur. An essential of industrial management is that prompt decision should be taken on all matters that arise and as one contemplates the delay to which a simple matter like the adjustment of our retention prices in terms of a signed and sealed agreement can be subjected and the multifarious departmental references that appear to be involved, one cannot escape misgivings as more and more of the industry of the country passes into the hands of the public sector and control of the private sector becomes increasingly severe.

I am pleased to inform you that since the issue of my Statement accompanying the Report of your Directors, we have been able through the medium of conciliation proceedings to reach an agreement with the Labour Union on the matter of profit sharing bonus covering a period of four years commencing with the year 1959-60. The wrangling that has occurred each year in the past over the question of bonus has been most distracting both to the management and the workers alike and it is a matter for satisfaction that it has been possible now to negotiate a settlement of this difficult issue. The terms of the agreement will provide a minimum total distributable bonus of Rs. 46,80,000; Rs. 49,80,000; Rs. 53,30,000 and Rs. 56,80,000 for the four years involved, with a maximum for the respective years of Rs. 48,80,000; Rs. 52,30,000; Rs. 55,80,000 and Rs. 59,80,000.

In my Statement I dealt at some length with the present extremely difficult coal situation which confronts the country and urged that to meet the crisis Government should relax its ideological restrictions on the development of the private sector of the coal industry. I am glad to see that the necessity for this course of action has at last been appreciated and it now remains for an all out effort to be made to retrieve the situation in the shortest possible time. The development of collieries and the installation of coal washeries must, however of necessity, take some years and during this time the position as it affects the iron and steel industry will remain of the utmost seriousness. In these circumstances which prevent us from working up our expanded plant to its designed capacity, you will not I think expect of me an indication as to the financial prospects of the Company for the current or future years since the whole position as you will realise turns on the new steel retention prices to apply as from the 1st April, 1960 that are presently under negotiation with Government. I can only say that I am confident that a realistic view of the position will be taken by Government so that the Company may not be penalised on account of circumstances that are entirely outside its control.

On the subject of raw materials I must also mention the gravity of the situation that has been allowed to develop in regard to the availability of limestone of the quality required by the iron and steel industry. The danger of the position in the light of the large expansion of the industry was foreseen by your management some years ago and warning given to Government. At that time steps were taken by your Company to supplement and safeguard its own sources of supply. It is greatly to be hoped that the sanctity of contracts will be preserved and that those who had the prudence and foresight to realise the situation and to cover their position, will not be made to suffer for the shortcomings of others in this respect.

N.B.: This does not purport to be a report of the proceedings of the Annual General Meeting which will be sent to shareholders in due course.



Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
September 1959 ..	120.6	99.7	116.3	122.6	111.3	109.8	110.0	117.2
October „ ..	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
November „ ..	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
September 1960 ..	123.9	104.5	119.8	133.7	129.5	121.5	122.7	125.3
October „ ..	121.8	113.5	119.9	146.6	130.2	123.8	124.7	126.3
November „ ..	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
12-11-1960 ..	120.8	117.8	120.0	147.9	*131.4	125.1	126.0	126.4
19-11-1960 ..	119.7	117.2	120.1	147.1*	131.5	124.2	125.2	125.5
26-11-1960 ..	119.3	114.5	120.2	146.6	132.0	124.8	125.8	125.3
3-12-1960 ..	119.0	112.5	120.3	147.7	131.9	125.1	126.0	125.4

*Revised.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	153	384	469	498	163	429	166	173*	188*
1960 January	403	422	304	159	385	460	509	168	441	164	173	169
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174
August	402	421	302*	160	410	484*	515	—	470	169	—	174
September	399	418	—	161	403	489	520	—	472	167	—	173*
October	402	421	—	162	396	488	517	—	477	—	—	174*
November	—	—	—	159	—	489	—	—	—	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 9-12-1960 High	Low	Average	2-12-1960 High	Low	Average	25-11-1960 High	Low	Average	18-11-1960 High	Low	Average
Gold (per 10 grams) ..	115.05	113.75	114.48	116.10	114.40	115.10	116.00	115.45	115.69	115.75	114.30	114.88
Silver (per kilogram) ..	196.50	194.10	195.43	196.65	195.55	196.32	195.70	194.35	195.11	195.85	194.60	195.20

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES: Demand	Time	Total (2+3)	Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	187,32†	66.77	385,54
1958-59 ..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
Average of Fridays										
June 1960 ..	790,17	1202,95	1,993,12	47,38	102,55	7.52	975,63	155,82†	56.77	743,94
July „ ..	792,72	1215,71	2,008,43	48,19	112,01	7.98	979,13	147,95†	56.12	735,74
August „ ..	792,95	1212,04	2,004,98	46,35	110,46	7.82	966,68	149,15†	55.65	739,09
September „ ..	779,24	1188,44	1,967,68	46,46	102,53	7.57	980,18	146,48†	57.26	734,02
October „ ..	791,28	1155,68	1,946,95	48,25	101,04	7.67	965,97	150,43†	57.34	703,55
November „ ..	790,80	1141,27	1,932,07	46,65	97,56	7.46	954,21	153,78†	57.32	688,21
Week Ending										
11-11-1960 ..	785,34	1144,45	1,929,79	47,56	101,63	7.73	954,86	154,19†	57.47	688,16
18-11-1960 ..	789,24	1134,64	1,923,88	46,33	93,33	7.26	952,60	154,06†	57.52	680,83
25-11-1960 ..	797,99	1142,12	1,940,11	45,62	90,63	7.02	954,08	150,57†	56,94	684,86
2-12-1960 ..	795,83	1136,36	1,932,19	44,46	85,89	6.76	967,37	153,61†	58.02	686,10
9-12-1960	795,16	1135,52	1,930,68	44,80	89,90	6.98	976,87	153,41†	58.54	674,38

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public: Total	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
1959-60 ..	2,702,19*	1,861,78*	840,41*	818,62*	21,79	+203,44*
May 1960 ..	2,724,97	1,895,79	829,19	810,08	19,11	—21,32
June „ ..	2,702,31	1,869,02	833 28	810,37	22 92	—22,66
July „ ..	2,670 79	1 827,19	843 60	813.42	30 18	—31,52
August „ ..	2,658.91	1,807 01	851 90	819 26	32.63	—11 88
September „	2,630.75*	1.819 52*	811 23*	791 95*	19 28	— 28.16*
October „ ..	2 660 26*	1,823,48*	836,78*	812.07*	24,71	+29,51*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

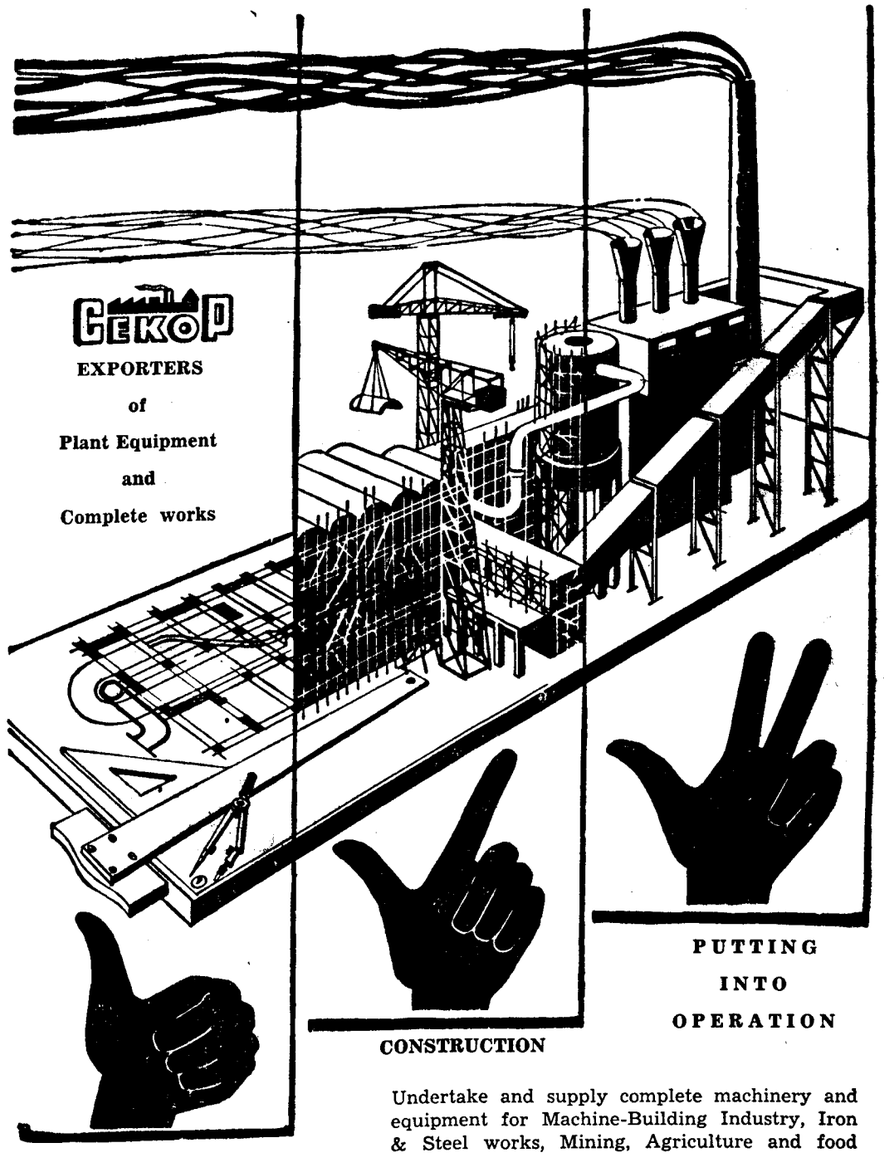
Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground-nut Oil	Mustard Oil	Sugar	Gur	Tea
1953-54 ..	100	93	100	103	89	120	137	99	141	174
1954-55 ..	82	75	77	78	54	77	127	104	122	255
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 ..	105	88	114	126	68	105	164	110	107	164
1958-59 ..	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
October 1959 ..	112	100	128	125	75	117	147	121	181	192
November „ ..	108	98	121	126	73	112	148	127	180	194
December „ ..	101	96	120	121	70	113	149	127	164	210
January 1960 ..	102	97	119	125	72	118	150	127	154	207
February „ ..	105	98	121	128	80	125	158	127	156	196
March „ ..	106	94	117	123	74	126	156	127	149	180
April „ ..	108	91	121	122	76	130	155	127	147	184
May „ ..	113	87	123	126	78	127	155	127	145	194
June „ ..	114	87	127	128	80	129	157	127	144	187
July „ ..	115	92	130	132	89	137	162	127	148	207
August „ ..	115	90	127	129	86	135	163	127	148	212
September „ ..	114	91	129	132	90	138	163	127	146	215
October „ ..	111	90	125	137	91	144	165	127	142	216
November „ ..	106	90	126	135	93	138	173	127	141	218
5-11-1960 ..	107	90	126	136	93	138	172	127	150	217
12-11-1960 ..	106	91	127	134	93	138	171	127	146	213
19-11-1960 ..	106	89	126	134	92	139	173	127	135	218
26-11-1960 ..	106	89	124	136	92	138	175	127	132	223

Average of months/ Average of weeks	Spices & Condi-ments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground-nut	Cotton Manu-factures	Jute Manu-factures	Silk & Rayon Manu-factures	Machi-nery
1953-54 ..	118	100	100	104	98	127	104	91	92	99
1954-55 ..	114	90	100	102	112	82	107	102	92	99
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
October 1959 ..	161	101	136	100*	119*	130	115	90	92	111
November „ ..	167	105	136	102	123	120	116	90	93	111*
December „ ..	172	104	136	111	140	122	118	94	98	111
January 1960 ..	168	100	135	115	144	131	123	96	105	111
February „ ..	140	94	135	114	134	139	125	96	103	111
March „ ..	132	94	135	113	141	141	125	98	103	112
April „ ..	130	102	140	113	154	144	125	103	103	112
May „ ..	129	108	140	113	198	139	125	117	104	115
June „ ..	128	111	140	112	187	146	126	113	103	116
July „ ..	130	111	140	112	155	150	129	107	103	116
August „ ..	130	107	140	112	166	140	131	115	102	116
September „ ..	130	104	141	112	181	141	132	116	101	116
October „ ..	129	116	141	114	225	142	130	136	102	117
November „ ..	130	121	141	111	232	140	129	142	102	117
5-11-1960 ..	130	122	141	115	242	138	129	142	102	117
12-11-1960 ..	131	122	141	109	239	139	129	145	102	117
19-11-1960 ..	130	121	141	110	228	138	129	138	102	117
26-11-1960 ..	129	117	141	110	217	143	129	141	102	117



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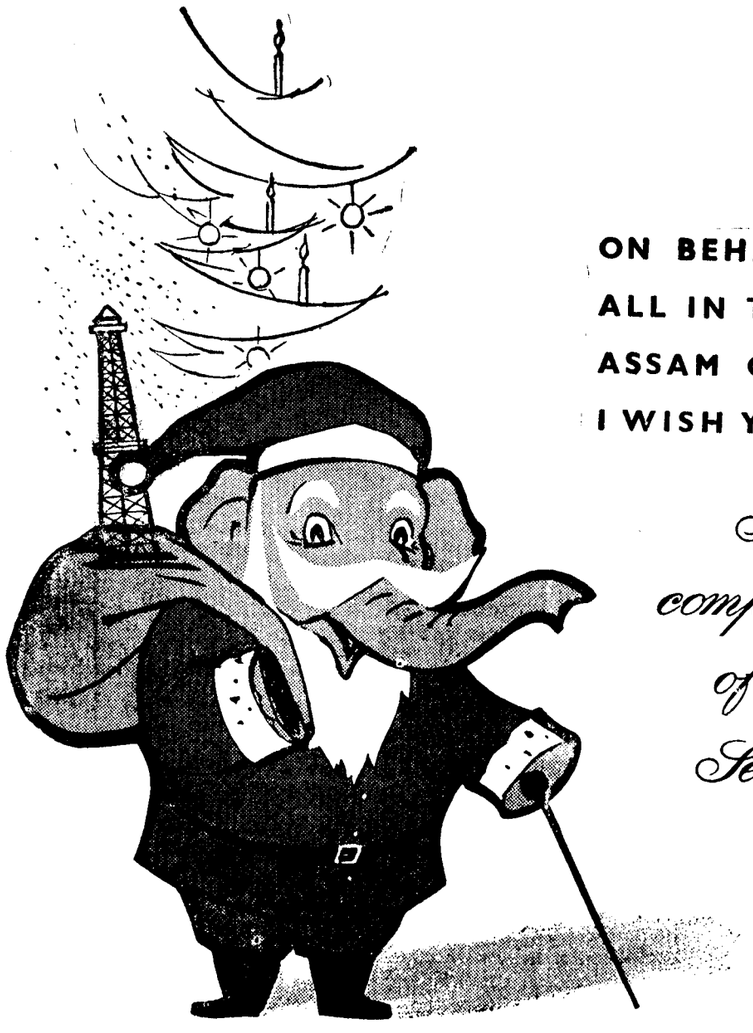
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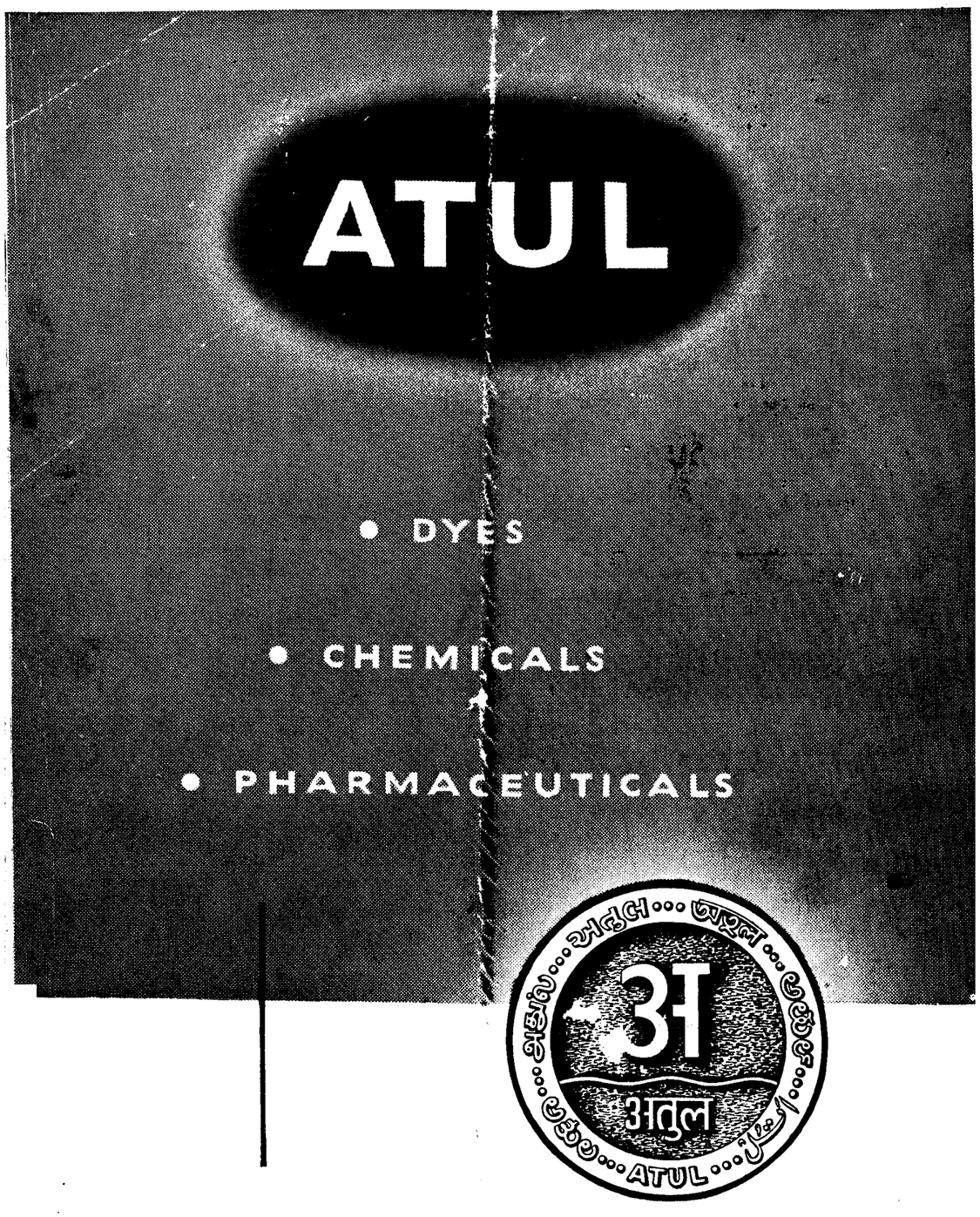
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Index to Volume XXXV Nos. 1 to 14
July to September, 1960

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Telegrams:—"RESEARCH"

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made available a fairly comprehensive study of the energy picture in which all the components were put together. "The Eastern Economist" had previously made separate calculations which were published in a Special Article in September 1958, and the Economic Intelligence Unit of the Indian Institute of Public Opinion, working on somewhat different projections, arrived at very similar results. All these estimates, so far as 1965-66 is concerned, provided a fairly consistent figure of 14 million tons. Sometimes, however, the figures as published need to be explained in order to show they are consistent. It is hoped that the explanations given here will show, in fact, that there is a general consensus of opinion that 14 million tons for all products is an appropriate figure, subject to certain contingencies which need to be mentioned.

Obviously, the first and most important of these contingencies is the factor of supply. Demand, in a free market, can only be sustained and stimulated if supplies are readily available. So far as kerosene is concerned, that has not been the case in the last two or three years, and while the oil companies have been able, in their refining operations, to make a substantial contribution to the problem of imbalance between middle distillates and other products, it is not unlikely that the structure of India's demand will continue to lead to a surplus of gasoline from the refineries and a shortage of middle distillates. Obviously, this raises the question of how much of the supplies required can be met without foreign exchange payments. It would be foolish to ignore the point that from now on foreign exchange is a major bottleneck in India's international account for as long as it is worth while making projections.

It may, therefore, be that while the demand for oil in 1965-66 as set out in these pages, is about 14 million tons, the actual availability might be less and the country might be required to restrain consumption and consequent production in order to equate demand with what is supplied. The effect of this short fall in supply is not discussed in this Blue Supplement. It is believed that power situation enjoys a priority so large in the total context of India's Third Plan that the import of the necessary oil—always assuming that power and coal cannot be substantially increased—seems inescapable. In any case, the purpose of this Supplement is limited. It is to argue that the demand picture has been substantially misrepresented in the Third Plan's Draft Outline and needs immediate revision. The question of priorities has naturally to be the subject of a far more comprehensive study.

The Growth Pattern of Kerosene: 1948 to 1976

KEROSENE is the poor man's fuel or at least his light. It has been a stable and popular medium for lighting in the urban, semi-urban and rural areas. But its substantial demand emanates from the rural areas and it is bound to remain so for several decades to come, as there is little prospect of any alternative mode of energy supplanting kerosene there. Besides a medium for lighting, kerosene has come into increasing popularity as an agency for cooking fuel. But this type of use is restricted, by and large, to the urban and semi-urban areas and there, too, it has grown on a restricted scale. It would appear that alternative fuels like electricity and gas may claim an increasing share as cooking fuel media, but income increases will offset a fall in demand due to other fuels. This is already reflected in our experience since Independence.

The trends in the actual consumption of kerosene in India from 1948 onwards have been tabulated below:

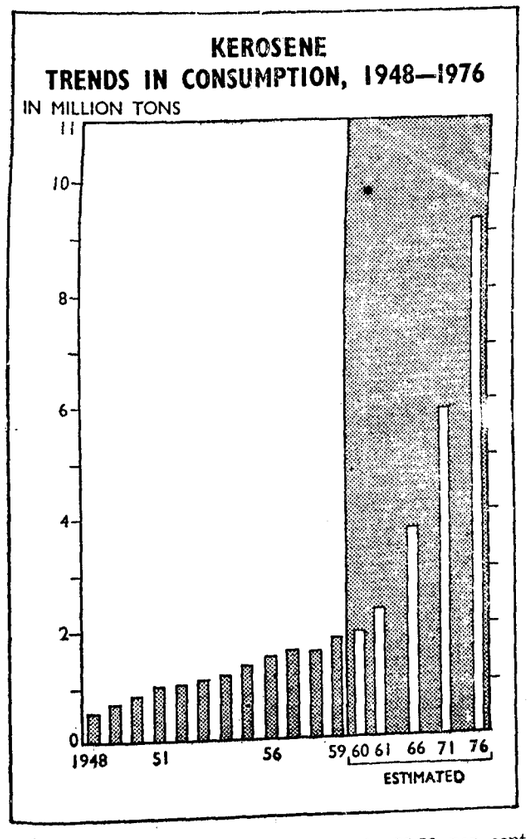
Year	'000 Long Tons	Inc./Dec. over previous year
1948	560	—
1949	735	+31.3%
1950	885	+20.4%
1951	1,042	+17.7%
1952	1,048	+ 0.6%
1953	1,153	+10.0%
1954	1,221	+ 5.9%
1955	1,381	+13.1%
1956	1,500	+ 8.6%
1957	1,599	+ 6.6%
1958	1,583	— 1.0%
1959	1,824	+15.2%
1960 (Estimate) ..	1,916	+ 5.0%

Growing population and increasing incomes have combined to step up the demand for kerosene. Diversification in its use, however, has a negligible share in raising consumption. But the annual rates of growth as related to the previous year nave been quite erratic. They have varied between 31.3 per cent in 1949 and —1 per cent in 1958. Next to 1958, the year of lowest annual rate of growth was 1952. But different factors contributed to deflating the annual rate of growth in these two years. In 1952 it was the fall in agricultural incomes and in 1958 it was the imposition of a drastic import curb which put down the growth rates to the lowest points during the period covered. These two typical years illustrate how consumption of kerosene is liable to be affected by abnormal factors. But it would be reasonable to state as a general proposition that the growth of consumption of kerosene is largely influenced by the increases in incomes and improvement in standard of living which usually follows it.

The rural areas are the mainstay of demand for kerosene. There, kerosene is used in a substantial proportion for lighting. An analysis of rural demand for kerosene and the growth in agricultural incomes in the past years would show that there is a distinct correlation between the two. But one qualification must be added to this conclusion. It does not necessarily follow that a decline in agricultural incomes will cause a proportionate or near-proportionate fall in the demand for kerosene. This is for the simple reason that the per capita rural consumption of kerosene is low and the demand for it is inelastic.

A question is often posed how far rural electrification is likely to affect adversely the use of kerosene in the villages. In recent studies of growth trends in the demand for energy, it would appear that undue significance is attached to this factor. To put it in plain words, rural electrification is progressing at even much lower than the snail's space. Its impact on the demand for kerosene will be negligible, at least during the next 20 years, by which time we are expected to complete the phase of take-off.

As against the total number of 556,565 villages in this country, a mere 2,800 were electrified in 1951. The contribution of the First Plan to rural electrification was small, raising the number of villages electrified to 5,300. By the end of the Second Plan, as many as 15,900 villages will have been electrified, which shows an increase of 200 per cent in the number of villages electrified as against 89.29 per cent during the First Plan. The target for the Third Plan is 29,500 villages which assumes nearly 85.53 per cent increase. A liberal estimate may be made by assuming that by March 1975 something like 60,000 villages will be electrified. Even so, 15 years from now, only 60,000 villages out of a total of 556,565 villages will be electrified.



This numerical measurement of the progress of rural electrification is, to put it plainly, misleading. Rural electrification does not penetrate into the households and produce an impact on other forms of energy in the least, as compared to the consequence of its spread in the urban areas. It would be correct to state that rural electrification will give a fillip to its use for agricultural and industrial production by acting as a source of power, but it will not make any mentionable impression on lighting of villages. The effect of use of electricity as a source of power in the rural areas will be to raise the demand for kerosene in domestic consumption by raising rural incomes. A significant factor of limitation on the spread of electricity for lighting in the villages is the type of housing construction in vogue. It is very much ill-suited for it and it is unlikely to undergo any radical change in the foreseeable future.

In the urban and semi-urban areas the prospect seems to be that electricity will replace kerosene as a medium of domestic lighting because the entire number of cities and towns (with a population of above 5,000) will be electrified by the end of the Third Plan and only small areas of cities and towns will not be reached by electricity. In so far as cooking fuel is concerned, the likelihood is that kerosene will come into relatively larger demand than at present and electricity will get a comparatively smaller share. Already the mechanism of stoves for burning kerosene fuel is being simplified and the middle and lower-income groups are taking to it with increasing popularity in view of its convenience and the continuing shortage of residential accommodation. There are other alternative forms of energy available for use as cooking fuel, but their expansion seems to be marked out for very modest growth. Coking coal has at present gained wide use in some of the urban centres in Eastern and Northern India, but its future inadequacy in relation to the priority demand for steel and other industries indicates a retardation in its use as domestic fuel. LPG—bottled refinery gas—has appealed to the higher income groups although it is costly, but it is mostly confined to the refinery centres of Bombay and Visakhapatnam.

From the above trends in the consumption of kerosene and the competition from alternative modes of energy the following projection of the demand for it has been made. For the sake of convenience quinquennial periods have been taken for tracing the past and future growth.

Period	Quantity ('000 Tons)	Quinquennial percentage growth
1950	885	—
1955	1,381	+56.05
1960	1,916	+38.74
1961	2,360	—
1966	3,720	+57.63
1971	5,860	+57.53
1976	9,230	+57.51

A word of explanation about the obviously low rate of growth during the five-year period ending 1960 is necessary. This percentage rate of growth is the lowest recorded in the above periods. The major explanation for this low rate of increase is to be found in the fact that actual consumption (including estimate for 1960) shows a state of suppressed demand. The demand was suppressed because of the fluctuations in agricultural incomes and in the allocation of foreign exchange for import of kerosene in a scheme of somewhat austere rationing. These two factors are of uncertain recurrence. Taking into consideration that at least the behaviour of agricultural income may be erratic in some years, the quinquennial rate of growth has been estimated at the level around the rate of growth during 1951 to 1955.

The Growth Pattern of Gasoline Consumption: 1948-1960

[With Projections upto 1976]

IT IS now taken for granted that the present heavily rail-oriented transport economy will undergo substantial structural changes in the future when roadways open up the country faster than in the past and thus carry progressively larger proportions of the total traffic. The growth pattern of motor spirit is, therefore, contingent on the increasing number of petrol consuming vehicles on the road and their effective utilization. The consumption of motor spirit, which was of the order of 468,000 tons in 1948 went up to 807,000 tons in 1951. But

since then, consumption has been more or less stagnant and in fact declined during the last two or three years as shown in table below:

Year	Consumption ('000 tons)
1948	468
1949	539
1950	597
1951	807
1952	803
1953	765
1954	774
1955	807
1956	819
1957	809
1958	752
1959	765

This is attributed to the fact that there has been a swing to diesel power in the field of commercial transport during the last few years.

As regards future demand, there have been a number of estimates. According to the Economic Intelligence Unit of the Indian Institute of Public Opinion, consumption of motor spirit is estimated to be of the order of 1,070,000 tons in 1961 and the future demand as indicated below:

(Estimated)	('000 tons)
1960	786
1961	1,070
1966	1,400
1971	1,830
1976	2,500

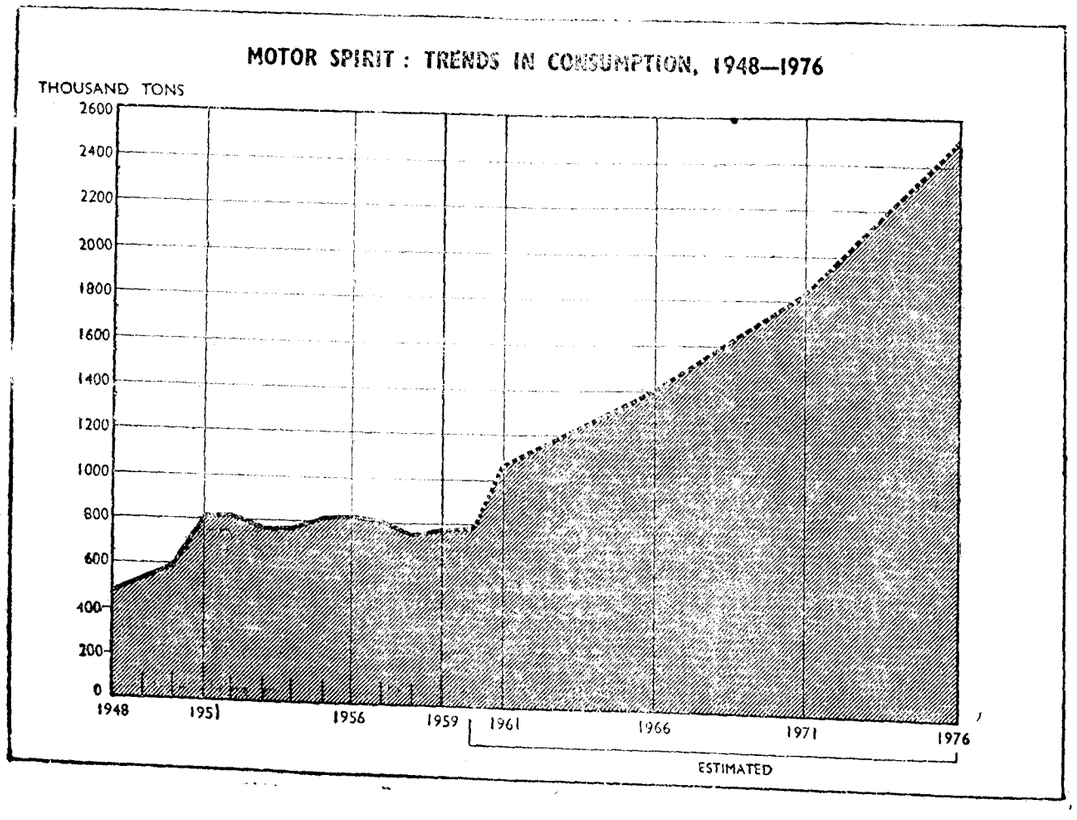
According to another unofficial estimate, consumption of motor spirit is estimated to be just 950,000 tons by 1966. This is arrived at after taking into account the production of different motor vehicles and their estimated fuel consumption as shown below:

Cars/Jeeps/Taxis	451,000	tons
Buses/Trucks	390,000	,,
Motor Cycles/Auto rickshaws, etc.	95,000	,,
Total	945,000	,,

This is based on the assumption that the number of cars, jeeps and taxis by 1966 will be 410,040 buses, trucks 72,516 and motor cycles, autorickshaws, scooters, three-wheelers etc. 251,780 and their fuel consumption, respectively, will be 1.10 long tons per annum, 5.50 long tons and 0.34 long tons each. In making this estimate, however, new unit has not been taken of any major switch to petrol as opposed to high speed diesel oil vehicles. This is not unperceivable because with the widening imbalance that may develop between the output of, and demand for, motor spirit when the public sector refineries come on stream, it may become necessary that this major switch should take place.

According to the Planning Commission's estimates, motor spirit production from all the refineries, including the public sector refineries, by 1965 are expected to be 1,700,000 tons and estimated consumption 1,300,000 tons, leaving a surplus of 400,000 tons. The problem of disposal of this surplus is expected to become more and more difficult, especially when an all-round expansion of refining capacity is planned in the neighbouring countries. The Draft Outline of the Third Plan points out that a solution to the imbalance problem will have to be found by the adoption of technological measures to increase the production of middle distillates, appropriate fiscal measures which will retard the growth of consumption of high-speed diesel oil, and promoting the use of mixed fuels which will reduce the demand for H.S.D. and at the same time increase the offtake of gasoline.

Recently, in a study of 'Energy Demand,' the National Council of Applied Economic Research estimates the demand for petrol by 1965-66 at 1.6 million tons. This is based on the estimate of demand for petrol for passenger



and goods traffic on roads. This is given below:

DEMAND FOR PETROL FOR SELECTED VEHICLES: 1950-51—1975-76

(Mil. gallons)

Year	Motor Cars and taxis	Buses	Trucks	Total	Total (in mil. tons)
1950-51	39.75	65.66	123.69	228.75	0.736
1955-56	49.75	60.00	153.00	262.75	0.845
1960-61	65.75	80.00	202.00	347.75	1.120
1965-66	83.25	98.00	275.00	461.25	1.490
1970-71	114.75	106.00	386.00	606.75	1.960
1975-76	148.25	112.00	512.00	772.25	2.500

After adding a small proportion for miscellaneous vehicles, the estimate of total demand for petrol is given as follows:

TOTAL DEMAND FOR PETROL: 1960-61—1975-76

(Mil. tons)

Year	Petrol
1960-61	1.232
1965-66	1.640
1970-71	2.156
1975-76	2.750

It would thus appear that the demand for motor spirit according to the different estimates given here may vary from 1 million tons to 1.6 million tons by 1965-66. It can, however, be safely presumed that any large-scale use of motor spirit will be counterbalanced by a fall in high-speed diesel oil.

The Growth Pattern of Diesel Consumption 1948-1960

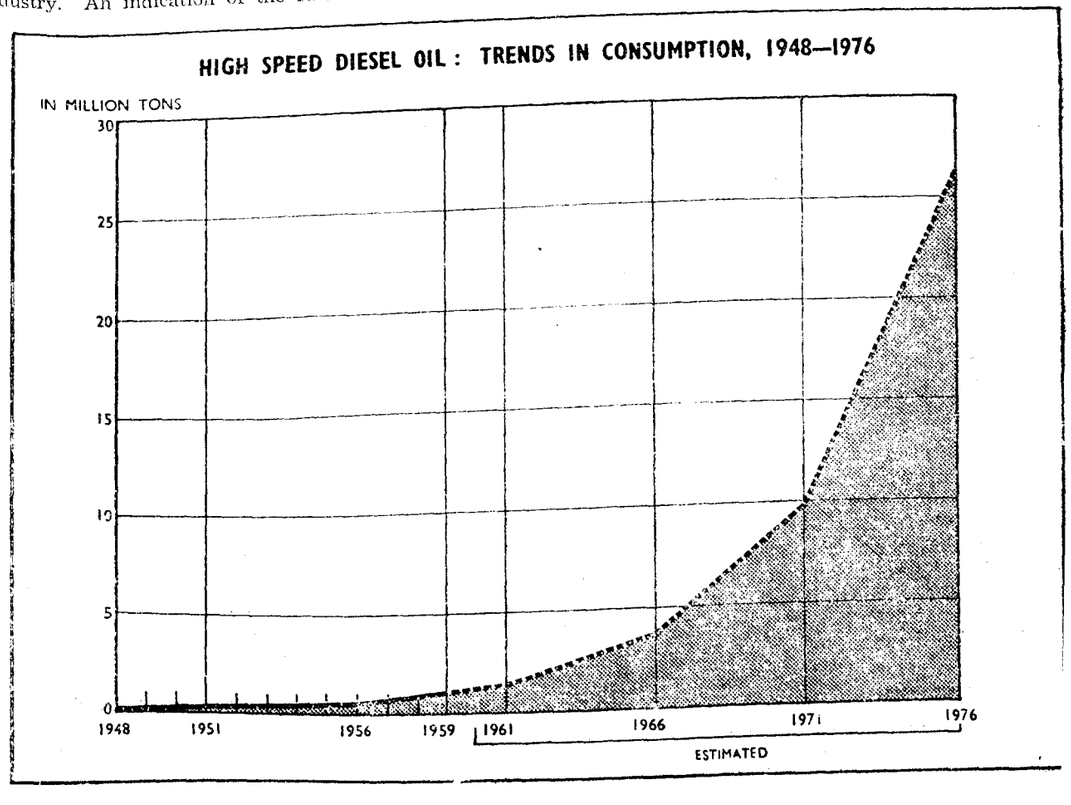
[With Projections upto 1976]

The steep rise in the consumption of high speed diesel between 1948 and 1960 discloses the highest and a spectacular rate of growth amongst all fuels. During this interval of twelve years, consumption of high speed diesel multiplied almost 18 times. As against the total consumption of only 65,000 tons in 1948, consumption for 1960 is estimated to be as high as 1,185,000 tons. The table alongside indicates the percentage variations from year to year since 1948.

TABLE I

Year	Consumption in '000 tons	Percentage change
1948	65	
1949	157	+141.5
1950	182	+ 15.9
1951	267	+ 46.7
1952	256	— 4.1
1953	294	+ 14.8
1954	346	+ 17.7
1955	425	+ 22.8
1956	533	+ 25.4
1957	712	+ 33.6
1958	902	+ 26.8
1959	1046	+ 15.9
1960 (Est.)	1185	+ 13.3

High speed diesel is utilised mainly for commercial road transport. According to present estimates nearly three-fourths of the total consumption takes place in commercial road transport alone. The balance is utilized in agriculture, projects, rail traction and industry. An indication of the future level of demand



for high speed diesel can thus be obtained from the likely future growth in road transport.

There is no doubt that road transport is likely to rise sharply in India, both in the passenger and the goods fields. The pattern of growth in the advanced countries may be studied to forecast the likely growth in the Indian Union. In the U.K., Germany, U.S.A., etc., coal, minerals and heavy bulk commodities are mostly carried by rail while the finished goods are carried by road. In the case of finished goods, speed in movement from one place to another is of extreme importance. It would appear on an average road transport in India is almost three times speedier than rail transport and many big firms have "taken to the road" for movement of their finished goods, such as soaps and Vanaspati etc.

The table below gives the figures of total number of lorries and buses in use in India in 1958 and the share of diesel vehicles.

Table II

Dieselisation of lorries & buses in India 1958

	Total No. of vehicles	Diesel vehicles	Percentage of diesel to total
Buses	25,387	15,197	59.86
Lorries	58,765	17,402	29.62
Total	84,152	32,599	38.7

It will be seen that more than one-third of the buses and lorries are run on diesel. This is not an isolated phenomenon. In recent years there has been a world-wide trend towards dieselisation of road transport, the basic reason being the superiority of the diesel engine over the petrol engine in regard to performance. Moreover, the mileage completed by every gallon of diesel oil is nearly 40 per cent more than that carried by petrol.

The National Council of Applied Economic Research has made estimates in regard to the probable level of road traffic till 1975-76. These estimates are given in the table below.

Table III

Estimates of future road traffic

(Million tons)

	Local traffic	Feeder traffic	Long distance	Total
1960-61	..	120	10	130
1965-66	11	170	23	204
1970-71	34	229	71	334
1975-76	56	310	165	531

The estimated growth in road traffic during the next 15 years is likely to multiply four times, according to these estimates. For reasons of efficiency, the number of diesel trucks would rise at a much faster rate than petrol trucks. According to the NCAER the demand for petrol trucks is estimated to rise from 1,35,000 in 1960-61 to 3,63,000 trucks in 1975-76- a rise of less than 200% in 15 years—the growth in demand for diesel trucks may rise nearly 10 times from 45,400 in 1960-61 to 4,50,600 in 1975-76. This fact is brought out clearly in the table below.

Table IV

Estimate of Petrol and Diesel Trucks required during 1960-61 to 1975-76

	Diesel	Petrol	Total
1960-61	45.5	135.0	180.4
1965-66	65.0	195.6	299.6
1970-71	226.6	274.2	500.2
1975-76	480.6	362.6	843.2

The official as well as non-official projections show wide divergence. In September 1958, the "Eastern Economist" forecast in a special article that the demand for high speed diesel oil in 1965 would be 3.73 million tons and would rise to 26.37 million tons in 1976. The draft outline of the Third Plan released a few weeks ago placed the demand for high speed diesel in 1965 at no more than 1.8 million tons. The National Council of Applied Economic Research also placed the demand for high speed diesel from road traffic alone at 1.5 million tons and if this is corrected to include the demand from other sectors, the total must be around 2 million tons. The National Council made these estimates in its publication "Demand for Energy in India" released early this year. In August, the National Council of Applied Research produced another publication "Dieselisation and Diesel Oil Taxation" and remarked about its own estimates as follows: "The figures of future demand are admittedly on the conservative side and to that extent under-state the position. According to another estimate, the demand for diesel oil from road transport by 1965-66 may prove to be some 30 per cent more than what has been assumed here."

The "Eastern Economist", however, estimates that the demand for diesel, if not damped by taxation, is likely to exceed all expectations based on current trends and is likely to reach the level of about 26 million tons in 1976, almost half of the total demand for petroleum products in that year. Despite the current load of taxation, it is believed that the demand would continue to rise in the manner outlined in the graph on the preceding page.

The Growth Pattern of Consumption of 'Other' Products: 1948-1975

TO trace the pattern of consumption in respect of 'other' products of petroleum like diesel oil, aviation fuel, furnace oil, lubricants, petroleum coke, light petroleum gas and light naphtha, it has to be kept in mind that though there is a marked increase in the consumption of all these items during the post-independence period, there is a considerable amount of variation in their respective rates of growth. For instance, while the consumption of light diesel oil doubled between 1958 and 1960, that of aviation fuel increased five-fold during the same period.

LIGHT DIESEL OIL

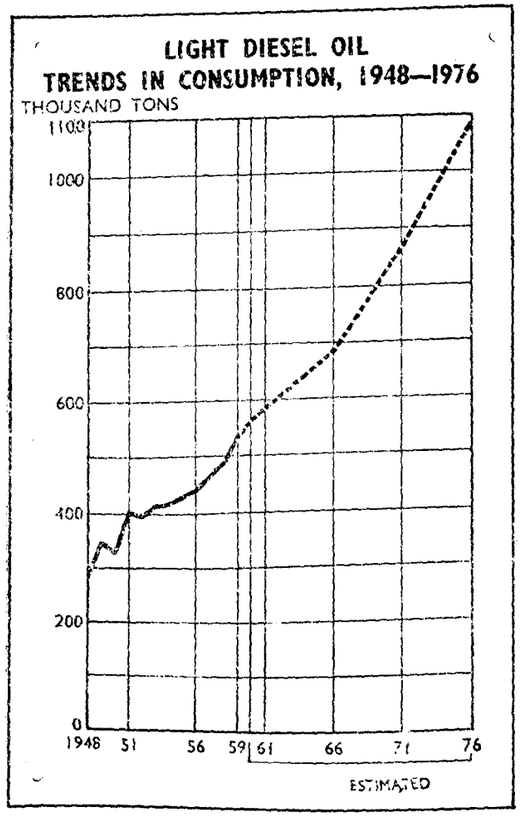
Broadly speaking, light diesel oil is used for driving stationary oil engines in thermal power stations and industrial undertakings in general. A considerable part of it, may be around 30 per cent, is consumed for water pumping in the mechanized agricultural farms. During the last two Plans there has been a marked trend towards increasing mechanisation of agriculture. Between 1951 and 1956, for instance, the oil engines with pumps for irrigation purposes increased by about 50 per cent. Similarly, during the Second Plan period there has been an additional increase of 30 per cent so that by 1960 such oil engines in use in the country are estimated in the vicinity of 170,000. While, according to certain estimates, the number of such engines in use would increase to 400,000 by 1976, it may not be wrong to assume that between 1960 and 1976 the consumption of light diesel on this score alone may double itself.

As indicated by the present pattern of consumption, about half of the total output of light diesel oil is consumed in industry. During the last few years not only has there been a rise in the industrial production through an expansion in the capacity of the existing industries but many new lines have also been initiated. All this expansion is bound to be accompanied by larger consumption of light diesel oil.

The estimate shown in the table below therefore, has been reached at taking into account the needs of light diesel oil in the sphere of agriculture, industry as well as in electric generation by 1976.

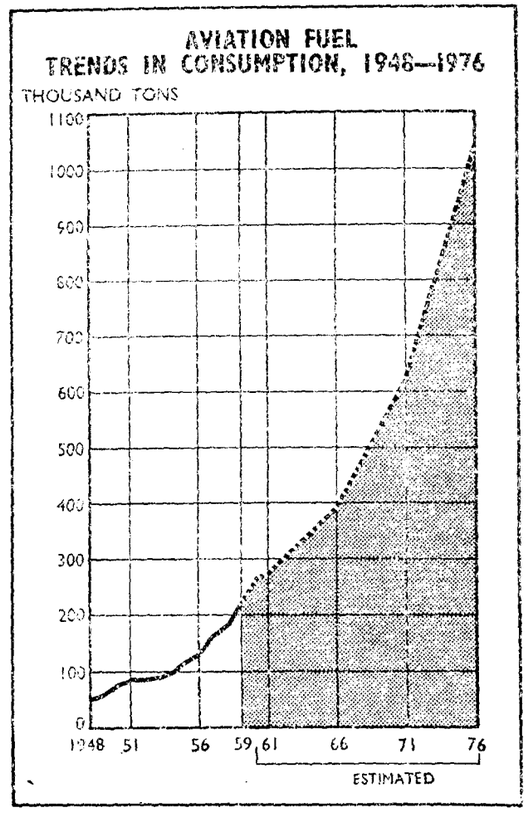
AVIATION FUELS

In line with the expanding air services, it was natural that the consumption of aviation fuel increased. As can be seen from the figures below, during the years 1948 to 1960 the consumption has increased five-fold from 49,000 tons to 263,000 tons. One important aspects of this growth in consumption during this period has been that while the consumption of gasoline has remained almost stationary, the rise has been most marked in the consumption of turbine fuel. Essentially this shift is due to the increasing change-over of the most of the airlines operating in this country to Turboprop and Turbojet aircraft. During the coming years it can reasonably be hoped that only the demand for turbine fuel will expand whereas that for gasoline in the field of aviation may decline. From the various estimates that exist in respect of the rise in general traffic in the country and taking into account the probable rise of the incomes during the years to come as well as the needs for efficiency in travel, the consumption of aviation fuel has been calculated at around 390,000 tons in 1965-66.



FURNACE OIL

The major part of furnace oil that is consumed in the industrial sector as an alternative to coal is technically called 600" Grade. It serves as fuel in places where it is not economical to carry coal. Moreover, there are certain industries like glass, ceramics and certain chemicals where its use as fuel is considered superior for other technical reasons. From the figures



given in the table below it is clear that there is a close correlation between its consumption and the general index of industrial production. Moreover, a study of regional distribution of furnace oil consumption reveals that about 50 per cent of it is supplied in Bombay region. The explanation is obvious; wherever the carriage of coal is costly, furnace oil is preferred.

For any projection in respect of furnace oil the index of industrial production should provide a fairly reliable basis. As has been assumed in the Draft of the Third Five-Year Plan, the index of industrial production (Base: 1951=100) is expected to reach by 1965-66 around 363 from 221 estimated for 1960-61. It is quite plausible that by 1976 the consumption of furnace oil should at least double itself from 1030,000 tons in 1960 to 2060,000 tons by 1976. The estimate may appear a little conservative but it may be remembered that industrial expansion only in the Bombay region is most effective for a rise in the consumption of furnace oil. As it is, Bombay region has already attained a high level of industrial growth the future demand may not be quite in line with the All-India Index of Industrial Production.

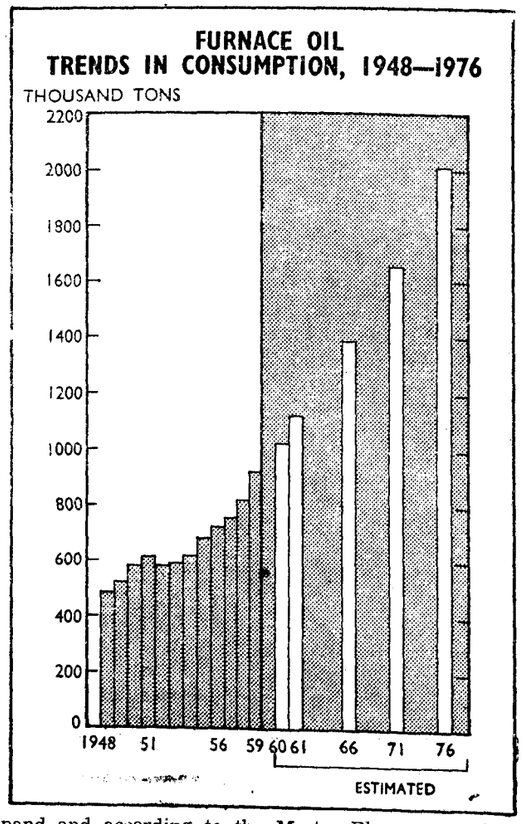
It may be added that in periods when shortage of coal posed a problem, as has been experienced in the past, furnace oil is bound to provide a convenient alternative.

LUBRICANTS

Mostly lubricants are consumed in the industrial sector as well as in the road transport. As is revealed in the trend of consumption of lubricants during the last ten years, it has followed the general pattern

industrial output. There have, however, been fairly wide fluctuations. For instance there has been a fall in consumption in 1958, an explanation of which can be found in the foreign exchange difficulties during that year.

Considering that the demand for lubricants is a function of industrial production and road transport, it is clear that any projection should take into consideration these two major factors. As has been pointed out earlier, the index of industrial production may touch the 360 level by 1966 and may even cross the 600 level by 1976. Similarly, road transport is sure to ex-



pand and according to the Master Plan prepared by the Chief Engineers of the State Governments, the road mileage may increase from 3.79 lakhs in 1960-61 to 6.57 lakh in 1975-76. The intensity of road transport is bound to be even more. The likely consumption of lubricants has, therefore, been estimated around 700,000 tons by 1975.

BITUMEN

Used essentially for road making, bitumen also serves as a useful purpose in hydraulic engineering works as well as in the production of water-proof roofing material. The trend of consumption during the last ten years shows that its demand has increased roughly five-fold. Taking into account that the mileage of surfaced road after 20 years is expected to be 2,52,000 against 1,44,000 expected to be at the end of 1961, it can easily be stated that the consumption of bitumen would more than double itself between 1960 and 1975. After considering the demand in other sectors too, the total consumption is estimated at 850,000 tons by 1975.

OTHER MINOR PRODUCTS

Petroleum coke is consumed mainly by the producers of electrodes for aluminium industries, also in the manufacture of calcium carbide, abrasives, artificial graphite and electric furnace resistors and lining. All these sections of industries belong to the group which is going to expand in the coming years. On that basis the demand has been calculated to reach a level of 100,000 tons by 1976.

Light naphtha and liquified petroleum gas are two other important components. While the former has not yet been marketed in the country it is likely to be used in the manufacture of fertilizers and chemical plants. Similarly, liquified petroleum gas which can be used as an alternative to kerosene and fuel wood should become popular in the years to come. Mostly its demand will depend on the changing habits of people who would like to replace fire wood which cannot be used in tidy kitchens. Thus the consumption of light naphtha and liquid petroleum gas are likely to be around 300,000 tons and 100,000 tons respectively by 1976.

Consumption of Certain Petroleum Products

('000 Tons)

	Light Diesel Oil	Aviation fuel	Furnace Oil	Lubricants
1948 ..	283	49	480	169
1949 ..	346	56	531	162
1950 ..	329	72	571	139
1951 ..	400	83	616	173
1952 ..	394	85	576	164
1953 ..	409	89	588	157
1954 ..	411	98	622	158
1955 ..	423	113	680	137
1956 ..	433	131	725	195
1957 ..	461	161	767	217
1958 ..	481	181	821	213
1959 ..	535	217	926	234
1960 (estimated)	555	265	1030	250
1961 (projected)	580	270	1230	270
1966 „ ..	680	390	1480	390
1971 „ ..	860	620	1750	530
1976 ..	1090	1040	2060	700

Estimates of Total Demand: 1948-49 to 1965-66

THE pattern of oil consumption in the Indian Union is available for eleven years with actuals up to the nd of 1959. But much of the detail has to be estimated, as accurate figures of the breakdown of consumption of each particular fuel are not generally published. However, import figures are available until the ear 1959 and the table below (Table I) shows the nport of petroleum products in these years under the eads Kerosene, Diesel Oils, Other Fuel Oils, Batching ils, other lubricating Oils, Motor Spirit, Petroleum other than motor spirit, Mineral Turpentine, Petroleum crude and partly refined, and 'Others'. The change in the structure of India's imports will be very evident from these figures. The imports of kerosene reached their peak of Rs. 28.67 crores in 1954-55 and have declined since then, except for a temporary rise in 1957-58. What has happened is that the coming of the refineries in 1956 has meant a rise in imports of crude of about Rs. 20 crores with a corresponding reduction of every component except diesel oil. Diesel oil, which has been particularly in short supply, has benefitted from the installation of refining capacity in the country, but the total demand has outstripped the rising refinery production until 1960. The broad picture is one of rates of very unequal rise, a picture of which was presented in "The Eastern Economist" estimates published on September 19, 1958, and which are given in Table II.

It will be seen that the total tonnage of all kinds has risen from 2.6 million tons in 1950 to an estimated 7.8 million tons in 1961. As against this estimate for 1961, demand for 1960 is now estimated at 7.5 million tons. It is not unlikely on this analogy that the figure of 14 million tons for 1965-66 is also a little below what will happen in fact.

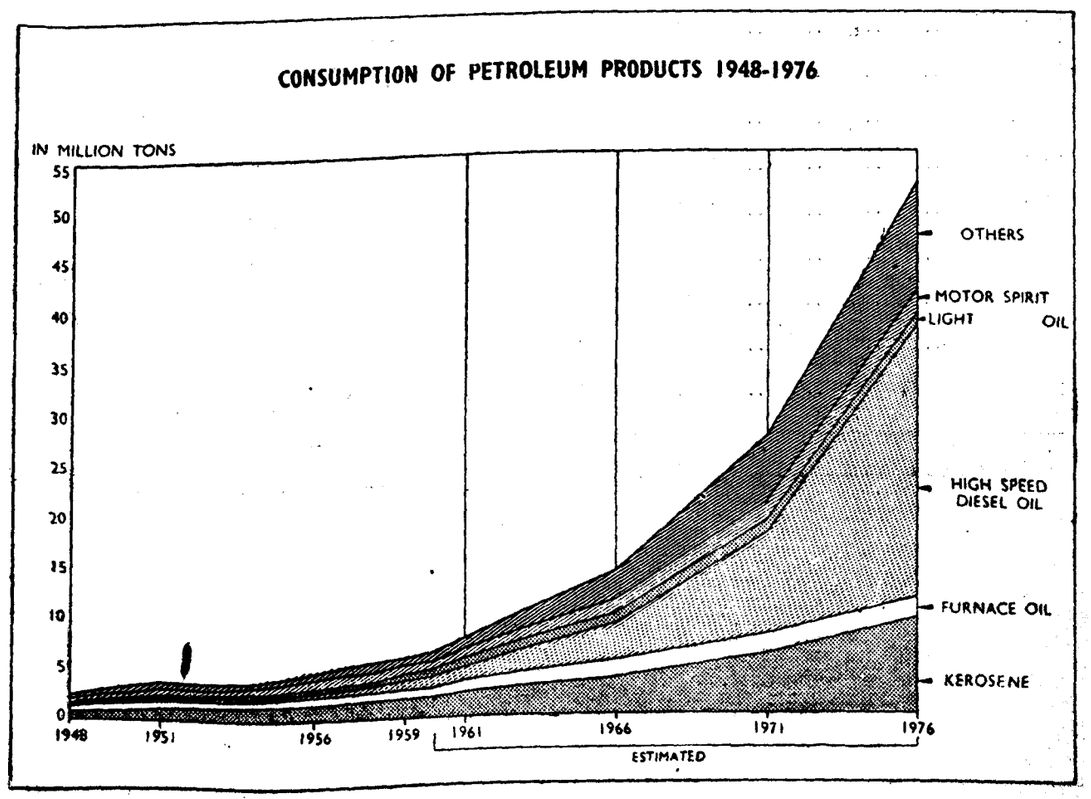
The National Council of Applied Economic Research in its study 'Demand for Energy in India: 1960-1975' estimated the requirements for energy producing petroleum products at 10.28 million tons in 1965. The demand

TABLE I

IMPORTS OF PETROLEUM PRODUCTS INTO INDIA : 1949-59

(Rs. crores)

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958	1959
Kerosene	15.11	17.65	19.12	21.85	27.48	28.67	19.53	22.17	26.02	21.48	23.86
Diesel oils	6.84	6.86	9.01	9.45	10.92	12.94	5.39	11.73	27.10	25.25	29.64
Other Fuel Oils	5.98	4.95	5.76	5.47	7.95	6.21	0.97	0.47	0.37	0.65	0.59
Batching Oils	1.19	0.88	1.17	1.79	1.28	1.22	1.18	3.27	9.39	6.97	8.69
Other lubricating oils ..	6.94	6.07	9.78	11.32	4.76	7.49	6.93	5.56	2.10	1.30	1.26
Motor spirit	16.33	17.87	24.37	25.18	30.90	24.87	9.08	5.00	6.31	3.33	3.48
Petroleum other than motor spirit	0.05	0.08	0.48	0.74	—	0.09	0.27	0.36	2.05	0.01	0.01
Mineral Turpentine ..	0.06	0.08	0.09	0.14	0.22	0.16	0.08	0.25	0.22	0.14	0.23
Petroleum, crude and partly refined ..	—	—	—	—	—	—	8.97	24.31	29.75	15.54	9.33
Others	1.13	0.70	1.07	1.12	1.29	1.35	2.55	0.07	4.72	1.17	0.86
Total:	53.63	55.14	70.85	77.06	84.80	83.00	54.95	73.19	108.03	75.84	77.95



for energy was worked out on many factors, including the use of petroleum coefficients' in industry and so on. Some of these figures will be noted elsewhere, but for the moment the significant point is the total demand which was presented as 10.28 million tons in 1965. The National Council study, however, was not primarily concerned with other petroleum products such as, lubricants, bitumen, naphtha, jute batching oil, solvents, turpentine, wax, refinery gas, and refinery boiler fuel. The estimate for these products for 1966 is approximately 4 million tons, so that the National Council estimate (worked out more on the basis of particular component than of the demand curves used in the current study) would come to 14.28 million tons.

The figure of 14 million tons has also been mentioned in official broadcasts and writings although it has not been specifically used in the Plans. One might argue that it is as near an agreed figure as it is possible to obtain when so many unknown and variable factors exist. What is significant at the present time is the fact that methods as widely different as the fitting of curves to the users of oil in various fields—transport, cooking, generation of power and industrial uses—should arrive so close to one another. This prima facie indicates that the element of controversy cannot be very large in estimating demand over the short period covered by the Third Five Year Plan. It is time, however, to turn to the detailed structure of this demand.

DEMAND OF PETROLEUM PRODUCTS: 1961 - 76

(Million tons)

	1961	1966	1971	1976
Motor Spirit	1.07	1.40	1.83	2.50
Aviation Fuel	0.27	0.39	0.62	1.94
Kerosene	2.36	3.72	5.86	9.23
Diesel Oil Light	0.58	0.68	0.86	1.09
High-speed	1.41	3.73	9.97	26.37
Furnace Oil	1.23	1.48	1.75	2.06
Others	0.88	2.60	6.11	9.71
TOTAL	7.80	14.00	27.00	52.00

CONSUMPTION OF PETROLEUM PRODUCTS

(Thousand tons)

Year	Kerosene	Furnace Oils*	High Speed Diesel Oil	Light Diesel Oil	Motor Spirit**	Aviation Fuels	Lubricants
1948	560	480	65	283	468	49	169
1949	735	531	157	346	539	56	162
1950	885	571	182	329	597	72	139
1951	1042	616	267	400	807	83	173
1952	1048	576	256	394	803	85	161
1953	1153	588	294	409	765	89	157
1954	1221	622	346	411	771	98	158
1955	1381	680	425	423	807	113	187
1956	1500	725	533	433	819	131	195
1957	1599	767	712	461	809	161	217
1958	1583	821	908	481	758	181	213
1959	1824	926	1046	535	765	217	234
1960 (Estimated)	1916	1030	1185	560	786	265	250

* 600" Grade Internal incl. Local Bunkers. ** Excluding Power Alcohol and Benzol.

PROGRESS OF DIESELISATION IN INDIA

States	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Andhra											
Total buses	—	—	—	—	2,157	—	—	2,249	—	2,841	3,067
Diesel buses	—	—	—	—	185	—	—	1,027	—	1,647	1,890
% of diesel to total buses	—	—	—	—	8.6	—	—	45.2	—	58.0	61.6
Total lorries	—	—	—	—	3,015	—	—	3,546	—	7,138	6,562
Diesel lorries	—	—	—	—	295	—	—	1,421	—	3,752	3,766
% of diesel to total lorries	—	—	—	—	9.8	—	—	40.0	—	52.6	57.3
Assam State Transport											
Total buses	—	—	—	—	—	—	—	—	—	—	349
Diesel buses	—	—	—	—	—	—	—	—	—	—	291
% of diesel to total buses	—	—	—	—	—	—	—	—	—	—	83.4
Total lorries	—	—	—	—	—	—	—	—	—	—	141
Diesel lorries	—	—	—	—	—	—	—	—	—	—	76
% of diesel to total lorries	—	—	—	—	—	—	—	—	—	—	53.9
Assam											
Non-diesel lorries	3,468	3,725	4,085	4,689	4,500	4,321	5,043	4,828	4,857	—	—
Diesel lorries	2	18	29	66	73	79	70	137	327	—	—
Total	3,470	3,743	4,114	4,755	4,573	4,400	5,113	4,965	5,184	—	—
Bihar											
Petrol buses	1,370	1,266	1,275	1,417	1,435	1,208	1,228	1,150	1,459	—	—
Diesel buses	—	—	—	—	—	263	345	448	404	—	—
Total	1,370	1,266	1,275	1,417	1,435	1,471	1,573	1,598	1,863	—	—
Petrol lorries	3,880	3,602	4,097	3,978	4,190	4,145	4,696	4,973	4,965	—	—
Diesel lorries	—	—	—	—	—	—	43	344	1,132	—	—
Total	3,880	3,602	4,097	3,978	4,190	4,145	4,733	5,317	6,097	—	—
Bombay											
Total buses	3,900	—	—	—	3,969	—	—	4,691	6,076	—	—
Diesel buses	474	—	—	—	2,517	—	—	3,682	4,799	—	—
% of diesel to total buses	11.4	—	—	—	63.5	—	—	78.5	79.0	—	—
Total lorries	16,010	—	—	—	16,016	—	—	21,868	26,780	—	—
Diesel lorries	419	—	—	—	803	—	—	2,438	4,426	—	—
% of diesel to total lorries	2.6	—	—	—	5.0	—	—	11.1	16.5	—	—
Kerala (Travancore-Cochin area only)											
Petrol buses	—	—	—	—	1,325	1,336	1,447	1,468	1,481	—	—
Diesel buses	—	—	—	—	23	36	278	340	366	—	—
Total	—	—	—	—	1,348	1,372	1,725	1,808	1,859	—	—
Petrol lorries	—	—	—	—	1,773	1,872	2,034	2,111	2,126	—	—
Diesel lorries	—	—	—	—	10	25	109	145	213	—	—
Total	—	—	—	—	1,783	1,897	2,143	2,256	2,339	—	—
Madras											
Total buses	—	—	—	—	—	—	—	—	4,520	4,674	—
Diesel buses	—	—	—	—	—	—	—	—	3,448	4,090	—
% of diesel to total buses	—	—	—	—	—	—	—	—	76.3	87.5	—
Total lorries	—	—	—	—	—	—	—	—	7,949	8,749	—
Diesel lorries	—	—	—	—	—	—	—	—	4,502	5,767	—
% of diesel to total lorries	—	—	—	—	—	—	—	—	56.6	65.9	—

PROGRESS OF DIESELISATION IN INDIA—Contd.

States	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Madhya Pradesh											
Petrol buses	—	545	585	576	594	—	696	756	857	644	666
Diesel buses	—	2	12	20	14	—	17	42	96	401	459
Total	—	547	597	596	608	—	713	798	953	1,045	1,125
Petrol lorries	—	1,130	1,135	1,045	1,053	—	1,223	1,580	1,601	1,244	1,308
Diesel lorries	—	27	29	30	44	—	38	150	275	1,138	1,508
Total	—	1,157	1,164	1,075	1,098	—	1,261	1,730	1,876	2,382	2,816
Mysore Government Road Transport Department											
Petrol vehicles	—	—	—	—	—	—	86	66	105	81	15
Diesel vehicles	—	—	—	—	—	—	80	155	1,006	1,124	1,226
Total	81	127	147	172	179	149	166	221	1,111	1,205	1,241
Orissa											
Petrol buses	—	—	—	—	—	—	—	—	—	—	366
Diesel buses	—	—	—	—	—	—	—	—	—	—	93
Total	—	—	—	—	—	—	—	—	—	—	459
Punjab Roadways											
Petrol buses	—	—	—	171	189	151	131	59	28	1	—
Diesel buses	—	—	—	24	43	81	115	227	260	310	—
Total	—	—	—	195	232	232	246	286	288	311	—
Uttar Pradesh											
Petrol buses	—	—	—	—	—	—	4,297	4,269	5,499	4,315	3,922
Diesel buses	—	—	—	—	—	—	148	460	847	1,325	2,032
Total	—	—	—	—	—	—	4,445	4,729	6,346	5,640	5,954
Petrol lorries	—	—	—	—	—	—	7,978	9,614	9,371	9,597	8,625
Diesel lorries	—	—	—	—	—	—	128	1,003	1,278	1,999	4,217
Total	—	—	—	—	—	—	8,106	10,617	10,649	11,596	12,842
Delhi State											
Petrol buses	390	440	494	562	627	547	403	400	296	283	253
Diesel buses	—	—	—	—	—	157	394	472	600	740	797
Total	390	440	494	562	627	704	797	872	896	1,023	1,050
Petrol lorries	1,307	1,473	1,510	1,709	1,823	1,716	1,552	1,435	1,402	1,190	1,185
Diesel lorries	—	—	—	—	198	412	800	1,190	1,316	1,542	1,680
Total	1,307	1,473	1,510	1,709	2,021	2,128	2,352	2,625	2,718	2,732	2,865
Uttar Pradesh											
Petrol buses	—	52	63	69	87	98	105	101	82	115	76
Diesel buses	—	—	—	—	—	22	4	15	23	47	100
Total	—	52	63	69	87	110	109	116	105	162	176
Petrol lorries	—	47	55	75	85	91	92	115	115	136	32
Diesel lorries	—	—	—	—	—	4	7	11	11	22	140
Total	—	47	55	75	85	95	99	126	126	158	172
Manipur											
Petrol buses	2	6	10	10	14	18	21	21	21	20	20
Diesel buses	—	—	—	—	—	—	—	—	10	10	10
Total	2	6	10	10	14	18	21	21	31	30	30
Petrol lorries	6	12	17	22	22	29	15	15	15	9	9
Diesel lorries	—	—	—	—	—	3	4	7	9	21	28
Total	6	12	17	22	22	32	19	22	24	30	37

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Modern Aids to Management

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Reorientation of Techniques

A RAPID reorientation of management techniques has been under way for quite some time in the advanced industrialised countries. In its sweep it is bound to bring positive urgency for other countries also to adapt themselves to changing management policies. New tools are being forged to infuse dynamism in managements which are called upon to face a diversity of problems. In a sense, these tools may not be altogether new because they are not altogether of a very recent origin. But what gives them the character of novelty is the high degree of intensity with which they are now being incorporated in management techniques. Market research, consumer motivation studies, cost analysis and purchase policies may be mentioned as among the foremost in the techniques which managements have to assimilate if they have to keep themselves abreast of current changes in this era of ever-increasing competition. This Blue Supplement deals with the subject of aids to management from this vital angle.

Management as an integral and key factor in industrial and business operations is now passing through a transition and the challenges thrown by that transition are bound to make their impact on business and industry in the developing countries. As it is, these countries have not had enough time and maturity of experience to catch up with the standards of management in the industrially advanced countries even on the conventional pattern. Introduction of certain improvements in the processes of production or in the designs of products or in strengthening sales and publicity services will no longer make for the great gap between the levels of management in the developing countries and the advanced ones.

Continuous vigilance is the price of progressive management and although results of financial operations may give a heartening account of the progress of the firm or factory, management has to look ahead, anticipate problems and think in advance of introducing new processes and techniques in order to give fresh vitality to industry. It is because of this compelling necessity of constant vigilance and alertness to introduce progressive changes that management stands in need of sharp tools to enable it to perform its forward-looking function.

The articles in this Blue Supplement deal with some of the major aids to management and it is only necessary to emphasise here that, probably, in the order of priority, market research, cost analysis, and purchase policies demand first attention in under-developed countries. How urgent the creation of these aids for management has now become for India is quite apparent from the new challenge which has been thrown out to her export promotion drive. It is not only in the domestic market but also in the traditional and prospective export markets that India will have to launch an organised campaign of research into the changing trends of market demand. This conclusion has been too often repeated by our trade delegations and export promotion teams which have visited foreign countries—but with

little remedial action. This is only one instance to show how a sense of urgency must be brought to bear upon the problem of reorientating management techniques in this country.

Management can no longer be treated as a routine function to be performed by the senior executives. It is fast developing not only into an elaborate art but a well-grounded science. It is vital that the changing character of management more and more as an applied science should be fully appreciated in this country and sustained attention should be paid to sharpening the tools which will enable it to function efficiently in this age of progressive competition.

Aids for the Administrator*

By FRANK A. HELLER

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A NINETEENTH-CENTURY writer once observed, 'Life is the art of drawing sufficient conclusions from insufficient premises', and the words can be applied to the life of most administrators, be they in business or elsewhere. It helps to explain the peculiar skills of the job and the infinite variety of irritations to which it can give rise. How can one draw sufficient conclusions from insufficient premises? Well, it could be done by lucky guesses, or by drawing on previous experience in similar circumstances, or by examining the premises carefully in an attempt to make their insufficiency less serious. After all, every time an opinion poll, or attitude survey is taken it is based on merely a sample of people. The sample may only be 2,000 out of a total population of several million; it could nevertheless be an adequate sample if it is carefully chosen.

The Administrator is always making choices often on very slender evidence when the consequences of different lines of action cannot be accurately predicted. But decide he must for indecision is one of the deadly sins of management.

Do we know enough about the process of administration to try to help people who have to make complex decisions under conditions of uncertainty? The answer, I think, must clearly be 'yes', although the help that is available is considerable in some fields and almost non-existent in others. This is a young subject and we have much to learn. Nevertheless, there is now a substantial body of experience, techniques and research findings which most administrators ought to have access to. This knowledge does not, of course, by itself produce administrators or ensure the efficient working of an organization. But it is a good start.

The kind of material that is available and what it can do, is shown in the case of business which has run into a crisis. The following history of a small firm making bicycles is imaginery, but its experiences are common to many other businesses. For many years there was a steadily expanding market for bicycles, including sports models, both at home and in other countries. Since 1950, however, sales had decreased first overseas and then at home. The shrinking market became increasingly competitive, there were several mergers and our small company was experiencing great difficulties. At this time it was taken over by a larger company which moved in a new top management team. The new management's first task was to analyse the situation. It looked at the economics of the market at home and abroad, investigated the production process, it studied the bicycle models in relation to consumer buying motives, the price structure of the firm and possible alternative outlets for the company's capital and other resources. In the course of this analysis they got to know the staff and could assess their strength and weaknesses.

At each step of this investigation the new top management could draw on a range of fairly well established procedures, among which the following could be mentioned.

1. **An economic market analysis at home and overseas:** This should lead to a forecast of likely demand.
2. **Work study investigation of a production process,** including inventory and stock control, factory layout, etc.
3. **Work study investigations of the administrative machinery** (particularly in offices) with a view to simplification.
4. **Cost analysis with a view to cost control.** This could be combined with an attempt to reduce variety and obtain standaridzation of sub-units Control methods would include standard costing and budget forecasts.
5. **Consumer motivation study:** To test brand name, colours, packaging and to discover the special attributes which bicycle owners like to apply to themselves and their sport.
6. **Analysis of staff attitudes and morale.**
7. **Analysis of the skills of workers and management.**

This list by no means exhausts the known possibilities but it can be seen that faulty decisions in one or more of these fields could easily be responsible for economic failure.

Let us take two examples. Our imaginary bicycle firm had seen its trade gradually decline over a period of years but it continued to produce more or less the same article in more or less the same way. It is true that some improvements in production methods and design had been introduced; aluminium and stainless steel had gradually replaced certain parts which were particularly likely to attract rust and the after-sales repair service section had been expanded.

During the period between 1949 and 1956 when this firm was struggling for its existence, three new products were coming on the market. One was a small motor which could be fitted to bicycles to make them semi-automatic; another was the Moped, a special bicycle with a stronger frame and larger tyres which was sold complete with a small motor. Finally, this period saw the rapid rise in imports of motor scooters from abroad.

These new articles did not have an immediate adverse effect on the firm since the scooters and, to a lesser extent, the Mopeds were sold to customers who had previously used motor cycles or had not used two-wheeled transport at all.

LOOKING AHEAD

Nevertheless, the company might have been very much more successful if it had helped to pioneer one of these three developments. This is one of the problems of assessing the efficiency of any organisation; one never knows how much more successful it would have been had it followed a different line of approach. It is a useful managerial exercise to think about alternative methods, products and designs even if the balance sheet shows a very satisfactory picture. Where the firm is obviously not successful, the need to scan the market for alternatives becomes even more important. Management must from time to time anticipate problems, look ahead to weigh up alternative uses of existing capital and exploit new technical processes.

The second example of possible wrong decisions concerns the skills of workers of management. Every firm consists of a mixture of people, some of whom are more suitable for the jobs they carry out than others. This is natural, but the trouble begins when one firm has more than its share of unsuitable people, or when these people occupy key positions. The standard method of selection is interviewing. Two main mistakes can be made; one is to assume that skilled interviewing is enough; it is not. Every job has different requirements and only careful job analysis will reveal the essential skill that is necessary to carry out a particular job. All effective selection procedures set out to match job requirements with personal skills. In our bicycle firm, senior management may have been chosen from among the best existing production people. This would work as long as the article sells largely because of its technical excellence. But it may well be that price policy, distribution arrangements, and skilful advertising are really the decisive factors.

UNRELIABLE JUDGMENTS

The second mistake is to assume that interviewing is easy, that it needs no preparation, only experience and an astute mind. Knowledge of certain classical experiments in interviewing soon dispels this unjustified optimism. In a famous experiment, 23 experienced interviewers interviewed 24 people and placed the candidates in order of merit. It was found that almost any candidate came very high on some expert's ranking and almost last on other's; the range of differences was startlingly wide. In practice, managers never submit their interview decisions to any experimental scrutiny and they may, therefore, never know how unreliable their judgments can be.

All this adds up to the possibility that the wrong people are in the right jobs or the right people are in the wrong jobs. How can jobs be wrong? For the purpose of this analysis a job is wrong if it is expected to do things that are not really important at a given time — for instance, spending a great deal of effort and money on detecting an increasing number of faulty articles during the final packaging stage instead of correcting the production process or machine tool to minimize errors.

These administrative problems can be discovered, by means of a suitable analysis, and remedial action taken. The necessary analysis can be done either by a business consultant or by a suitably qualified interested person inside the organization. Interest and willingness to be critical and to implement changes are of over-riding importance and this **must be present inside the firm**, even if it chooses to use an outside consultant.

Consultants are today an accepted part of the business scene, but it was not always so. Some years ago an administrator sourly observed, "a business consultant is a person who knows much less about your business than you do yourself, but who is prepared to advise you on how to run it, for a fee which your business could not possibly afford to pay even if it was run properly instead of according to his advice".

If an administrator has this attitude to consultants he will derive no benefit even if he is forced to employ them. Managers often have similarly hostile attitudes to people inside an organisation who produce new ideas or critical analysis. But it is the firms which welcome ideas of the right kind and accept change which successfully take advantage of opportunities as they arise to expand and prosper.

In part this is an educational problem and since education starts in childhood, it is not always easy to produce flexible minds in adults whose previous experience has not inclined them that way. It is, nevertheless, surprising how much a carefully devised training scheme can accomplish.

Some management training can best be carried out inside a firm. Thus a company course may acquaint people with the history and development of a given industry, with the company's own policy and organisation, budgetary control procedures, personnel policies, wage rates and likely future developments. These courses are often given by senior company officials with the help of the personnel and training manager.

PROBLEMS ARE UNIVERSAL

External courses at universities, technical colleges or residential training centres will usually confine themselves to the broader aspects of each subject, using examples from different industries to compare alternative solutions to similar problems. The course members themselves will be able to exchange experiences from their different backgrounds.

During a recent tour abroad I spent a few days in Calcutta and gave a lecture on 'Incentives'; a week later at the Thammasart University of Bangkok, I talked on 'Organization and Efficiency'. During the following four months I gave talks on various management subjects in **Australia, New Zealand** and America. In each case there were, of course, special considerations which gave rise to individual problems in the countries concerned. These special considerations were freely aired in discussion and it soon became clear that, despite them, the basic problems of management remained constant. The experience and research of industries in other countries was relevant to my hearers and techniques devised elsewhere could be applied, in most cases with only minor adjustments, to their administrative problem

Ten years ago I helped to organize one of the first management courses for railway executives. The industry told us firmly that we had to start from scratch because the railway industry was quite unlike any other industry — it had no roof over its head, all its activities were dispersed and it did not produce a commodity but a service. It took the teaching staff only two courses to discover that more than half of the administrative and human relations problems were extremely familiar to us from a large variety of other industries but it took us another three courses to convince the railway organizers of these courses that this was so. The truth is that we get psychologically very attached to our 'uniqueness' and resent the inference that we, or our problems, are 'commonplace'.

Administration is an art rather than a science. It is a process of planning, co-ordinating, decision-making and control. Control in this context means using various techniques which enable standards of performance. These comparisons are often in financial or statistical terms but this is not essential.

Although administration is an art it should be approached with a 'scientific mind'. That is, one should be systematic and analytical, preferring logic to emotion, and willing to use scientific findings wherever they apply.

A manager is primarily a man-manager and it is, therefore, appropriate that he should be influenced by the findings of psychology, sociology and social anthropology. These three disciplines plus a certain amount of inductive economics can be called the behavioural sciences because they try to understand and predict human behaviour.

There are several other scientific or analytical systems which administrators will increasingly turn to in the future, for example, Operations Research, which uses rigorous scientific methods in the analysis of business problems and seeks to reduce the 'rule of thumb' in executive decision making. Take the case of a firm which has plants in different parts of the country and whose processes require shipment of items in different stages of production. Substantial savings can be effected from a careful mathematical planning of commodity movements. Considerabily more difficult problems than this can now be handled by a variety of new statistical techniques.

The life of busy administrators could be made much more productive and a lot less wearing by seeking help in the right quarters.

*Courtesy: 'Good Business', London.

Marketing Research as a Tool in Management

MARKETING Research has been described as a "brave new science" which acts as the radar for management decisions. It is a brilliant and versatile instrument for guiding management in finding out "what the customer wants". Research in marketing, however, cannot proceed unless the facts—the critical facts—are known. They are: the market or the markets to be explored, the characteristics of the product to be sold, the volume of output in relation to demand and the marketing strategy to be adopted.

The market for a particular product can be gauged by statistical analysis coupled with economic forecasting based on previous experience. If the product is new and has no past history, a properly planned consumer survey could be utilized for product research by incorporating intelligent questions regarding the attitude of the consumers to the product. The size of the market in the case of the particular product at the time of conducting the survey could also be obtained. For forecasting the course of future demand, the trend of the economy in general and of that component in particular would have to be examined to arrive at meaningful results. After all these basic facts are known, the marketing strategy consisting in advertising, distribution, pricing and methods of marketing can be easily evolved.

In recent years marketing research has assumed vital importance as a tool in the hand of management not only for launching new ventures but also for studying the consumer preferences, habits and attitudes in regard to products currently being manufactured. All over the world well-known business houses such as Uniliver, Philips, Union Carbide etc. have always pressed into service their marketing research wings in order to obtain fresh information about their products, old or new. Even in the Indian Union, greater interest is now being evinced by enterprising business houses to assess the size of the market in regard to their particular products. Some of them have, before venturing upon new lines, sought to assess the profitability of the new ventures before applying for a licence to start an enterprise. Gone are the days when an Indian industrialist would go in for a sizeable investment in industry only on the basis of hearsay. Now that scientific techniques are available for exploring the market through the marketing research organisations, more and more use is being made of these facilities.

The techniques of marketing research vary according to the demand of the situation. In the case of consumer products, the business firms are interested, in particular, in pushing up their sales. A usual way is to conduct a survey of a representative cross-section of society by obtaining a statistically random sample of the population. It may seem a stupendous job, interviewing a sample spread over such a vast area as the Indian sub-continent. But statisticians have evolved reliable techniques whereby even small samples can provide results with a reasonable margin of error and also with a sufficient degree of confidence. In the Indian Union, there are a small number of competent organisations which have specialised in this particular branch of research. The Marketing Research Corporation of India, established six years ago, is a pioneer organisation which has conducted surveys on behalf of a number of forward-looking firms such as Philips India Limited, Union Carbide Limited, D.C.M., The Metal Box Company of India Limited etc.

THE MARKETS OF THE SIXTIES IN INDIA

The problem of assessing the market potential in India over the next decade has become urgent in view of the powerful direction which consumer expenditure in relation to consumer durables in particular has taken in the Second Plan period. It is necessary for business firms to evolve a forward-looking sales policy which may multiply sales and pay many times more for the cost of evolving this policy. In fact, the dynamic manner in which the Indian economy has been rising in recent years has revealed tremendous possibilities of surplus beyond "necessities". It means that the discretionary component of the Indian Rupee will steadily increase during the next decade making greater pressure on the demand for durable goods. In the July issue of the Quarterly Economic Report of the Indian Institute of Public Opinion, a special long-term study of the changing pattern of Indian discretionary expenditure till 1971 has been made. In this study, estimates have been made of the discretionary expenditure in the rural and urban areas in various income groups. Discretionary expenditure here includes all residual consumer items after providing for essentials such as cereals, pulses, sugar, milk and milk products, other food items and clothing. It was discovered that the expenditure on essentials in the low income brackets was as high as 84 per cent. The remaining 16 per cent in this bracket leaves very little margin for applying "discretion" in expenditure on different items. It was also revealed that the element of discretion for expenditure in income increases only after all expenditure on essentials is reduced to at least 75 per cent. Only those families which have consumption expenditure split up in such a way that at least 25 per cent of the total disposable income is made available for expenditure on non-food items have some discretion in spending their money on commodities of their own choice. The results of this analysis are set out in Tables I, II and III. The total number of families in the urban areas at 6.1 million in 1950-51 with per capita annual disposable income of more than Rs. 290 will have increased their discretionary component from Rs. 435 crores in 1960-61 to Rs. 1183 crores in 1970-71. Similarly in the rural areas the number of families is likely to increase in the same period from 12.3 million to 17.1 million while the total discretionary component is likely to increase from Rs 973 crores to Rs. 1293 crores.

Thus, the rising markets of the sixties will put a great pressure not only on "necessities" but also on the "consumer durables" where the purchaser would freely operate his discretion. The rate of rise of 6 to 7 per cent on meat, eggs, tea etc. will certainly impose greater pressure than a rise of 7 to 10 per cent on the durables. This is due to the far greater base on which the necessities rest, as against the smaller base on which consumer durable consumption is built.

In the next 10 years, thus, the discretionary component of consumer expenditure is likely to increase from nearly Rs. 3000 crores to nearly Rs. 5000 crores which will certainly result in imparting new dimensions to the Indian market. The rural areas will benefit markedly in the major operation of rising standards and it is expected that the character of the dichotomy which now exists between rural and urban areas will vanish to a large extent.

OUR MARKETS ABROAD

Due to the extreme pressure on our foreign exchange reserves, it is necessary that attempts should be made to explore our markets abroad in an attempt to sell more of our goods. This is possible only if we can know fully regarding the prejudices and preferences of consumers in relation to Indian products in these markets. There is urgent need for seeking the assistance of experienced marketing research agencies in determing the various ways in which our sales in the foreign markets, particularly the Middle East and the South-East Asian countries, can be accelerated. Unless marketing surveys on scientific lines are conducted in these countries, it will not be possible to know whas the Indian products have failed to break through th markets. It is only experienced marketing research organisations which can evaluate the role of the right type of agents, the terms to be offered to them, and a number of other aspects about which information is vitally necessary for organising the sales programme. Perhaps, the Indian manufacturers who did suceed in the past in selling their products in these markets failed to follow up by finding out the nature of complaints of the consumers and did not give satisfaction to them. How far proper sales-service is essential in building up a strong market for Indian goods in the markets abroad needs to be evaluated. Broad generalisations will certainly not help in raising our exports. Thorough knowledge of markets in regard to particular products, the manner of packaging and the local prejudices etc. will have to be known before-hand for success in these markets. Marketing research abroad thus has a great role to play in promoting Indian exports. Certain amateurish attempts made at marketing research by the embassy staffs in some Middle East countries have brought forth reports which are conventional and therefore hardly calculated to prove of much practical utility to our export business.

TABLE I.

DISCRETIONARY RUPEE IN DIFFERENT EXPENDITURE (DISPOSABLE INCOME) BRACKETS : ALL-INDIA (RURAL AREA)

(Number of Families in Millions and Discretionary Rupee in Crores of Rupees)

(At 1952-53 prices)

Monthly Income Group (per Capita) (Rs.)	1950-51		1955-56		1960-61		1965-66		1970-71	
	No. of Families	Discretionary Rupee	No. of Families	Discretionary Rupee	No. of Families	Discretionary Rupee	No. of Families	Discretionary Rupee	No. of Families	Discretionary Rupee
0— 8	7.7	51	8.2	65	8.9	99	9.6	137	10.5	224
8—11	9.7	75	10.3	112	11.1	131	12.0	185	13.2	238
11—13	5.4	80	5.7	109	6.2	135	6.7	171	7.4	226
13—15	5.9	73	6.2	109	6.7	142	7.2	202	7.9	221
15—18	7.0	118	7.5	162	8.1	204	8.7	232	9.6	287
18—21	5.4	129	5.7	157	6.2	164	6.7	239	7.3	268
21—24	4.2	95	4.5	132	4.8	156	5.2	210	5.8	255
24—28	3.4	125	3.6	161	3.9	197	4.2	228	4.6	269
28—34	3.7	151	4.0	188	4.4	277	4.7	368	5.2	405
34—43	2.5	155	2.8	182	3.1	221	3.3	258	3.6	298
43—55	1.3	235	1.4	166	1.5	160	1.7	230	1.8	191
55 and above ..	1.4	307	1.5	268	1.6	203	1.8	193	1.9	130
All Classes ..	57.6	1594	61.4	1811	66.5	2089	71.8	2653	78.8	3012

TABLE II.

DISCRETIONARY RUPEE IN DIFFERENT EXPENDITURE (DISPOSABLE INCOME) BRACKETS : ALL-INDIA (URBAN AREA)

(Number of Families in Millions and Discretionary Rupee in Crores of Rupees)

(At 1952-53 prices)

Monthly Income Group (Per Capita) (Rs.)	1950-51		1955-56		1960-61		1965-66		1970-71	
	No. of Families	Discretionary Rupee	No. of Families	Discretionary Rupee	No. of Families	Discretionary Rupee	No. of Families	Discretionary Rupee	No. of Families	Discretionary Rupee
0— 8	0.7	4	0.8	7	0.9	12	1.2	18	1.4	29
8—11	1.2	13	1.4	21	1.6	29	2.0	44	2.4	77
11—13	0.9	12	1.1	21	1.2	28	1.5	42	1.8	65
13—15	1.0	17	1.2	30	1.4	37	1.6	59	2.0	87
15—18	1.4	22	1.7	43	1.9	62	2.3	80	2.9	121
18—21	1.3	36	1.5	52	1.8	66	2.2	96	2.6	150
21—24	1.1	33	1.2	48	1.4	66	1.7	95	2.1	102
24—28	1.2	40	1.4	58	1.6	75	1.9	107	2.4	182
28—34	1.1	35	1.2	46	1.4	59	1.8	77	2.1	108
34—43	1.5	93	1.7	126	1.9	162	2.4	198	2.9	282
43—55	0.9	74	1.0	91	1.2	118	1.5	203	1.8	208
55 and above ..	1.4	193	1.6	240	1.8	133	2.2	330	2.6	403
All Classes ..	13.7	572	15.8	783	18.1	847	22.3	1349	27.0	1814

TABLE III.

NATIONAL INCOME, SAVINGS, DISPOSABLE INCOME AND DISCRETIONARY RUPEE

Rs. Crores (at 1952-53 prices)

Year	National Income	Savings	Disposable Income			Discretionary Rupee			(9) as a percentage of (6)
			Rural	Urban	Total	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1950-51	9,110	456	6,512	2,142	8,654	1,594	572	2,166	25.03
1955-56	10,800	756	7,693	2,351	10,044	1,811	783	2,594	25.83
1960-61	12,987	1,229	8,976	2,982	11,758	2,089	845	2,934	24.95
1965-66	17,260	2,071	11,220	3,969	15,189	2,652	1,349	4,001	26.34
1970-71	21,680	3,469	12,903	5,308	18,211	3,012	1,814	4,826	26.50

Management Accounting

AMONG the many important tools of management, management accounting is one. It is a technique based on the concept of 'promise and performance' which seeks to show the way to maximum efficiency and also helps in achieving the greatest output at the lowest cost. In other words, what management accountancy requires is the preparation of a forecast or a budget followed by the recording of actuals which, when compared to the former, give the variations or deviations. These become the subject-matter of study for further appropriate and timely action with a view to achieving the objective. Management accounting consists of various elements, but its main characteristic is that it is a forward-looking approach rather than being just a backward looking philosophy. What it aims at is to provide a continuous supply of information concerning production and cost to the management on the basis of proper systems of recording, analysis, tabulation and interpretation of the relevant data relating to the working of an enterprise. It is also worth emphasizing that essentially the technique is one of expressing in economic terms the targets of the plan and also measuring performance at each stage so that corrective action can be taken in time.

The Council of the Institute of Chartered Accountants of India sponsored a Management Accounting Team to tour the United States and Canada in 1957, under the auspices of the Ford Foundation to study accounting methods and practices obtaining in these countries, with particular reference to developments in management accounting. This team, in its valuable report, has stressed that the technique of management accounting can be adopted with great advantage by companies and corporations both in the public and private sectors in this country. It has stressed that although in large industrial undertakings the system has to be more exhaustive and comprehensive, the basic approach to the problem would be about the same whether for a medium-sized organisation or a smaller one. An accountancy system, therefore, it says, would necessarily have to be adapted to the requirements of each individual case. It is ultimately, the underlying objectives and the means to achieve the same that matter more than the meticulous details of a system.

While trying to define management accountancy, it refers to the Productivity Report on Management Accountancy submitted by the Management Accounting Team of the Anglo-American Council of Productivity, which visited the United States during 1950, which says that 'management accounting is the presentation of accounting information in such a way as to assist the management in the creation of policy and in the day-to-day operation of an undertaking'. This would include accounting, costing and statistical information provided for the management at different levels. It is further deemed to include the technique of recording, marshalling and sifting of information by means of analytical and other accounting methods. From the information so collected, tabulated and analysed, the necessary conclusions would be drawn. Another and a more recently introduced function of accounting is the presentation of information with a view to tendering advice to the management regarding the course of action to be adopted.

Management accounting includes various elements like financial accounting, budgetary control, cost accounting, stores accounting and internal or management audit. Of these, budgeting is the most important because it is the pivot in any effective scheme of management accounting. It cannot therefore be considered a mere fashionable addition to management techniques but more as a dynamic concept that has stemmed in the last few decades from changes in the economic theory and behaviour of the individual firms. It has to be understood that success in business is no longer considered to arise merely from intelligent adaptation to economic change. On the other hand, individual firms are now becoming active arbiters of their own destinies and they are conscious of the fact that in choosing between alternatives of action, they are in a position collectively even to influence the economy. This is the basis of the deliberateness with which a firm today sets on its targets of performance.

The 'modus operandi' for the preparation of the budget would depend upon the organisational set-up of any particular business or industrial undertaking. The budget has to be built in clear and understandable terms, so that it may be possible to determine efficiency or otherwise with reference thereto. Again, as part of the operative function of a budget, consideration has to be given to measurement of performance on the implementation of the production plan. Unless it is possible to prepare a performance report in relation to the budget there may be no point in having a budget merely for the sake of having one. It is also to be remembered that to ensure that the budget is an effective tool of management and an active aid to operational efficiency, it has to be prepared in simple and understandable terms. The operator has to be assisted here to realise that the results expected of him are reasonable and that he would be given all reasonable facilities for securing the results expected of him. On the part of the management, they will also know what is being attempted through the budget and why it is being attempted. When either one or the other looks at the results and compares them with the original estimates, the causes of the differences can be understood.

Once the budget is agreed, it becomes a basis for operations and long-term commitments can then be made for finance, capital expenditure and personnel. When the budget period approaches, from the top management down to the lower rung of the ladder there will be an awareness of what is to be achieved and the urge to overcome any hurdles that might crop up on the way. The second aspect of budgetary control then goes into operation when indicators are set up to tell the management promptly and accurately how the business is faring. This requirement is fulfilled by an efficient system of reporting keyed to the budget statements. These reports will clearly show performance against budget variations, the reasons for the variations which are classified into controllable and non-controllable ones and the remedial action proposed or taken and the future outlook. It is then up to the management to take prompt action to prevent any adverse trends, concentrating on only those factors that are controllable within the business.

Again by fixing yardsticks of performance sector by sector within the organisation and then affording the means of judging achievement, budgetary control helps in the work of general management, for it helps decentralisation and delegation. Responsibility can, therefore, be fixed not in onerous detail, but in terms of particular goals within which the individual units or individual firms can exercise initiative with freedom and yet remain accountable for achievement or failure. In the opinion of the Management Accounting Team, on the basis of the experience gained from its study in America, a good scheme of budgeting and budgetary control would, on the one hand, enable the management at different levels of production to function more effectively without adversely affecting the interests of the owners and, on the other, the owners or the representatives would be able to retain adequately their control and powers of operation.

The state of accounting in under-developed countries usually depends upon the availability and background training of both management and accounting personnel, and varies with the type of the enterprise. It is, therefore, necessary that adequate steps should be taken for training enough number of persons in this branch of accounting. An efficient way of improving accounting in small-scale industries would be for interests in the same field to join in some co-operative or other associations and obtain the advice of specialists who could develop book-keeping and cost techniques on an industry basis. Alternatively, it may be worthwhile to establish a technical advisory service, for instance, in the form of a productivity or service management centre which would extend advice, among other things, on accounting techniques. This is a task, for example, that the National Productivity Council may be able to do with the help of its several branches. A more general measure consists in training, on the one hand, accountants and on the other educating managements to recognise the need for accounting data and to use such data for making policy decisions. It is also necessary that courses in accountancy in universities should be encouraged. It is obvious therefore that under-developed countries cannot rest content with old-fashioned and out-of-date accounting methods, but should take every opportunity to use the modern techniques and, in particular, the introduction of cost accounting and budgetary control should be encouraged. However, it may be necessary that in the initial stages the development of new techniques may have to take place slowly and in the simplest form possible to allow the accounting staffs to familiarise themselves with their operation and management personnel to learn how to interpret the data. But the fact remains that management accountancy has now come to stay and it is an essential part of any scheme aimed at increasing productivity.

The Exercise of Authority*

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ON at least one point, most of the world's students of economic growth are in agreement: high level manpower for industry is likely to be one of the biggest bottlenecks in the newly developing nations. The sad truth is that, in nation after nation, there is simply not enough competent managerial talent ready to go to work. And, until this talent is developed in sufficient quality and quantity, the danger persists that all other resources in industry will be used at far less than their best level.

But the need to develop this talent in a country like India comes along at just that point in history when the whole world of management is most in ferment. Whether one looks in the United States, in West Germany, or in Russia, it is clear that old ideas of the way to get results in industry are giving way to new ideas at a rather startling rate. Any manager who develops his abilities on the basis of today's knowledge and then stops learning will find himself quickly left behind in the rush of events. The electronic computer is only one, albeit the most dramatic, symptom of this new age.

Even if it wanted to do so then, a developing nation could not import a fixed body of principles from another part of the world. Perhaps time lags are inevitable, and even desirable in some instances. But sooner or later the new ideas, no respectors of international boundary lines and customs offices, are likely to penetrate wherever industrialization goes.

It is well to recognize at once an old danger. Pseudo-science too easily passes for science in the early stages of systematic study of any field. So it is with the study of management. And here the evil is compounded by the fact that pseudo-science seems to be at least as exportable to the developing countries as does the slower developing science itself. An urge grows to turn out and to apply simple rules which give the surface appearance of being profound discoveries. Examples are legion: rigid rules about the proper span of control, about the authority-responsibility ratio, about line-staff relationships. However useful such rules may be in the particular cases where they were developed, there is seldom enough evidence to support their usefulness elsewhere. They become substitutes for thinking long and hard about the particular circumstances of one's own situation. It was a wise man who first said, "It isn't what I know that hurts me; it's what I know that simply isn't so that makes trouble."

But this danger can be avoided. Men in management can, if they so wish, combine a curiosity about new ideas with a deep scepticism about anything which smacks of an easy formula. They can build among their own numbers a professional association which sets out deliberately to promote the habit of learning from one another's experiences. And they can use these same associations to foster a critical re-examination of the ways in which they have been doing things over the years. A management association can, of course, deteriorate into a mere lobbying group, a protective society, or a club in which the members hear only what they have often heard and half believe. But, at the other pole, it offers the challenge of continuing education to keep its members abreast of the best thinking in their field.

The habit of thinking in a truly professional way about management problems might begin when an executive asks himself the question, "What are the aims of this enterprise?" To ask this question is to assume that the obvious answer, "To make profits," is insufficient. A thought process has begun in which it is likely that the complexity of today's business aims will soon emerge. The firm will then be seen not as a single-purpose organization but as a multi-purpose one, devoted to profits (without which the other aims may be lost too) but also to the personal goals of many individuals within it, to a certain reputation in the community, to a particular concept of optimum size and status in the future, and so on. The comment of Herbert A. Simon that business conduct needs to be understood less in the context of "maximizing" something and more in the context of "satisfying" (i.e., obtaining at least a minimum level of satisfaction on each of a number of goals) is rich with insight; it is a more difficult concept to work with than is the "maximizing" assumption, but one which is closer to real world behaviour.

One place where new thinking is bound to have an impact is on the question of how results are obtained in industry's pyramidal structure. Management in the newly developing nations is coming into positions of influence just when the biggest question are being asked elsewhere about how management does in fact establish and maintain its influence. Most past discussions on authority have focused their attention on the man who is presumed to be exercising it. Yet authority is effectively exercised only when subordinates accept it. This suggests that more attention needs to be paid to those

*Condensed from a lecture delivered at the Department of Business Management, Delhi School of Economics on October 25.

who are the recipients of orders. Why do they accept the orders?

"Rewards and punishments" was long a standard way of explaining authority; men were rewarded if they accepted orders and punished if they did not. But now the recognition is growing that there must be much more to the acceptance of authority than this. And it is well for some of the industrializing nations that this is so, for their laws and practices have severely restricted management's right to reward or punish. The forces of tradition and social approval have also played major roles in analyses of authority. But these too seem insufficient as explanations, particularly when industrialization has everywhere succeeded in breaking down many of the usages of the past and threatens to break down still more in the future. But perhaps a third motive for accepting authority, for all of the scant attention it has received, may yet prove to be the most important reason of all; a man may do another's bidding out of confidence in him, in his ability, his fairness, and his dedication. This basis of managerial authority may be most in harmony with all of the values held elsewhere in democratic, developed societies; it may be the only basis for the long run survival of a business community in anything like its present form.

The implications of this possibility for the development of management are clear. Tomorrow's manager may find little support for his position in either the circumstances of his birth or the forces of tradition. He may find himself with only limited ability to get results by either rewarding or punishing those under him. He may instead be challenged again and again to prove himself able to lead men whose eyes will be wide open and not blinded by past ways of doing thing or by fear. This will call for a far higher level of ability than anything we have yet demanded of industrial leaders. For to do things 'with' men, rather than 'to' men or 'for' men, is the hardest task of all.

Purchasing Policy

PURCHASING is the management tool that holds the greatest promise. However, it has been the most neglected of all the management tools. For example, if purchasing from abroad had been properly planned, there would not have arisen the extraordinary spectacle of plants purchased with the approval of the Government not being utilised anywhere near their capacity because of the lack of foreign exchange necessary to buy spare parts and raw materials for them. Had purchasing been used as a managerial tool, a careful allocation could have been made of the foreign exchange available in such a way that the entire licensed capacity could have been utilised. It is true that then the total installed capacity would have been less, but the percentage of installed (and imported) capacity that now has to lie idle because of lack of raw materials or spares would have been reduced.

Purchasing as a management tool is not a device. It is a systematic approach, requiring the co-ordination of a large number of activities. It is obvious that there is much scope for what is often called 'modern methods of scientific purchasing and materials-management' in our industrial sector, whether public or private. The nature of the approach is revealed by some of the questions every purchase manager has to ask himself:

Is the cost of the item proportionate to its usefulness?

Is anyone else buying it for less? If so, is it from another supplier?

Does it need all of its specifications?

Does a standard product exist which will perform the same function?

Could a useable part be made by a cheaper method? That is, is it being made by the correct manufacturing method considering the quantities required?

If imported, could it be made indigenously?

If it is being made indigenously at a distance, can it be made nearby?

Value analysis is only one of the functions that have to be performed by a Purchase Manager. Another is the best allocation of suppliers for items which have to be obtained from multiple points. For example, a company may require 'x' machines of different models. They may have to be obtained from 'y' manufacturers for which linear programming will give the best possible allocation. Materials-management and stores-inventory-control are other aspects that the Purchase Manager cannot overlook. Too little of inventory results in a stoppage of production; too much inventory may result in such heavy interest charges on the blocked capital that the company may run into a loss. This means one must know what minimum stocks have to be kept of at least the important items. Another point to be taken into consideration here is that spare parts are likely to cost less if an arrangement has been reached with the supplier at the time when the machinery itself is ordered.

A great deal of co-ordination is obviously necessary with the Production and Purchase departments. Only the Production Department can decide what its requirements are, and when it will require them. But knowledge, gained through the Purchase Department, of the prices and delivery-schedules of various items, will enable it and the Purchase Department to decide what changes to make, if any, in its production-schedule as well as in the design of the components. At Ford's, even the designing section comes under Purchase, for the cost of the materials used will ultimately effect the selling price. The cost of materials, on the average, usually accounts for about 60 per cent of the total cost in most industries. If a company can make a saving of 2 per cent—a modest goal—on the cost of materials, both by paying less and by decreasing its inventory-carrying-charges, the amount saved would be equal to that earned by a 17 per cent increase in sales.

All this explains why in most of the modern factories in India, the status and powers of the Head of the purchasing department are steadily rising. Businessmen are now beginning to realise the value of the services of outside specialists to help re-organise their purchasing and store-keeping department. There is, however, a limit to what an individual concern can do. For example, the vagaries of the railways force manufacturing concerns to keep excessively large inventories, especially of coal. There are innumerable reasonably skilled small entrepreneurs who can greatly extend their manufacturing capacity if they can get some of their components supplied with the blue-prints, and if necessary, with a certain amount of technical advice and supervision. An all-India body is obviously required. A certain amount of market research for purchasing would help all manufacturers to plan their purchasing more accurately and to tap new indigenous sources. Perhaps small-scale industries could then compete on their own merits. Lowered selling prices, brought about by economies in purchasing, should definitely strengthen India's position in the export market.

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An Indo-African Trade Survey

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The Challenge Of Africa 1960

IN this Blue Supplement, "The Eastern Economist" attempts to gather together the essential threads for an understanding of the new position of the Continent of Africa in the context of India's international current political and economic relations. Such an evaluation is overdue, because very few Indian observers have recognized, or having recognized, correctly assessed the extent to which Africa has emerged as a major competitor of Asia in attracting the world's political and economic attention. So far as economic affairs are concerned, even the facts are confused. "The Eastern Economist" has, therefore, set out a careful study of African imports and exports as well as other essential elements in the economic picture, made by His Highness Jaya Chamaraja Wadiyar, Governor of Mysore. The central portion of the Supplement deals with the facts as set out in the new context of the opportunities that are provided in our international trade. It is hoped that the assessment of the diverse economies which are now presented for study and some comments on political and economic factors of growth in these new nations made here will be of value to readers of "The Eastern Economist".

One of the most striking results of the economic survey over the last eight years is contained in the table on page iii, which gives the pattern of growth in national income terms in the years 1952 to 1958. One has only to look at this pattern to recognise how powerfully the so-called politically backward countries can operate in the economic sphere. Thus the annual rate of per capita growth in Algeria was 11.6 per cent, in Morocco 7.2 per cent, in Uganda 4.8 per cent, in Kenya 4.6 per cent and in Belgian Congo 5.9 per cent—all figures substantially above those of the Indian Union. This by no means goes to justify colonialism any more than a high rate of economic progress in the People's Republic of China justifies the Communist system of administration there. But at least, if the test is economic growth alone, some of these colonial territories have a substantially better record to show than our own. Whether in freedom they will be able to maintain these rates need not here be asked. Most of these countries are potentially rich, and particularly in areas where oil has been discovered, there is no reason to suppose that backwardness is written deep in their economies.

It is hoped the study is suggestive as indicating that there are great opportunities for trading with the new independent African nations. Whether we trade or we do not, we must, however, take into account their competitive position both in relation to products in which Indian trade is involved, such as tea, coffee and ores, as well as in respect of opportunities that they provide for the development of economies other than our own. Enough appears, from the mere figures, to show that here is a challenge as well as an opportunity. It is hoped that this Blue Supplement will help to develop knowledge of the opportunity and thereby provide an answer to the challenge.

Emergent Africa

THE entire African continent is pulsating with a new political life and emerging into its own to take its rightful place as a continent of free nations. As recently as December 1951, there were only four sovereign states in Africa, namely, Egypt, Ethiopia, the Union of South Africa and Liberia. The end of the last war witnessed in Asia, in the first place, a spectacular process of the transformation of colonial countries into sovereign states. The impact of the post-war philosophy of political liberation could not but make itself felt on the continent of Africa. The process of the political liberation of Africa soon started with the achievement of independnce by Libya in December 1951 and Eritrea in September 1952, the latter having exercised the option to merge with Ethiopia.

Today Africa is a vast continent with as many as 47 sovereign states or colonies recognized virtually as separate countries, though some of them are too small in size and incapable of viability to sustain the free status on their own. Out of these, 4 states were already sovereign, but, between 1951 and 1959, 7 more were added to the comity of free nations. However, by any test, 1960 will stand out conspicuously as a great landmark in the political transformation of Africa. During this year 16 countries were elevated to the status of sovereign nations. There yet remain 20 countries which look forward to the emergence of freedom. In area as well as the multiplicity of the countries into which it is divided Africa is unique. In any event, Africa will remain the one continent with the greatest number of sovereign states, when the last vestige of colonialism fades away. This means, to look at the question from one important angle, that the voice of Africa in the counsels of the United Nations will make itself not only heard but felt. The stakes involved in this part of the world are high.

It is interesting to trace in brief the rapid developments in the last few years leading to the liberation of one country after another from the state of colonial dependence. These developments could conveniently be followed with reference to the colonial powers, which, on their part, showed an enlightened and commendable policy to hasten the process of elevating the African countries to political independence. France comes first in the order in the sense that the largest number of colonies to be freed belonged to her overseas empire. In 1956 Morocco and Tunisia were both given the free status in the month of March. In 1958 Guinea followed suit. But in the current calendar year there followed an exodus of countries being transformed from colonies to free states. They were Mauritania, Mali Federation, Ivory Coast, Togoland, Dahomey, Upper Volta, Niger, the Cameroons, Gaban, the Congo, Ubanji-Shari constituted into the Central African Republic, Chad and Madagascar which has assumed its new name of Malgache.

Britain has a shorter list to show at the present time and it is composed of Sudan in January 1956, Ghana in March 1957, and the following countries in the current year: Nigeria, Somalia (British Somaliland and Italian Somaliland opting for merger into one state). On the immediate list are Sierra Leone to achieve independence in April 1961 and British Cameroon which will have the option to hold a plebiscite in March 1961 to decide whether to join the Cameroon Republic or Nigeria, because of the compulsion of its tiny size. Belgium freed the Congo in July 1960. The remaining Belgian colony of Ruanda-Urundi has been promised internal autonomy in 1961, to be followed by independence as soon as practicable.

There remains a string of 20 present colonies awaiting independence. A majority of them belong to Britain. But the preliminaries for their liberation have been gone through or are nearly completed and it will be a matter of only some time before they too rise to freedom. They are Tanganyika, Nyasaland, Northern Rhodesia, Southern Rhodesia, Gambia, Kenya, and Uganda. Bechuanaland, Swaziland and Basutoland involve problems of territorial complexity with the Union of South Africa. French Somaliland and Algeria are the two French dependencies whose fate is to be decided. It is now common knowledge that the race-population problem and political pressures have made the solution of the Algerian question a tough problem for General de Gaulle contrary to his first expectation on the assumption of the presidency.

South-West Africa which was transferred from former German control to the mendate of the Union of South Africa is in the constitutional sense a separate entity, but it has been integrated with South Africa and it seems wishful to expect its separation from the Union, whatever the constitutional position. There then remain two colonial powers, Spain, which has her colonies of Spanish Sahara and Spanish Guinea, and, Portugal, which holds Portuguese Guinea, Angola and Mozambique. The admantine attitude of these two powers in regard to their dependent possessions is too well-known to allow any forecast as to when they would move in step with the new post-colonial era.

The balkanization of Africa on such an extensive scale is the tragic result of the arbitrary decisions taken by the European colonial powers three quarters of a century ago in 1885 at the Berlin International Conference. They proceeded on the unprincipled method of drawing frontiers across the map of Africa by mutual agreement without the least regard to considerations of terrain, and, what is profoundly important in the African context, of tribal identity. The result was that tribes which have a high sense of identity, solidarity, tradition and culture found themselves divided and placed under altogether separate and watertight colonial administrations. If the Congo has posed serious problems of threat to the republic's territorial integrity, sharp provincial differences and tribal hostility, it would be far less than fair to blame its nationals alone. Instances can be quoted among some other countries of Africa where the legacy of the Berlin Conference has left its bane.

Africans will need the fullest sympathy and cooperation of all other free nations in their post-independence task of fortifying the concept of nationhood in their respective states. In the wake of independence would necessarily arise the prompt problem of economic betterment and development which implies ambitious programmes. In any development programmes export-import trade problems have a fundamental place and some of them have been discussed elsewhere in this Supplement.

The Pattern of Growth of Selected African Ecnomics: 1950-58

IN most of the African countries, a dual society exists. The native African society centring round the village continues to operate in a primitive manner along with the super-imposition of the advanced European type of economy brought in by the European population. Whereas in the old villages the standard of living is extremely low and people live around the subsistence level, the colonies inhabited by the European population enjoy a reasonably high standard of living. Any overall study of the African countries will necessarily take both the elements into consideration and is likely to produce a picture which is misleading.

Out of about 47 countries which go to make up the African continent, some one dozen maintain national income statistics which could be analysed to determine the manner in which the economies of these countries have grown in the recent past. An attempt is made here to put all the available figures on a comparable basis in order to study the growth in the economies of these countries between 1950 and 1958. Statistics are available for only a dozen of these countries, but they contain nearly two-thirds of the total population of the African Continent.

Table I below sets out the national income (in national currencies) between particular years, mostly between 1950 and 1958, along with the computed annual rates of growth both on the national income and the per capita income scale. It will be seen that despite the continuous political unrest during the last seven years, Algeria shows the highest rate of growth in national income. These figures, however, have been distorted by the fact that they include expenditure on the French troops which have been in operation there. Next in the line are the Union of South Africa and the Congo Republic (formerly Belgian Congo) with an annual rate of growth of 10.3 and 9.6 per cent respectively. There is no doubt that the Union of South Africa has been a leader in economic development in the whole of the Continent and the present rate of progress is not at all surprising. In the case of Belgian Congo, however, it needs to be stated that the encouraging rate of growth is mostly under the impulse of Belgian investment and guidance. Unfortunately, the economic pyramid built up by the Belgian Government is fast turning into bits under the political uncertainties prevailing since the independence of this country in July this year. Kenya, Rhodesia and Nyasa-

THE PATTERN OF GROWTH IN NATIONAL AND PER CAPITA INCOME

1950 -- 1958

Country	Unit	National Income (in millions of national Currency)		Percentage change of (3) over (2)	Annual Rate of Growth in National Income	Annual Rate of Growth in Per Capita Income
	(1)	(2)	(3)	(4)	(5)	(6)
1. Algeria	New Franc	4,800* (1950)	10,000* (1957)	108.3	15.5	11.6
2. Belgian Congo	Franc	33,700* (1950)	59,580* (1958)	76.8	9.6	5.9
3. Former French West Africa	Franc	507,000* (1950)	644,000* (1956)	27.0	4.5	1.6
4. Ghana	Ghanian Pound	344* (1954)	361* (1958)	4.9	1.2	—0.3
5. Kenya	£	160 (a) (1954)	207(a) (1958)	29.4	7.4	4.6
6. Morocco	Franc	450,000* (1951)	766,000* (1958)	70.2	10.0	7.2
7. Nigeria	£	609* (1950)	842* (1956)	38.3	6.4	0.7
8. Rhodesia and Nyasaland (Federation)	£	328* (1954)	426* (1958)	29.9	7.5	4.3
9. Sudan	£	N.A.	284(b) (1955)	N.A.	N.A.	N.A.
10. Tanganyika	£	142 (b) (1954)	169(b) (1958)	19.0	4.8	3.0
11. Uganda	£	67 (c) (1950)	115(c) (1958)	71.6	9.0	4.8
12. Union of S. Africa	£ S.A.	1,116 (c) (1950)	2.034(c) (1958)	82.3	10.3	7.1
13. Egypt	£ E.	801 (c) (1950)	918(c) (1956)	14.6	2.4	nil

* G. N. P. at market prices.
(a) G.N.P. at factor cost.
(b) G.D.P. at factor cost.
(c) N.D.P. at factor cost.

land also show encouraging rates of rise in national income ranging between 7 to 8 per cent per annum. The rest of the countries indicate rates of growth which are less than five per cent per annum.

In terms of per capita income, the picture is not cheerful. For example, between 1954 and 1958, Ghana registered a decline in growth. The rise in per capita income in the case of Nigeria at less than 1 per cent was also discouraging. Similar was the case with former French West Africa with an annual rate of growth at 1.6 per cent. The rates of growth in the case of other countries also get depressed because of the fast rate at which population in Africa has been rising.

It will be seen that more than half of the countries listed in this table show a rate of growth in national income which is higher than that of the average rate of growth registered in the Indian Union. India's first two Plans are expected to produce not more than 42 per cent increment in national income over a decade or a rise of nearly 4.2 per cent per annum. The percentage comparison, however, ceases to have much significance because of the extremely different conditions which prevail in the two countries. The African Continent with nine times the area of the Indian sub-continent has to feed 60 per cent of the population of the Indian Union. The figures of per capita income have mostly been raised by the large emigration of European population as well as European capital. The level of living in an average African family is far lower than the average living standard in an Indian agricultural family.

In per capita income terms, the African countries which rule lower than India are Uganda and Tanganyka. Kenya, Nigeria and Sudan indicate a level which is almost around the Indian level. All the others show per capita income which is higher than that prevailing in the Indian Union.

It is indeed encouraging to note that many of these countries are slowly enlarging the monetised sector of the economic structure. There is a distinct trend from subsistence production to production for sale. It is conceded that lack of technology in the past made progress very difficult, but now that most of the countries have attained independence or are likely to be independent within the next year or two, the face of the African Continent is likely to change swiftly. The "revolution of expectations" cannot fail to accelerate the growth of the economies of these countries and within the next few years the Indian Union will feel the pressure of African competition in the export of raw material. If the new wave of post-independence economic expansion brings about a change in the standard of living, India can expect to have a ready market for her engineering goods and machinery in these countries. If an imaginative policy is pursued from now on extending the size of the market for Indian goods in African countries, the Indo-African co-operation in matters of trade could be pushed up at a rising rate.

Recent Trends in Indo-African Trade

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AFRICA is developing its own personality. Many new States are emerging in different parts of the continent and taking their place in the world community as sovereign and equal members. They have the capacity and the eagerness to play an important part in the economic as well as political spheres of international relations. The rich and varied resources of the vast continent offer a wide field for profitable exploitation. This work of development is now rightly in the hands of Africans themselves and is therefore certain to yield far greater results than those achieved in the old days of colonial rule by European powers. The young nations are in urgent need of mutually profitable economic relations with countries with a better established economy, a higher degree of industrialization and a longer experience of international trade.

Indo-African trade relationship reaches back into antiquity. In recent times there has been a substantial amount of Indian settlement, investment and commerce in African countries. We are endeavouring to foster harmonious diplomatic relations with the emerging nations. In the economic sphere we are developing intimate and mutually beneficial intercourse.

Our fast-developing economy and our programme of industrialization have created a new urgency for promotion of exports and a search for potential markets; and these, particularly with reference to goods like textiles, machinery and machine tools, can be found in the countries of Africa. The expansion of trade with Africa will also aid greatly the development of Indian shipping.

The development of active trade relations with Africa is, therefore, of the utmost importance to us at the present day. Not only that, but it demands the most urgent attention. Many new African nations are looking round for enlightened economic aid and there is consequently wide scope for both investment and commerce. Such opportunities are favourable and fully available only if time is taken by the forelock.

This article draws attention to some important trends in Indo-African trade relations in particular.

INDO-AFRICAN TRADE

The following table(1) shows India's imports from and exports to Africa side by side with her total imports and exports from 1951-52: (Jan-Dec.)

Year	Total Indian Imports	Imports from Africa	Total Indian Exports	Exports to Africa	Total Indian Foreign Trade(a)	Total Indo-Africa Trade	Percentage of (b) to (a)
	(In Crores of Rupees)						
1951-52	943	84	733	49	1676	132	7.5
1952-53	670	47	577	31	1247	80	6.4
1953-54	572	61	531	30	1103	91	8.1
1954-55	656	57	594	48	1250	106	8.4
1955-56	705	..	609	..	1314	..	..
1956-57	832	52	613	56	1445	108	7.0
1957-58	927	51	637	43	1564	94	6.0
1959	887	42*	623	29*	1510	71	4.7*

It is seen above that Indo-African trade accounts for about 7.5 per cent of the total foreign trade of India. How this percentage can be substantially increased is the present problem of urgent importance.

(1) a. India 1959.
b. Statistics relating to Foreign Trade and Navigation of India.
c. Journal of Trade and Industry: (July 1960.)

The general factors which favour larger trade between two countries are: (1) the size of the area and population of the two; (2) the rich variety of resources and the complementary nature of these resources to a considerable degree; (3) geographical nearness of the two areas; and (4) the trend of recent economic development in the two aras.

EGYPT

Egypt occupies an important place in the world's cotton textiles industry because she supplies high quality and long staple raw cotton to several manufacturing countries. During 1950-57 raw cotton constituted about 31% of Egypt's total annual exports. This shows to what extent the country depends on a single export commodity. Furthermore, exports taken as a whole form about 20 to 25% of Egypt's national output showing the dependence of the economy on the international market.

With a population of over 24 millions and with rising incomes, thanks to the rapid economic development of the country in recent years, Egypt promises to be a developing market. In the past India has had a highly adverse balance of trade with Egypt as the following table shows:—

INDO-EGYPTIAN TRADE (1)
(In Lakhs of Rupees)

Year	Exports from India to Egypt	Imports from Egypt to India	Balance of trade for India
1952	656	2014	—1358
1954	632	2503	—1871
1956	1106	1552	—446
1958	868	623	+245
1959	887	804	+83

Prior to 1957 the value of imports from Egypt was considerably greater than that of exports to Egypt, though even during those years there was a marked tendency to a decline in the value of the imports. During 1957-59 there has been a 'favourable balance of trade' for India, though it must be noted that during 1959 there has been a deterioration in the trade position from our point of view. Steps have to be taken to remedy this. The total volume of trade has to be maintained at a high level.

THE SUDAN

The Sudan has a population of about 10 million persons in an area of 9.7 lakhs of square miles. India has important trade relations with the Sudan, occupying the second place in respect of both exports and imports by that country, the first place being held by the U.K. The following table shows the trade between India and the Sudan from 1952-1959:—

Year.	Exports to the Sudan. (In lakhs of rupees)	Imports from the Sudan.
1952	755	353
1953	446	6830
1955	606	999
1956	800	1232
1959	1462	1067

It will be seen from this table that there has been no regular trend as regards imports and exports, but there have been big year-to-year variations in the value of trade. Over the period 1952-59 taken as a whole, however, the value of imports was almost double the value of exports, with the balance of trade highly adverse for India.

(1) Journal of Trade and Industry: June 1960.

Cotton accounts for about 64% of the Sudan's exports judged on the basis of figures for 1950-57. Other export items include gum-arabic, domnuts, groundnuts, sesame, cattle, sheep, hides and skins, cotton-seed, melon-seed and dura. India's imports from the Sudan consist largely of long-staple cotton. The major items of imports by the Sudan are cotton piece goods, artificial textiles, jute sacks, vehicles and transport equipment, machinery, sugar, tea, coffee, chemicals and pharmaceuticals.

In recent years the Sudan has been developing its own sugar and textiles industries, and India's exports of these commodities have shown a declining trend. To offset this decline and to overcome the highly adverse balance of trade with the Sudan, it is necessary to promote exports from our country of heavy and light engineering goods, agricultural machinery, electrical equipment and other manufactured goods for all of which the Sudan appears to offer a good market.

ETHIOPIA

Ethiopia with a population slightly less than that of Egypt, (20 millions as compared with the 24 millions of Egypt) is similar to Egypt in the dependence on a single export commodity, in this case, coffee. Sixty-one per cent of Ethiopia's exports consists of coffee. This perhaps explains why India's import trade with Ethiopia is negligible while the export side shows relatively good value as can be seen in the following table:

Year.	Exports to Ethiopia. (In Lakhs of Rupees)	Imports from Ethiopia.
1950-51	133	Negligible.
1952-53	32	Negligible.
1954-55	329	Negligible.
1955-56	376	Negligible.
1959	237	Negligible.

If the policy of diversification of exports, which Ethiopia, like many other African States, is pursuing, proves to be successful, it may be possible for India to obtain more of imports from that country.

GHANA

Ghana has a population of about 47 lakhs and has now one of the most important of the progressive African economies of the present day. For India the independence of Ghana seems to have brought about a favourable turn in the trend of import trade in particular as is shown by the following table:—

Year.	Exports to Ghana (In Lakhs of Rupees)	Imports from Ghana.
1950-51	112	1-74
1951-52	183	Negligible.
1953-54	141	Negligible.
1955-56	109	Negligible.
1959	115	51

Considering that cocoa is the principal export of Ghana (amounting to about 65% of the total), it is not surprising that our imports from Ghana have not been high. But the new trend which seems to have suddenly developed from 1958 with a relatively sizeable import from Ghana has to be closely watched and fostered. The exports to Ghana have been to the value of about 1 to 1.5 crores of rupees and have generally included chemicals, capital equipment and 'Miscellaneous.'

ALGERIA

Algeria has a population of about 96 lakhs of which over 10 lakhs are Europeans. It has a semi-diversified export pattern. The export of wine, citrus fruits, iron ore, phosphates and chemical fertilisers constitute about

54% of total exports taking the annual average of 1950-57. As regards Algeria's imports the bulk consists of consumer goods which account for about 55-58% of total imports. The relative importance of fuel and capital goods has shown an increase during the last decade indicating probably industrial and transport development. India's trade with Algeria, however, is quite small. The last decennial annual average value of exports to Algeria was about 10 to 12 lakhs of rupees while imports were only to the extent of a few thousands of rupees.

FRENCH EQUATORIAL AFRICA

Coffee, raw cotton, wood and wood products and diamonds are the principal exports of French Equatorial Africa. These four items on an average for 1950-57 accounted for about 79% of the total exports. But India's imports from this country are practically nil.

On the import side French Equatorial Africa shows a trend towards increase as regards capital goods, especially transport equipment, and building materials such as structural steel and cement. The import of articles required for energy and for consumption form the bulk of imports. Exports from India have neither been steady nor at a high level. The value of exports during the last decade ranges from less than Rs. 1 lakh in 1950-51 to about Rs. 17 lakhs in 1951-52.

The fact that these states have all had close economic ties has made it difficult for them to get an outside market. But now that most of this region is becoming independent it is worth India's while to try and capture some part at least of the market.

FRENCH WEST AFRICA

French West Africa has a population of about 19 millions. Its exports include chiefly coffee, cocoa, groundnuts and groundnut oil, oil-cakes, wood, palm kernels and bananas. The imports are largely consumers' goods, such as building materials and transport and capital equipment.

As for India's trade with French West Africa, imports are practically nil while exports have not been continuous. Only some years during the last decade like those 1953 to 1955 and 1958 showed exports of about 50 to 70 lakhs of rupees. Here too, independent States are coming into being, and it would be worth our while to acquire a market for some of our exports.

MOROCCO

Morocco has a population of about 1 crore. It has a few important export products like calcium phosphate, manganese ore, lead ore, wheat, barley, maize, citrus fruits, fresh tomatoes and fish. The imports comprise largely of consumer goods (about 55%); raw materials and semi-manufactures (21-25%); capital goods (declining from 21% in 1950 to 12% in 1957) and fuels (increasing from about 5% to 9%).

It is clear that our trade with this region in North Africa which has a variety of products on both the export and the import list and which has a population of nearly one crore can be at a rising level.

TUNISIA

Tunisia is about one-third of Morocco in area and in population, having an area of 48,000 square miles and a population of about 38 lakhs. It has, however, special export products like alfa, olive oil and phosphates which account for nearly 32% of its exports; a few others like zinc, iron ore, lead and lead alloys contribute about 21% of the total exports. The import structure of Tunisia is similar to that of Morocco, (a) consumer goods being the predominant category of imports, (b) capital goods showing a declining trend, and (c) fuels and raw materials and semi-manufactures recording a slight increase.

It can be seen from Tunisia's export pattern that the country has special products to export. It is highly desirable that our import trade should be expanded as much as possible. The decline in our exports to Tunisia, as seen in the figures for 1955-56 and 1958, should also receive remedial attention.

NIGERIA

Nigeria is one of the biggest African countries with a population of about 32 million and it has also been an important African export market for India. It is a country endowed with a variety of natural resources as the multi-commodity export structure shows. The following table* shows the variety of its exports:

Commodity.	Percentage of total exports.	
	1938.	Average for 50-57.
1. Cocoa beans.	16.6	21.8
2. Cotton.	2.6	5.1
3. Groundnuts	13.8	17.5
4. Palm kernels.	22.9	16.3
5. Rubber.	1.4	4.2
6. Timber.	1.1	2.2
7. Tin.	15.2	5.3
8. Groundnut Oil.	—	2.0
9. Palm Oil.	10.4	11.0
Total.	84.0	85.4

Though Nigeria has a diversified export structure, India has so far not imported much from this country as the following figures† show:—

Year.	Exports to Nigeria.	Imports from Nigeria.
	(In Lakhs of Rupees.)	
1953	301	29
1954	863	116
1956	735	17
1959	415	26

It can be seen from the above that the value of annual exports from India to Nigeria has been 7 to 8 crores of rupees except in 1959 which shows a sudden big fall. The value of imports has been very small, almost negligible on the whole.

Exports to Nigeria include textiles and other manufactures, chemicals and some capital goods. Now that Nigeria is free the time is propitious for undertaking an expansion of our trade with that country.

THE REPUBLIC OF CONGO

Situated in Central Africa, constituting about one-thirteenth of the continent in area and having a population of about 13 million, the Republic of Congo is also a very richly endowed African region having a variety of mineral, forest and agricultural resources and vast hydro-electric resources. But India's trade with the Congo has been relatively very small. The following table shows the value of imports from and exports to the Congo in recent years:

Years.	Exports from India.	Imports to India.
	(In Lakhs of Rupees.)	
1950-51	34	107
1952-53	38	205
1954-55	27	—
1955-56	19	141
1958	13	119
1959 (January to November)	10	149

The level of both exports and imports is very low compared to the total foreign trade of the Congo.

* E Co. Survey of Africa since 1950: p. 170.
† Journal of Trade and Industry: June 1960.

Import trade has not been steady either. Thus it may be said that in the trade of India with the Congo there is much to be explored.

A major part of the Congo's trade is with Belgium; the U.S.A. and the U.K. came next in importance. In the last ten years, two-fifths of the Congo's imports comprised of machinery, transport equipment and other capital goods; the remaining three-fifths being equally divided between two categories, viz: consumers' goods and raw materials. Now that the Congo is independent India must step up her trade with that region and explore further ways of advancing her claims as one of the premier industrial countries of Asia.

BRITISH EAST AFRICA:
Kenya, Uganda and Tanganyka

The three countries of what constituted British East Africa, viz. Kenya, Uganda and Tanganyka form an important trading region for India. The total population of this region is 20.2 million of which the Asian —chiefly Indian and Pakistani—population is about 3.4 lakhs.

The following table shows the trends in the import and export trade of Kenya, Uganda and Tanganyka from 1950-51 to 1959:

Year	KENYA		UGANDA		TANGANYKA	
	Exports from India	Imports to India	Exports from India	Imports to India	Exports from India	Imports to India
	(In Lakhs of Rupees)					
1950-51	638	1852	23	32	209	211
1951-52	883	1860	35	18	262	217
1952-53	654	2057	71	122	367	198
1953-54	600	1532	81	158	337	115
1954-55	678	1839	83	7	446	246
1955-56	603	2185	106	28	368	227
1957	779	935	—	—	—	—
1958	475	1150	73	177	240	280
1959	489	1163	60	64	277	330

The above table shows that India had generally a highly adverse balance of trade with Kenya and a small favourable balance of trade till 1957 with Tanganyka, while with Uganda there were great annual variations and over the period of nine years a slight adverse balance for India. From the total trade point of view Kenya has been very much more important than Uganda and Tanganyka.

The striking feature about Indo-Kenya Trade is the fact that the value of exports from India has been generally only about one-third of the value of India's imports from Kenya. This emphasises the urgency of taking special measures to promote exports to that country.

The level of imports and exports with Tanganyka, which is bigger both in area and population than Kenya, needs to be stepped up. Uganda which is less than half the area of Kenya, has almost the same size of population. Considering this along with the trade potentialities of Uganda, India's trade with Uganda must be said to be at a low level.

A further important fact which emerged from the above table is the recent deterioration in India's exports to all the three countries. For British East Africa as a whole, prior to 1957 India generally occupied the third place among the supplying countries, but in 1958 it had dropped to the fifth place while the total trade has gone on expanding. This decline in exports is particularly marked for Kenya and Tanganyka.

Both as regards exports and imports of British East Africa, the U.K. has a major share, having generally over 55 per cent of the total trade of the region. Japan, West Germany, and Persia have been close in their relative positions as suppliers. In fact, these countries are fast replacing India as exporters of important commodities.

In recent years, especially, East Africa has become a target of the manufacturing world. Indian goods have to compete with rival products. Efforts are needed, both official and non-official, to promote exports to British East Africa.

MOZAMBIQUE

India's import from the Portuguese African State of Mozambique are of some sizeable value. The following table shows the trade of India with Mozambique:

Year	Exports to Mozambique	Imports from Mozambique
	(In lakhs of Rupees)	
1950-51 ..	52	444
1952-53 ..	93	595
1955-56 ..	75	450
1959 ..	60	486

It can be seen that the value of India's imports from Mozambique has been generally 5 to 6 times greater than the value of exports to that country, A study of the export structure of Mozambique shows that it has several items on the export list. The chief of them are cotton, crude sugar, copra, cocoanut oil, cashew-nuts, sisal, tea and wood. These articles account for about 83 per cent of the total exports of Mozambique. In the imports of Mozambique, India's share of textiles is falling and that of machinery and vehicles increasing gradually.

THE FEDERATION OF RHODESIA AND NYASALAND

The Federation of Rhodesia and Nyasaland is a fairly big economic region with a total population of about 73 lakhs. This region is highly valuable as a source of copper and tobacco, which together contributed on an average during 1950-57 about 71 per cent to its annual exports.

The decreasing importance of (a) textile imports (from 12 per cent of the total imports in 1954 to 8 per cent in 1957), (b) food, beverage and tobacco (from 10 per cent to 8 per cent) and the increasing importance of the imports of (a) machinery and transport equipment (32 per cent to 36 per cent), (b) metal and metal manufactures (9 per cent to 11 per cent), (c) chemicals (7 per cent to 8 per cent) and (d) mineral fuels (4.6 per cent to 5.2 per cent) are among the chief features of the fast changing pattern of the composition of imports of Rhodesia and Nyasaland. Imports of basic materials account for a higher percentage (about 4 per cent) of total imports than the corresponding percentage for Tropical Africa as a whole (about 1 per cent). This reflects the comparatively larger manufacturing capacity of the Federation of Rhodesia and Nyasaland.

The trade of India with Rhodesia and Nyasaland is by no means considerable; but there are some significant changes in the trend of imports and exports in 1958 and 1959. The striking feature in the trends is the sudden spectacular increase in the value of im-

ports into India in 1958 and 1959 from both the Rhodesias and also a moderate increase from Nyasaland. A comparison with the high level trade of 1950-51 will prove instructive. India's imports in that year were: N. Rhodesia Rs. 169 lakhs, S. Rhodesia Rs. 32 lakhs and Nyasaland negligible. The corresponding figures for 1959 (Jan.-June) are: Rs. 572 lakhs, Rs. 419 lakhs and Rs. 29 lakhs respectively. On the other hand, exports to all the three regions from India showed a decline in 1958 and 1959. This decline needs further investigation with a view to taking appropriate measures not only to recover the lost ground but to developing the exports from India further.

ZANZIBAR AND PEMBA

Zanzibar and Pemba with a population of about 2.8 lakhs constitutes a small economic unit, but is relatively very important as a long-standing supplier of cloves, copra and coconut oil to India. The annual average value of imports for the last decade is roughly two crores of rupees. The chief imports of Zanzibar consist of food articles and manufactures including some capital goods. Indias share in these imports is quite small having been about 40 lakhs of rupees on an average per year during the last decade.

THE UNION OF SOUTH AFRICA

The Union of South Africa was among the foremost trading partners in Africa for India till about 1946. Since then, however, owing chiefly to the strained political relations, which culminated in the application of economic sanctions by pre-independence India to that country, the natural flow of trade has been choked up. Comparatively the volume of trade during the last decade has been so small as to be negligible. However, given a satisfactory solution to the problem of Indians in South Africa, there exist great potentialities for developing a sizeable trade with that important African region.

The Union of South Africa stands by itself and apart from the rest of Africa in certain respects. Its population comprises about 93 lakhs of Africans, 29 lakhs of Europeans, 4.2 lakhs of Asians and 12.8 lakhs of others, totalling about 139 lakhs of persons. It has a big area of 4.7 lakhs of square miles. Apart from these general features, it is the only case of an African country with its exports drawn from both extractive and manufacturing industries. It is the biggest single producer of gold.

From this brief note a few points emerge. In relation to many African countries, our trade balance is unfavourable and therefore an all-out effort is needed to redress this balance. We have to embark without delay on plans for obtaining new markets and improving existing ones in African countries. For this object it is worth considering the appointment of a high-powered commission to investigate and explore all possible prospects of expansion and development. A commission for this assignment stands in a category by itself. Once the process of political liberation is completed Africa will address itself to the task of rapid economic development in which expansion of trade, particularly of its import trade, will assume key significance.

The Pattern Of Competition

WHILE analysing the external trade patterns of India and the African countries, what strikes one most is the dual nature of competition which India is bound to face in the coming years. This duality of competition arises primarily from the political ties which some of the African countries retain with metropolitan European countries as well as from the underdeveloped nature of the two regions. The growing economies of African nations will provide increased buying capacity for their people and create enhanced demand for capital, semi-durable and consumer goods. India being in a position to supply a larger variety than before of these types of goods, will face competition in Africa from industrialised exporting countries, who, in addition, will enjoy varying degrees of advantages in African markets. Secondly, the African nations are emerging as the producers of primary goods like tea, cocoa, tobacco and ores, and will present a fairly serious challenge to Indian exporters of these commodities in various markets primarily in Europe and also in Asia and other regions of the world. It may, therefore, be quite interesting to assess the degree of seriousness of this dual competition with which India will be confronted.

A glance at the table in respect of Indian exports to African countries on page xii makes it clear that the total exports are falling year by year, so that from a total figure of Rs. 56.4 crores in 1957 exports dropped to Rs. 46.4 crores in 1959. In 1960 the figure may be still lower; for the first seven months it adds up to just Rs. 24.3 crores. Another table giving the details of composition of trade shows that year after year Indian cotton piece-goods are being ousted from all markets, especially Egypt, Kenya, Nigeria and Ethiopia. Similarly the exports of other manufactured items like leather goods, medicines and pharmaceutical products and machinery and transport equipment too have either fallen or have failed to register any increase.

Apparently, Indian exports are being ejected for various reasons. The first pressure comes from Asian exporters among whom Japan, China, Ceylon and Pakistan are major rivals. Japan has recovered completely from the damaging impact of the war. Being a nation whose prosperity is linked with external trade, Japan has been asserting its position in respect of the exports of textiles and engineering goods, which it can produce at comparatively advantageous rates and that too of better finish.

Communist China too has emerged to a potential Asian competitor and, having comparatively more strained relations with the Western countries, it has been concentrating on the markets in Asia and Africa. China has also the advantage of costs and can supply various products at cheap rates. Chinese tea, textiles and several other manufactured goods have, therefore, found favourable markets in Africa. In fact, the Chinese trade offensive has been of political significance too, because, having strained its relations with India and various other nations in Asia, China has continued its search for allies in Africa and has found a fairly favourable atmosphere. The Communist licence of arbitrary manipulation of export prices is, in the last resort, a strong weapon in competition.

Apart from Asian competitors, the constitution of the European Common Market poses fresh threats of competition. The Rome Treaty, signed in 1957, lays down that the "overseas countries and territories" associated with the Common Market countries are entitled to preferential markets which are open to metropolitan member states. The African overseas territories of the Common Market countries form the largest part of their colonial empire. So the French African dependencies will be entitled to imports into all the Six members at preferential tariffs which formerly they got only from France. German exports

to these dependencies, for instance, will now be treated at par with those of France. The lower intra-regional tariffs will apply to them. It is natural, therefore, that Indian manufacturer of goods, who will be denied this preferential treatment in their exports to African countries, would find it difficult to compete and the threat Indian exports will be priced out would be real.

Another important effect of the European Common Market on Africa has been that the countries which are "overseas territories and regions" of the Members have to give each other the most-favoured-nation treatment, so that a Common Market within Africa is being created. The already existing customs union in French Equatorial Africa and parts of French West Africa are a step towards the realisation of a Common Market in that region. Such an institution will naturally mean an elimination of Indian products in the face of the goods that could possibly be supplied by one African country to another. As a consequence of these above-mentioned measures, the trade of various African dependencies between themselves as well as with the Six European countries will significantly increase.

Apart from the competition in Africa as stated above, certain primary commodities like raw cotton, raw hides and skins, unwrought copper, tin, nickle, manganese ore, oilseeds, tobacco and tea which figure in the list of Indian exports to the Common Market countries will face competition from African producers. In this connection it may be pointed out that several African regions being the "overseas territories" of the Common Market countries, they will enjoy preferential treatment in their exports. The duties on some of the commodities are substantial and, therefore, Indian goods in the Common Market region are bound to suffer in competition. Although as yet tea is not being produced in any significant quantity in the countries associated with the Common Market, the imposition of an outer tariff duty at the higher rate of 35 per cent duty may encourage tea plantations in these preferential territories enjoying lower tariffs. Similarly, the proposed common tariff on unmanufactured tobacco is 30 per cent, on vegetable oils it is 9 per cent and on coffee it is 16 per cent. Thus it is clear that, in the European Market, Indian exporters will be at a comparative disadvantage in the competition from African producers.

Even beyond the Common Market territories there are certain commodities produced in Africa which are at present posing sufficient amount of competition to Indian producers. Proximity to Europe and consequent lowering of transport costs will be a positive advantage. In the case of tea, for instance, Kenya and Rhodesian Federation are competing with India in the U.K., the U.S.A. and Canada. Similarly, unmanufactured tobacco is being exported in significantly large quantities from Rhodesia to U.S.A. and Canada. Other commodities which compete with Indian products are manganese ore and coffee.

The emerging pattern of competition of a serious nature thus holds a potential threat of some set-back broadly to India's primary exports to the Common Market Six and exports of manufactured goods to the present African dependencies of the Common Market metropolitan countries.

Shorter Notes

GHANA'S FIVE-YEAR PLAN

TYPICAL of the effort the newly independent countries of Africa have to make to develop their economies is the Five-Year Plan of Ghana which came into operation on July 1, 1959, nearly two years after this country gained independence. The Plan is a bold one for an under-developed country having a population of about 50 lakhs, involving as it does an expenditure of £G 350 million (Rs. 466.67 crores) out of which a sum of £G 100 million is envisaged to be spent for the development of hydro-electric energy alone. Since raising of £G 350 million is apparently beyond the immediate means available to Ghana, a smaller programme of development has been drawn up to form the core of the Plan. This programme includes the more urgent projects and will cost £G 132 million, allocated as follows (£G million): Communications 28.7; Health, sanitation and water supplies 19.7; Industry and trade 15.4; Education 14.1; Agriculture and natural resources 10.4; Local and Regional Government 9.2; Housing 7.1; Electricity 7.0 The country having no known deposits of coal and having to depend on timber as the main source of fuel, the pride of place in the Ghana's Plan has been given to the development of hydro-electric power. The biggest hydro-electric project that is envisaged is the Volta River Project which will provide 600,000 kw of electrical energy, with an investment of nearly £G 55.7 million.

Ghana's current Plan is not the first one through which concerted effort is being made to develop the country. As far back as September 1951, the First Five-Year Plan of Ghana was launched. This Plan originally provided for an expenditure of £G 75 million but was later on expanded to involve an expenditure of £G 98.8 million. Upto June 30, 1957 a sum of £G 93.3 million had been spent as follows (in £G million): Roads 14.8; Education 12.9; Works 8.4; Railway 8.0; Tema Harbour 8.2; Agriculture 4.3; Health 4.6; Housing 4.75; Water 5.35: Tema township 3.4; Justice and local Government 3.0; Trade and industries 2.8; Defence 2.7; Interior 2.2. From July 1957 to June 1959, a consolidation programme was executed at a cost of nearly £G 47.8 million.

Among Ghana's industrial programmes, the most important one is the setting up of an aluminium smelter at Tema. This project will cost £G 35 million and when completed will produce 210,000 tons aluminium.

BRITISH SCHEME OF TECHNICAL AID TO ITS AFRICAN COLONIES

To enable its former colonies and existing dependencies in Africa to retain, till local talent is sufficiently trained, the services of the experienced staff—administrative, technical and professional—recruited in Britain or elsewhere overseas and serving in these territories, the United Kingdom Government has drawn up a scheme which it intends to put into effect on April 1 next year. The scheme will cost the British Government between £12,000,000 and £16,000,000 each year, and will remain operative for a period of 10 years in the first instance. Under the scheme, the British Government will re-imburse the Territorial Governments the full cost of the inducement allowance designed to attract and keep expatriate officers in service overseas, the full cost of education and allowances of the children of these officers and additional pension and gratuity which an officer would earn from his inducement allowance, half the cost of passage to and from his home country for an officer and his family and half the cost of compensation awarded to an officer for loss of career on premature retirement connected with the progress and independence of the country he serves. Provision is also made in the scheme for an annual visit to the officers serving in these territories by their children receiving education abroad. To ensure full loyalty of the foreign staff to the countries employing it, the British Government will not make any payments directly to these officers. The Territorial Governments which want to avail themselves of the facility provided by this scheme will have to sign a formal agreement with the United Kingdom Government.

THE COMPOSITION OF TRADE: 1957 - 59

IMPORTS

(Rs. lakhs)

	Egypt	Kenya	Tanganyika	Sudan	Nigeria	Syria	Ghana (Gold Coast)	Ethiopia	Mozambique
1. Textile Fibres									
1957	993.4	558.4	100.9	738.7	Neg	Neg	Neg	Neg	3.4
1958	557.3	896.7	35.3	665.9	Neg	Neg	Neg	Neg	3.9
1959	738.1	931.6	90.7	984.1	Neg	0.8	Neg	Neg	0.8
2. Crude Fertilizers and Crude Minerals									
1957	49.4	6.4	Neg	Neg	Neg	Neg	Neg	Neg	65.2
1958	41.6	0.6	Neg	Neg	Neg	Neg	Neg	Neg	31.9
1959	53.3	13.6	Neg	Neg	Neg	Neg	Neg	Neg	24.7
3. Metalliferous ores and metal scrap									
1957	Neg	4.9	Neg	0.1	Neg	Neg	2.0	Neg	Neg
1958	Neg	4.6	0.3	Neg	Neg	Neg	42.3	Neg	Neg
1959	Neg	7.3	0.3	0.1	1.0	Neg	41.7	Neg	0.2
4. Dyeing and Colouring materials									
1957	Neg	93.2	Neg	Neg	Neg	Neg	Neg	Neg	0.6
1958	Neg	58.2	0.4	Neg	Neg	Neg	Neg	Neg	Neg
1959	Neg	57.8	14.9	Neg	Neg	Neg	Neg	Neg	Neg
5. Base Metals									
1957	Neg	20.2	Neg	Neg	Neg	Neg	Neg	Neg	77.3
1958	Neg	18.5	Neg	Neg	Neg	Neg	Neg	Neg	19.6
1959	Neg	19.6	0.9	0.2	Neg	Neg	Neg	Neg	46.4
6. Manufactures of metals									
1957	Neg	0.2	Neg	0.1	Neg	Neg	Neg	Neg	Neg
1958	0.3	0.1	Neg	1.0	Neg	Neg	Neg	Neg	Neg
1959	Neg	1.0	Neg	Neg	Neg	Neg	Neg	Neg	Neg
7. Cereals and Cereal preparations									
1957	Neg	99.1	11.2	Neg	Neg	Neg	Neg	Neg	23.7
1958	Neg	2.7	Neg	Neg	Neg	Neg	Neg	Neg	Neg
1959	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg
8. Fruits and vegetables									
1957	Neg	10.4	190.5	Neg	Neg	Neg	Neg	Neg	514.1
1958	Neg	1.9	227.0	Neg	Neg	Neg	Neg	Neg	513.2
1959	Neg	10.3	180.2	Neg	Neg	Neg	Neg	Neg	414.0
9. Oilseeds, Oilnuts and Oil Kernels									
1957	Neg	1.4	0.7	Neg	Neg	Neg	Neg	Neg	Neg
1958	Neg	31.4	4.5	Neg	Neg	Neg	Neg	Neg	Neg
1959	Neg	3.8	6.1	Neg	Neg	Neg	Neg	Neg	Neg
10. Chemical Elements and compounds									
1957	Neg	89.5	0.2	Neg	Neg	Neg	Neg	Neg	Neg
1958	Neg	72.9	Neg	Neg	Neg	Neg	Neg	Neg	Neg
1959	Neg	92.3	0.1	Neg	Neg	Neg	Neg	0.8	Neg
11. Fertilizers manufactured									
1957	6.1	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg
1958	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg
1959	3.8	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg

THE COMPOSITION OF TRADE 1957-59

EXPORTS

(Rs. lakhs)

	Egypt	Kenya	Tanganyika	Sudan	Nigeria	Syria	Ghana (Gold Coast)	Ethiopia	Mozambique
1. Coffee, Tea, Spices etc.									
1957	433.2	13.1	1.7	99.2	0.6	4.2	0.8	3.8	0.7
1958	542.6	10.9	1.2	231.7	0.7	1.1	0.6	4.0	0.5
1959	594.0	13.3	2.5	496.9	0.4	0.7	0.2	2.8	0.7
2. Tobacco and tobacco manufactures									
1957	29.3	0.2	Neg	Neg	7.3	Neg	Neg	Neg	Neg
1958	23.6	0.4	Neg	Neg	4.1	Neg	1.8	Neg	Neg
1959	3.8	0.7	Neg	1.1	8.0	Neg	10.5	Neg	1.1
3. Animal and Vegetable Oils									
1957	7.2	1.7	2.4	2.8	Neg	Neg	Neg	0.2	0.4
1958	2.0	2.5	0.7	Neg	Neg	Neg	Neg	0.1	Neg
1959	Neg	1.3	0.7	Neg	Neg	Neg	Neg	0.1	Neg
4. Textile fabrics, yarn, etc.									
1957	597.4	447.4	267.9	692.5	648.1	91.4	126.9	388.2	74.8
1958	248.6	346.1	205.7	365.4	652.0	141.2	81.2	210.4	92.7
1959	261.2	365.0	237.0	921.3	359.7	80.0	81.5	207.0	52.3
5. Machinery and Transport equipment									
1957	7.6	5.5	3.3	1.8	1.0	0.7	0.1	14.2	0.6
1958	16.8	3.7	4.3	1.9	1.7	1.1	0.4	0.3	0.3
1959	12.7	3.9	3.4	2.0	2.3	0.9	5.5	10.7	0.3
6. Footwear									
1957	0.1	6.4	1.2	30.5	4.3	Neg	4.5	0.2	Neg
1958	Neg	5.0	1.3	9.3	5.2	Neg	2.8	0.7	Neg
1959	Neg	5.8	1.7	5.1	3.6	Neg	3.5	0.5	Neg
7. Sugar									
1957	Neg	168.9	43.5	104.0	Neg	Neg	Neg	Neg	0.2
1958	Neg	0.5	0.2	40.2	Neg	Neg	Neg	Neg	0.1
1959	0.2	0.3	0.1	Neg	Neg	Neg	Neg	Neg	0.1
8. Medicinal and pharmaceutical products									
1957	6.7	3.6	0.2	0.1	Neg	0.6	Neg	0.1	0.1
1958	1.2	2.7	0.2	Neg	Neg	0.1	Neg	0.2	Neg
1959	0.5	3.7	0.9	0.1	0.1	0.3	Neg	0.1	Neg
9. Manufactures of metals									
1957	Neg	15.9	2.6	0.8	1.5	Neg	1.6	0.1	0.5
1958	0.3	8.3	2.1	0.5	0.6	Neg	0 5	0.1	0.4
1959	Neg	9.5	2.7	1.2	0.8	0.2	1.5	1.0	0.4
10. Animal and vegetable crude materials, Inedible									
1957	9.7	4.3	0.9	0.7	Neg	2.6	0.3	1.7	0.6
1958	4.9	3.8	0.9	0.2	Neg	1.6	0.7	1.3	0.6
1959	3.1	3.7	0.4	0.6	0.1	2.4	0.1	1.0	0.4
11. Essential oils and perfume materials									
1957	0.2	4.5	3.6	22.6	0.3	Neg	Neg	0.3	Neg
1958	0.4	4.3	3.1	9.8	0.5	Neg	Neg	0.1	0.1
1959	Neg	6.3	3.9	13.4	1.1	Neg	Neg	0.3	0.1
12. Leather manufacture and dressed furs									
1957	Neg	3.6	0.9	0.4	Neg	0.9	Neg	Neg	Neg
1958	0.2	2.7	0.9	0.2	Neg	0.7	Neg	Neg	Neg
1959	Neg	4.3	1.5	5.2	Neg	1.6	0.1	0.1	0.1

India and Africa

THE TRENDS IN INDIA'S EXPORTS : 1957-60
(Including Re-Exports)

(Rs. lakhs)

	1957	1958	1959	1960 (Jan.-July)
1. Gambia	34.2	22.4	3.5	10.2
2. Sierra Leone	59.6	45.9	23.7	27.1
3. Ghana (Gold Coast)	144.0	100.5	115.3	79.9
4. Nigeria (incl. Cameroons under Br. Trusteeship)	690.4	689.9	415.1	269.2
5. St. Helena and Ascencion	Neg.	1.1	Neg.	Neg.
6. South West Africa	2.8	0.02	1.1	Neg.
7. Union of South Africa	2.3	3.0	3.9	2.9
8. Bechuanaland Protectorate	Neg.	Neg.	0.07	Neg.
9. Basutoland	Neg.	Neg.	Neg.	0.02
10. Swasiland	1.4	0.9	0.7	0.15
11. Rhodesia — Northern	52.2	27.0	24.9	10.0
12. Rhodesia — Southern	159.1	66.9	85.7	62.3
13. Zanzibar and Pemba	62.4	38.9	39.9	24.1
14. Kenya	779.8	475.0	483.4	283.7
15. Uganda	78.8	73.4	60.4	33.8
16. Tanganyika under Br. Trusteeship	360.4	239.8	277.3	136.3
17. Nyasaland	83.2	56.4	43.5	13.6
18. British Somaliland	11.4	11.7	8.1	3.1
19. Mauritius and Dependencies	109.5	118.5	98.6	61.7
20. Seychelles	9.0	9.9	10.6	4.1
21. Egypt	1134.3	868.3	887.7	772.1
22. Sudan	976.6	716.4	1462.2	300.5
23. Libya	56.2	34.1	42.2	12.1
24. Tunis	13.1	19.0	15.9	4.5
25. Algeria	6.2	9.3	11.2	13.0
26. Morocco — Northern	1.6	8.8	1.2)	29.5
27. Morocco — Southern	66.0	53.2	36.8)	
28. Tangier	4.0	7.2	2.4	0.2
29. Canary Islands	0.2	0.04	0.1	Neg.
30. Spanish West Africa	Neg.	0.9	1.0	Neg.
31. French West Africa	70.1	66.0	48.9	19.2
32. Liberia	Neg.	Neg.	Neg.	3.3
33. Fr. Equatorial Africa	12.5	9.5	4.6	7.4
34. Belgian Congo (incl. Ruanda Urundi Trust Territory)	18.3	13.3	9.9	5.1
35. Angola	45.7	27.9	5.4	2.8
36. Portuguese Guinea	1.5	1.5	1.1	0.1
37. Cape Verde Islands	0.01	0.05	0.1	Neg.
38. Sao Thome et Principe	0.3	1.2	1.0	0.2
39. Mozambique	81.9	99.2	60.3	34.6
40. Madagascar and Kerguelon	44.0	36.6	21.5	15.3
41. Re-Union	4.1	2.7	3.4	4.6
42. Italian Somaliland	24.3	28.1	31.2	14.8
43. French Somaliland	7.5	29.4	41.1	11.2
44. Ethiopia (including Eritrea)	427.7	236.2	237.3	154.9
45. Comoro Islands (other French possessions)	Neg.	0.2	0.3	0.3
46. Other Spanish Africa (Alboran, Alhucemas, Chafarinas, Ifni, Penon de Velez, Peregil)	Neg.	Neg.	Neg.	Neg.
TOTAL	5636.6	4250.3	4638.3	2433.4

India and Africa

THE TREND IN INDIA'S IMPORTS : 1957-1960

(Rs. lakhs)

	1957	1958	1959	1960 (Jan.-July)
1. Gambia	Neg.	Neg.	0.02	Neg.
2. Sierra Leone	Neg.	Neg.	0.04	Neg.
3. Ghana (Gold Coast)	2.3	43.4	50.9	5.7
4. Nigeria (including Cameroons under British Trusteeship)	0.1	33.9	26.6	32.2
5. St. Helena and Ascencion	Neg.	Neg.	Neg.	Neg.
6. South West Africa	0.1	10.1	0.07	0.22
7. Union of South Africa	0.6	0.5	0.5	0.2
8. Bechuanaland Protectorate	Neg.	14.3	Neg.	Neg.
9. Basutoland	Neg.	Neg.	Neg.	Neg.
10. Swasiland	11.7	21.5	2.3	0.07
11. Rhodesia — Northern	541.1	562.6	636.9	697.3
12. Rhodesia — Southern	229.3	274.0	439.6	228.5
13. Zanzibar and Pemba	235.8	238.1	261.2	151.9
14. Kenya	934.8	1150.0	1163.6	878.5
15. Uganda	122.9	177.5	64.2	92.4
16. Tanganyika under British Trusteeship	317.0	288.0	330.7	169.1
17. Nyasaland	7.8	21.7	31.8	13.9
18. British Somaliland	0.8	0.1	1.0	0.27
19. Mauritius and Dependencies	0.09	Neg.	0.3	1.2
20. Seychelles	58.6	65.6	56.1	20.6
21. Egypt	1068.0	623.6	804.0	1245.9
22. Sudan	779.7	749.0	1067.4	554.2
23. Libya	3.9	Neg.	0.05	Neg.
24. Tunis	4.7	Neg.	2.0	0.01
25. Algeria	Neg.	Neg.	Neg.	Neg.
26. Morocco — Northern	Neg.	6.5	27.7)	32.8
27. Morocco — Southern	7.7	28.3	42.1)	
28. Tangier	Neg.	Neg.	0.2	0.02
29. Canary Islands	Neg.	Neg.	Neg.	0.03
30. Spanish West Africa	Neg.	Neg.	1.4	0.01
31. French West Africa	4.7	2.3	2.1	1.4
32. Liberia	Neg.	Neg.	0.01	0.01
33. French Equatorial Africa	Neg.	Neg.	0.5	0.04
34. Belgian Congo (including Ruanda Urundi Trust Territory)	192.5	119.0	171.4	138.7
35. Angola	Neg.	Neg.	Neg.	Neg.
36. Portuguese Guinea	Neg.	Neg.	1.0	0.31
37. Cape Verde Islands	Neg.	Neg.	Neg.	Neg.
38. Sao Thome et-principe	Neg.	Neg.	Neg.	Neg.
39. Mozambique	686.3	573.7	486.6	447.6
40. Madagascar and Kerguelon	3.0	0.7	0.03	0.02
41. Re-Union	1.0	Neg.	0.3	0.09
42. Italian Somaliland	1.8	1.0	0.8	0.2
43. French Somaliland	0.02	0.1	1.1	0.01
44. Ethiopia (including Eritrea)	0.6	0.1	1.0	2.7
45. Comoro Islands (Other French possessions in Africa)	Neg.	Neg.	Neg.	Neg.
46. Spanish Sahara (Riode, Ore, Saguia el Hamra)	Neg.	Neg.	Neg.	Neg.
47. Other Spanish Africa (Alboran, Alhucemas, Chafarinas, Ifni, Penon de Velez, Peregil)	Neg.	Neg.	Neg	Neg.
TOTAL	5216.9	5005.6	5675.6	4736.2

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