

EASTERN ECONOMIST

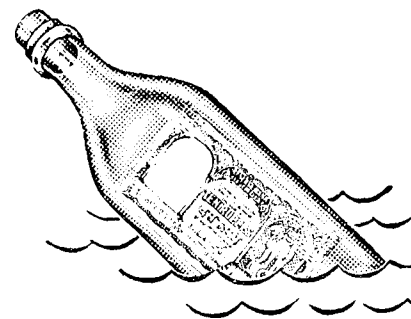
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VOLUME 49



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The Present State of Planning

IT IS symbolic of much that has gone wrong (and is still going wrong) with planning in our country that as the Plan itself becomes leaner, the plan volumes keep getting fatter. In the annual Plan for 1967-68 presented in Parliament last week, the Planning Commission has taken more and more words to say that only less and less can be done. It is no use pretending that the reduction in outlays in terms of earlier notional levels represents a heroic decision to force the country to live within its means and struggle through the current phase of contradictory inflationary and recessionary pressures on to a healthier plane of dynamic equilibrium. The plain fact is that the planners have not learnt the error of their ways. On the contrary, they are still claiming that the inherent shortcomings of their planning are but passing misfortunes occasioned by two successive droughts and the border war with Pakistan. So long as this deliberate attempt at misinterpreting planning history persists there can be no genuine recourse to reason, realism or common sense in the prosecution of the nation's development. The plain fact is that the economy needs more room to grow and more and more freedom to function. The government at one time seemed to appreciate this, but the unfortunate devaluation of the rupee and its predictable aftermath in terms of economic and social consequences seem to have unnerved it.

In the last few months there has not only been no advance in the liberation of the economy, but there has actually been a reaction. The government is now being forced to think more in terms of further regulation and regimentation than in terms of the prompt removal of rules or restrictions which discourage investments, postpone production and prevent early adjustments of prices to costs, cost to productivity or supply to demand. In this context, it is particularly unfortunate that in selecting a Deputy Chairman for the Planning Commission the government's choice should have fallen on Prof. Gadgil whose frame of mind, motivations and habits of thought are completely unsuited to the circumstances in which the Planning Commission must function or the challenges that it must get ready to meet. The only silver lining is that along with Prof. Gadgil's assumption of office there will also be a revision of the responsibilities of the Planning Commission rendering it, in essence, an advisory body. Since it is implicit in the nature of "advice" that it can be ignored when necessary, our hope must be that the government will have the courage and the wisdom to ignore Prof. Gadgil's advice as often as may be needed.

We are not being harsh here merely for the sake of being harsh. We sincerely believe that what the Planning Commission called for this time was a leader with a modern mind and immense practical wisdom who could think in terms of releasing the productive urges and energies of the community in a world context in which science and technology in alliance with innovations in industrial management and business practices are imparting new dimensions to national movements for wealth and welfare. What it has got instead is an elderly scholar whose erudition is now largely out of context, whose notions of social control or administrative regulation of the economy would only set the clock back even with respect to the limited progress that there has been in the recent past towards the liberation of the economy and whose chief virtue in the eyes of the politicians who have been able to agree on his appointment probably is that while he is unlikely to be more than a nuisance, he should not be difficult to get rid of if he does. For the country however what would matter is not how long the politicians would be able to tolerate the professor or how long the professor would be able to put up with the politicians, but whether a sensible and solid effort is at all going to be made to revive, maintain and step up the expansion of the economy.

By this test, the annual Plan for the current year does not have many

promises to make while the few it does make are probably false ones. It is said, for instance, that the needs of the priority sectors are being met more or less fully in terms of financial allocations. If the suggestion is that essential development in real terms may therefore be expected to proceed sufficiently fast, it has to be scrutinized with a great deal of care. As a matter of fact, if the annual Plan has provided finance for some schemes or programmes and not others, it is not because the latter are less essential or are not of equal urgency. The explanation is the failure of the planning process to build up the resources of the economy progressively.

Let there be no mistaking therefore of the grave

The Case of the Abandoned Infant

BEFORE BOWING out of the Planning Commission, Mr Asoka Mehta has been able to indulge his personal vanity by publishing at public expense yet another testament or at least a tome on planning. The annual Plan for 1967-68 presented to Parliament last week could appropriately have been a much less bulkier volume than it is, but then Mr Mehta, who has an inbred horror of being found out, has always believed in the prudence of padding out his thoughts, such as they are, with words of which he is never short.

At one place in this volume on the annual Plan, it was amusing to find some extremely dextrous discussion of the impact of devaluation on the price level. It was not possible even for Mr Asoka Mehta to ignore the part played by devaluation while discussing the price situation. But, at the same time, as an architect of the devaluation decision, it was not easy for him either to speak the truth, the whole truth and nothing but the truth. In the result, an interesting compromise has been worked out. As a concession to facts, it is admitted that, among the factors that worked for a rise in the price level was the devaluation of the rupee which "tended to push up the prices of imported articles and of those manufactures using the former as an input". In the same breath—and this as a concession to Mr Mehta's feelings—it is also stated that "while it is true that devaluation, to some extent, tended to push up prices, failure to take the step would have brought other pressures to bear on the price line". Thus is struck the convenient compromise that "it is not possible to quantify what would have happened if there were no devaluation, but any assessment of the impact of devaluation on the price line would not be objective if it altogether ignored the likely consequences of the alternative course". This combination of intellectual legerdemain and verbal gymnastics should entertain us and it must, in any case, give some peace of mind to Mr Asoka Mehta with whom things are not going any too well at present.

This annual Plan, of course, is in the position of an abandoned infant. The mother has been told that she cannot keep the baby, while the intentions of the foster mother-designate are, to say the least, difficult to anticipate. Prof. D. R. Gadgil, as is well known, has not been enamoured of the ways of the set-up which he is now supposed to assist in salvaging, but then, since it is already August, Prof. Gadgil

nature of the economic setback. The real difficulty is not that the Planning Commission has been able to provide for only 30 per cent of the estimated aggregate five-year outlay in the first two years or that it has not been able to step up the rate of investment in money terms from year to year. What must cause real concern is that it has still not dawned on our planners that the experiment of the government trying to develop the economy with the aid of an ever-growing administrative apparatus of regulation and through the means of increasingly diverting personal incomes and private savings into the financing of public spending has demonstrably failed and must therefore be now given up.

just does not have the time to re-write the plan for 1967-68 even if he wants to. He will therefore have to hold his soul in patience and nurse Mr Mehta's brain child with what warmth he could summon.

Meanwhile, all the feverish research which now seems to be going on in the press or elsewhere into the professor's past writings on economic problems may flatter his vanity but is unlikely to be very much to his advantage. The 'Indian Express' of July 26, for instance, has unearthed a note by Prof. Gadgil on the philosophy and principles of taxation. In this precious document, the learned professor has unburdened himself of the gem of a thought that personal savings are unnecessary for financing the expansion of the economy which could be done by taxation taking over the investible funds in the community. Prof. Gadgil, in fact, is reportedly convinced that personal income tax should be "pitched so high that at the highest level no room need be kept for saving". This prescription provokes some interesting speculation.

Let us assume that in terms of the presumably austere standards of the Gokhale Institute of Politics and Economics, "the highest level" of incomes means all incomes above Rs. 1 lakh per year. According to the all-India income tax statistics for 1963-64, the number of individual and HUF assesseees with incomes in excess of Rs. 1 lakh was 2,485. In their case, the aggregate income assessed amounted to Rs. 49.38 crores out of which Rs. 30.90 crores were taken in income tax and super tax (plus the surcharges), leaving a balance of Rs. 18.48 crores. Let us assume, again according to the austere standards of the Gokhale Institute, that about 25 per cent of this residue or Rs. 4.62 crores should be ample for maintaining, to quote Prof. Gadgil, "the high standards of consumption" of these people. The amount that would have been left after this and which could also have been taken in taxation had Prof. Gadgil's ideas of personal taxation prevailed in 1963-64 would thus have been Rs. 13.86 crores. If Prof. Gadgil really believes that government acquisition and disposal of this sum would have made all the difference between the present state of the economy and his dream state of a prosperous, co-operative commonwealth, all that can be charitably said is that even people in their late sixties (going on to their seventies—to parody a popular film ditty) should

be permitted to have their illusions. We are indeed sorry that Prof. Gadgil's vast erudition does not evidently include that element of common sense which would enable him to realise that while Rs. 13.86 crores, however wisely invested by or through the state, will not make for very great national wealth, the expectation among even a few thousand

Engineering Industries: Who Failed?

THE ALL-INDIA Engineering Conference held in Calcutta a few weeks back gave Mr Ajoy Mukherjee, Chief Minister of West Bengal, an opportunity to tell industrialists how they had failed to conduct themselves as enlightened employers. The Engineering Association of India, which had sponsored the conference, had observed in a background paper that industry's capacity to stall decisions, ignoring economic compulsions, had been exhausted in most cases and it had stressed the need for a bold programme of action to meet the challenge. Referring to this statement, the Chief Minister wondered whether the deterioration in labour relations was due to the industry's programme of action. He said, "If we have seen 45 units in the engineering industry affected this year, causing retrenchment of 1,507 persons, and 33 strikes, eight followed by lockouts, plus other 15 lockouts—all involving 14,534 men and loss of 2,38,869 man-days, it does not seem to be a satisfactory picture of labour relations. If to this is added the record of non-implementation of 69 awards of the Seventh Industrial Tribunal and 61 cases on non-implementation of the recommendations of the Central Wage Board for Engineering Industries, the picture is still more dismal for any group of progressive and enlightened employers. This should be set in order".

The Chief Minister's concern for labour is, of course, understandable. But it is surprising that Mr Ajoy Mukherjee did not advise workers to observe discipline and to settle their disputes with management by resorting to the procedures laid down by the law. He suggested that employers should not hesitate to share the pains of recession with the workers not only in an equal measure but even with a greater share of sacrifice. "The workers", he said, "have suffered privation long enough and deserve an easier life in return of their sweat and tears". But what the state government and the labour leaders do not appreciate is that unless industries are able to work in peace and continuously increase production, it is the workers who will suffer more. Unfortunately, the state Labour Minister's attitude to industrial relations is far from reasonable and realistic. His proposal to draw up a list of what he considers "bad employers" and to take action against them under the Preventive Detention Act has caused further anxiety not only among businessmen but also the general public who fear that their fundamental rights may not be safe under the present government.

The Chief Minister suggested that small and medium engineering units should undertake a carefully drawn up programme of rationalisation and merger. He said that, to start with, there could be a programme of unified sales, purchase and development organisation and integrated pro-

people that they could make money of this kind for their personal pleasure or satisfaction could release initiative, enterprise and energies without which there cannot be economic miracles of the kind which have lifted communities in other parts of the world to high levels of well-being and affluence.

duction schemes which could enable such units to undertake an aggressive sales policy in the internal and export markets. The suggestion is sensible but hardly practicable. It is doubtful if, in view of the unfriendly attitude of the state government towards employers, the latter will have any enthusiasm to take up schemes for mergers and rationalisation. Labour's hostile attitude to all forms of automation is another obstacle.

Mr Ajoy Mukherjee admitted that there had been "slips" in ensuring co-ordination of the development schemes of the public and private sectors but he was inclined to lay the responsibility for this more on the industrialists. He said, "During the time there were several controls in force, whatever savings were available from the industry itself were, unfortunately, put into fields which did not claim any great priority, but had become attractive merely because they were largely outside the purview of controls. The result was that there was much undesirable investment and a great deal of loss of valuable foreign exchange". If this statement is true, it is surely a reflection on the machinery of planning in New Delhi. During the last 15 years, the economy has been subjected to such regimentation that no economic activity was possible without official scrutiny and sanction. How then has come



"It will float and sail by and by."

about this misdirected investment and waste of foreign exchange?

The Engineering Association of India has estimated that at the close of February, 1967, in 22 engineering items the capacity utilised was below 50 per cent, in 19 it was 50-75, in another 19 items 75-100 and in 16 above 100 per cent. The situation is said to be particularly disquieting in the capital goods sector. Commenting on the effects of idle capacity, the association says: "Unutilized capacity has introduced distortion in the internal cost-price structure and the rise in the cost per unit of output has further aggravated the inflationary pressures. One other consequence of this distortion is that it has made India's exports increasingly uncompetitive in the world market. A more realistic framing of the targets on the basis of correct estimates of demand, rational and not reckless investment policy, and vigorous measures to promote full utilisation of existing capacity before creating any additional capacity should, therefore, constitute the core of the country's planning strategy". The association is right in suggesting the need for realism in framing targets. But one wonders whether the targets are not fixed by the government after prior consultation with the representatives of the engineering industries. There are two powerful bodies of the engineering industry in Calcutta—the Engineering Association of India and the Indian Engineering Association. There is no reason why there should not be close and continuous consultations between them and the government in order to ensure the growth of this vital industry on healthy lines.

The conference discussed subjects relating to better utilisation of capacity, import substitution and labour productivity. Its recommendations contained hardly anything

River Water Disputes

HOWEVER MUCH the Government of Andhra Pradesh may try to justify the way in which it has been implementing the Nagarjunasagar project, there is no gainsaying the fact that it has raised a hornets' nest both by what it has been saying and by what it has been doing. In what it or its spokesmen have been saying, there is not only no consistency but a degree of prevarication as well. Take, for example, the recent statement of the Andhra Chief Minister in Bangalore and the statement of the "state government sources" in Hyderabad on July 17. The Andhra Chief Minister is reported to have said that the state government had not at all thought in terms of executing the Nagarjunasagar project in stages and that any such stages could be purely for administrative convenience. But the statement of the state government sources in Hyderabad was to the effect (reportedly) that Andhra Pradesh was only executing the first phase of the Nagarjunasagar project as sanctioned and approved by the Planning Commission and by the Government of India and that the question of exceeding it did not arise. The contradiction between the two views is too obvious to need elaboration.

Similarly, there is a clear contradiction in the interpretation of the union government's award of 1963, based on the Gulhati commission's report, as between the Andhra Pradesh government, on the one side, and the Maharashtra

new. Nevertheless, they deserve careful consideration. It was suggested, for instance, that the public and the private sectors should co-operate with each other more closely and frequently. The public sector was asked not to take up the manufacture of those items for which the private sector had adequate capacity. Part of the defence requirements, which were made mostly in ordnance factories, could be farmed out to private industries which should be given the necessary technical know-how for some period. There were many units in the private sector which were not in a position to provide sufficient training facilities. But in the public sector elaborate training facilities were available with many units. Hindustan Steel and Heavy Engineering Corporation had in their early stages availed themselves of the training facilities at the Tata Iron and Steel Company. It was, therefore, emphasised that there was plenty of scope for collaboration between the two sectors in various fields of activity.

The problem of reviving the economy depends largely on the central government's policies and, of course, on the mercy of the monsoon. But, so far as West Bengal is concerned, it is for the United Front government to consider whether it is in its interest that recession should continue. Mr Ajoy Mukherjee, in his peroration, pleaded for a human approach to economic problems. He said, "Let us have a clearer concept of the objectives, of human welfare, of the good of all people and the future of society and mankind". No one doubts the sincerity of the Chief Minister, but unless he succeeds in asserting himself and his ministry functions as a disciplined team, and governs wisely, firmly and impartially, it will not be possible for the state's economy to maintain even its present slow rate of growth.

and the Mysore governments, on the other. The annexure X to the report of the Krishna-Godavari Commission (KGC), which includes the data relating to irrigation and hydro-electric schemes on the Krishna river system approved for execution in the first three Plans—these data are based on information furnished by all the concerned state governments and are contained in official correspondence between these governments and the Planning Commission or the Government of India (Ministry of Irrigation and Power)—clearly states that, in the first stage, the full reservoir level will be RL 546. This would give to Andhra Pradesh 264 t.m.c. ft. of water for utilization. There is no mention in this annexure of any vertical or radial or crest gates which the Andhra Pradesh government has since proposed and, what is more, proceeded to execute. If, as proposed by the Andhra Pradesh government, 26 radial gates are installed over the 546-ft. dam, the governments of Mysore and Maharashtra both fear that the utilization of water by Andhra Pradesh would be considerably greater. (According to Maharashtra's estimate, the utilization would rise from 264 t.m.c. ft. to 428 t.m.c. ft.)

The apprehensions of Maharashtra and Mysore do not appear to be exaggerated, for, as per annexure XI to the KGC report, it is in the second stage of the Nagarjunasagar project that the full reservoir level, as altered, is to

be RL 590 ft. There is also a reference here (not found in annexure X) to vertical gates of 50 feet by 44 feet each. In other words, despite the Andhra Pradesh government's profession that it has been executing only the first stage of the Nagarjunasagar project, it would appear it has actually set about implementing the second stage. No one can be or is against Andhra Pradesh proceeding to take up the second stage of this promising project, but, as Maharashtra and Mysore alike maintain, it should be done only after the Planning Commission and the Government of India have given the clearance. All evidence shows that clearance has not been given as yet. This is what puts Andhra Pradesh in the wrong.

It cannot be easy for either the Planning Commission or the Government of India to ignore the protests of the governments of Maharashtra and Mysore, whatever may be the outcome of the legal notice said to have been served by the Maharashtra government on the Andhra Pradesh government through the union government, or of the cautioning of the union government by the Government of Mysore to press for a reference of the differences for arbitration under the Inter-State River Waters Dispute Act. Before even talking of the second stage of the Nagarjunasagar project (which, even as it is, has become somewhat uncertain by reason of the firm stand taken by the union Finance Minister not to allocate additional funds for this purpose this year), both the Planning Commission and the union government will have to consider the several irrigation schemes submitted by the governments of Maharashtra and Mysore. Maharashtra contends that correspondence has been going on with the Government of India for the past seven years in respect of about two dozen irrigation schemes (involving utilization of 570 t.m.c. ft. on Krishna and 800 t.m.c. ft. on Godavari, as against the Gulhati commission's allocation of 400 t.m.c. ft.) and that none has so far been given clearance. Mysore also has been insisting on more of the Krishna river waters for her own Upper Krishna project, among others, and cannot be expected to sit idly and watch Andhra Pradesh go ahead with the second stage of her Nagarjunasagar project which, if implemented, according to the Mysore PWD Minister, would consume nearly 50 per cent of the waters available in the Krishna and condemn to perpetual misery the arid zones in Bijapur and the surrounding areas.

Prima facie, Andhra may have a case to go ahead with the second stage of the Nagarjunasagar project on the plea that its implementation would result in an additional ayacut of 1,326,000 acres and thereby help augment the country's production of foodgrains, in particular of rice. But this highly pleasing prospect is only on paper. Experience has shown that the gulf between potentialities and performance could be very wide, indeed, as witness the recent finding of the Agricultural Refinance Corporation that barely 40,000 acres out of a target of 580,000 acres had been reclaimed by the end of 1966. There is, therefore, urgent need to consolidate all the gains and prove all the assumed potentialities first. And it is not as though water is the last need of the farmer to be fulfilled, as those who have personally discussed the problem with the peasants will bear out. An adequate supply of fertilizers and quality

seeds, besides a free flow of insecticides and pesticides must be assured, and it is reported by dedicated on-the-spot observers that quite a few farmers in Andhra are not very enthusiastic about the additional availability of water in the absence of an assured and timely supply of these equally essential inputs.

Inter-state river waters disputes are not of recent or even post-Independence origin. The tragedy is that, as yet, we do not appear to have progressed beyond the stage indicated in a letter written in January, 1921, by the then Bombay government to the Government of India thus: "Almost all controversies which have up-to-date taken place in India in respect of questions of water rights have been directly attributable to the fact that adequate figures are not forthcoming and that consequently recourse has had to be had to indirect deductions and presumptions. The only method of avoiding such controversies is to have at hand reliable information on the factors in the case." The Krishna-Godavari Commission also stressed the need for collection of all the relevant data but this has apparently not been done so far. Nor have the repeated appeals of Mysore to refer the dispute (relating to the waters of the Krishna river) to a tribunal under the Inter-State River Waters Dispute Act or the need for a permanent machinery to settle all river waters disputes stressed for the first time by the irrigation ministers at their meeting in Bangalore in 1965 borne fruit. Past assurances by the late Prime Minister Nehru and a former chief minister of Andhra Pradesh have, to all intents and purposes, been akin to the waters that have since flowed down the Krishna. If there must be a quick end to river water disputes, whether these relate to Krishna or to Narmada, the Government of India must not lose any more time in evolving a permanent and suitable machinery to go into all river water disputes as also a permanent engineering establishment charged with the function of continually collecting and keeping up-to-date relevant and reliable data on waterflows of all rivers the utilization of the waters of which has been giving rise to frequent disputes.

Eastern Economist 20 Years Ago

AUGUST 1, 1947

The decision that the Constituent Assembly will meet at midnight on 14-15 August, and will go through several formal ceremonies was unexpected, but (whether the reason for convening a session at this hour is astrological or is merely that most members of the Constituent Assembly recognise how unique the occasion is in all history), the decision is to be welcomed. Celebration at the precise moment of transfer of power is clearly justified; it looks novel only for the reason that in adopting parliamentary institutions in India, we have borrowed from Great Britain all the essentials of their system of government, but nothing of the odd ceremonial—which is traceable in at least one case, (i.e. in communicating the royal assent to the legislation passed by both houses), right back to the Norman period. The celebrations on August 15th will themselves pass into history. It may not be a bad idea if the proceedings of the Constituent Assembly on that day are filmed.

Cotton Industry : Problems and Remedies—I

MANUBHAI SHAM

INDIA has been known to be the home of cotton fabrics right since the Vedic times. The cotton pod was discovered as a source of soft fibre by our ancestors, who were also, perhaps, the first to find out the spinning qualities of cotton lint. Cotton fabrics, thus, became a familiar dress material and utility apparel for the people of India, primarily because of the country's tropical climate.

No country among the civilized nations in the olden days had a textile cloth or fabric superior to the Dacca muslin, the bandhani of Jamnagar, the silk sari of Banaras or the multi-coloured and printed veil of Jaipur. The Indian colour combinations of bright and deep character with flowery designs and prints of gods and goddesses were the most prized textiles throughout the world at that time. The cotton fabric, therefore, came to be associated in all parts of the world with the true culture of India. All the foreign travellers and historians wrote in glowing terms about our textiles.

The first textile mill with modern mechanical spinning and weaving arrangements was established in this country, at Ahmedabad, in 1848. The mule spinning and the Arkwright

The second part of this article will be published next week.

looms were the pioneers of the modern textile spinning and weaving machinery.

In the last 100 years, the organised cotton textile industry of India has become the second biggest such industry in the world. The organised sector of the cotton textile industry in our country consists of 613 mills, of which 323 are spinning mills and 290 composite mills. The total installed capacity is 16.8 million spindles and about 208,000 looms. In addition, we have about 200,000 powerlooms and three million handlooms. If both the decentralised and the centralised sectors are taken together the capacity of our textile industry should be more than that of any other country.

The state-wise break-up of spindles, looms in the composite mills, powerlooms and handlooms in our country is as under:

State	Number of mills		Spindles	Looms	Powerlooms	Handlooms
	Spinning	Composite				
Andhra Pradesh	25	3	418,284	1,275	2,283	501,446
Assam	2	...	23,040	...	474	523,393
Bihar	2	3	59,092	809	2,032	141,422
Gujarat	21	91	3,631,278	62,005	54,324	46,385
Haryana	5	2	170,030	978	*	*
Jammu and Kashmir	1	...	12,600	...	18	120
Kerala	16	5	322,760	1,088	1,601	108,410
Madhya Pradesh	5	17	616,604	13,081	6,818	57,107
Madras	163	25	3,882,380	9,456	20,580	516,086
Maharashtra	18	77	4,486,765	78,612	89,279	159,039
Mysore	14	11	617,252	6,141	19,586	102,355
Orissa	3	1	99,300	866	1,175	111,904
Punjab	6	2	116,985	1,227	14,289	57,225
Rajasthan	7	11	323,000	2,906	1,177	41,069
Uttar Pradesh	15	16	961,000	13,413	4,616	261,791
West Bengal	18	19	840,562	10,042	7,850	158,542
Delhi	...	4	182,652	3,764	1,394	846
Pondicherry	2	3	118,708	2,236	620	3,338

* Included in the figures for Punjab.

Our total production of cotton cloth in 1966 was as follows:

Mill cloth:	4,240 million metres.
Handloom and powerloom cloth:	3,100 million metres
Total:	7,340 million metres.
Yarn:	9,130 million kgs.

Of the mill-made cloth output in 1966, the superfine cloth accounted for 318 million metres, fine cloth 210 million metres, medium A & B cloth 2,992 million metres and coarse cloth 720 million metres. The preference of the consumer is gradually shifting to the medium, fine and still finer varieties and well-finished and sophisticated fabrics. This is a healthy trend of which our cotton textile industry is fully conscious. The industry is continuously improving the quality of its products. Some of our textiles can compare with the best in the world. This trend obviously needs to be encouraged.

As compared with our output of about 7,500 million metres a year, the production of cotton cloth in the United States in 1964 was reported to be around 3,200 million metres, in the United Kingdom 947 million metres and in Japan 2,965 million metres.

The progress of production in the mills and the decentralised sectors of our cotton textile industries during the last six years has been as follows:

Year	(Million metres)		
	Mill-made cloth	Handlooms & Powerlooms cloth	Total
1961	4,701	2,372	7,073
1962	4,560	2,412	6,972
1963	4,423	2,876	7,299
1964	4,653	3,060	7,713
1965	4,587	3,056	7,643
1966	4,238	3,097	7,336

The consumption of coarse cloth in our country has been going down gradually. In 1966, it amounted to 15.4 per cent of

the total consumption. Medium "A" cloth accounted for 46.9 per cent of the aggregate consumption, medium "B" cloth 27 per cent, fine cloth 4.8 per cent and superfine cloth 5.7 per cent.

In the decentralised sector, the trend towards production of medium "B", fine and superfine cloth is even more pronounced.

The cotton textile industry is the most organised industry in our country. An investment of about Rs. 500 crores has been made in it till now. The total capital employed in this industry is of the order of Rs. 1000 crores. The annual turnover of the industry—the largest in the industrial sector—is about Rs. 1,800/2000 crores. On the prosperity of this industry depend the economics of most of the chemical, machinery, engineering and other auxiliary and ancillary units. Thus, the cotton textile industry is the king-pin of our economy. The mill sector of our cotton industries directly employs about one million workers and hence as many families. Handlooms, powerlooms, the processing and distributing trades connected with this industry and the machinery manufacturing and auxiliary and ancillary industries dependent on it provide employment to more than three million families.

The management of our cotton mills can be divided into three broad groups. Thirty to forty per cent of the mills are very well managed; they are as modern as one could expect. About 50 per cent of the mills are rather indifferently managed and have a "jumborea" — an ill-assorted conglomeration of machines of all makes and various ages. This portion of the industry, which is also its major part, has been a continuous drag on its economy and requires rapid rehabilitation and modernisation. The balance, i.e., between 10 and 20 per cent of the industry, is definitely in a bad shape and needs to be immediately scrapped. However, the problem of unemployment resulting from this scrapping has always come in the way of a decision on the issue. Fortunately, every year 20 to 30 new mills are coming up, contributing more production and employment in the organised sector and still more production and employment in the handloom and powerloom sectors. The mills which are closed at present number 27. Nearly 30,000 workers are affected.

Co-operative Sector

An important fact worth mentioning is that the co-operative sector in our cotton textile industry is gradually coming up. At present, there are 24 co-operative spinning mills with a total capacity of over 300,000 spindles. These co-operative spinning mills constitute an assured source of yarn supply to the handloom sector. All possible encouragement is being given to the growth of co-operative mills; a number of new licences have been given for the establishment of co-operative spinning mills. Licences for the establishment of 39 co-operative mills, however, still remain to be implemented. The number of co-operative spinning mills licensed so far is 63 with a total capacity of over 12,00,000 spindles.

Our cotton crop is mainly rain-fed; irrigation facilities are available to hardly one-eighth of the total area under cotton cultivation. Weather, therefore, plays a vital role in determining the size of our cotton crop each year. On account of this fact, the output sometimes varies widely. Taking the last 10 years, the crop has fluctuated between about 3.5 million and 5.7 million bales. The acreage and production of cotton in our country during the last eight years have been as given in the table alongside.

It will be observed from these figures that whereas the area under the crop has remained steady at around 19 million acres, the annual production of cotton has been varying widely from year to year. While the production of cotton has been subject to wide fluctuations, the consumption by mills has

been steadily going up; the latter from 5.4 million bales in 1961 to about 6.4 million bales last year.

The indigenous production of cotton is still not adequate for meeting our full requirements. Taking for instance the season 1966-67, as against an estimated crop of 5.3 million bales, our total requirements were of the order of seven million bales—mill consumption 6.6 million bales; extra-factory consumption (by Ambar Charkha and for surgical dressing) 100,000 bales; and exports of Bengal Deshi (a short, rough variety used mostly for non-spinning purposes such as stuffing mattresses) 300,000 bales. On an average, the indigenous production has been falling short of the requirements by one to 1.2 million bales every year. A part of this deficiency continues to be made good by imports from abroad.

Our cotton is mainly of short and medium staple lengths, i.e., mostly 1" and below. We, of course produce some long staple cotton also—Rajapalayam, Cambodia, I.S.C. 67 and Sea Island (Andrews)—but the production of this cotton is only limited. Our cotton is generally used for spinning yarn of counts not higher than 36-38. Higher counts of yarn require cotton of much longer staple. Such cotton has necessarily to be imported from countries such as Sudan, the United Arab Republic, East Africa and the United States of America.

Increasing the Yield

The yield of cotton per acre in our country is also among the lowest in the world. Between 1960-61 and 1963-64 yield per acre went up by only 10 lbs., whereas the increases in the same period in Pakistan, the UAR and the USA were 46 lbs., 34 lbs. and 71 lbs., respectively. Our yield per acre is very low even in comparison with Pakistan. In 1963-64, we produced 128 lbs. of cotton from an acre. Pakistan produced 253 lbs. In the USA and UAR, the yield per acre is very much higher around 517 lbs. and 576 lbs., respectively.

We have been importing cotton stapling 1-1/16" and above. The indigenous production of cotton, as mentioned earlier, is still far from being adequate to meet our industry's requirements. The quantity imported in a season generally works out to be the difference between the indigenous production and the estimated requirements of the industry. The principal countries which supply cotton to us are the UAR, Sudan, the USA and some east African countries such as Uganda and Tanzania. The imports from the UAR and Sudan consist generally of cotton of superior quality (1-3/16" and above). The cotton imported from the other countries is of lower staple length, viz., 1-1/16" and above but below 1-3/16". Imports of cotton having a staple length below 1-1/16" are not allowed except when the indigenous supply severely falls short.

Long staple cotton which is suitable for manufacturing superior quality cloth is imported because there are certain mills which can run only on such cotton on account of the special type of machinery installed in them. Also no coarse and medium staple cotton is generally grown in any other country excepting in India and Pakistan; mostly higher staple length

Year	(Acreage '000 acres)	Production (Million bales of 382 lbs.)	Target (Million bales of 382 lbs.)
1959-60	18,027	3.515	6.111
1960-61	18,805	5.358	5.400
1961-62	19,714	4.637	5.426
1962-63	19,385	5.374	5.780
1963-64	20,164	5.562	6.184
1964-65	20,438	5.734	6.638
1965-66	19,341	4.766	7.065
1966-67	18,850	5.300	6.000

cotton. i.e., finer cotton, is, therefore, available from abroad for import to make good our cotton deficiency.

From the point of view of the economics and quantum of production, the long and extra-long staple cottons have an advantage over the medium and short staple cottons. Long staple cotton enables us to produce, on an average, about seven yards of cloth as compared to about four yards per pound of medium and short staple cottons. Further the decentralised sector—handlooms and powerlooms—which accounts for a larger portion of the production of dhotis and saris requires yarn of finer counts: Dhotis and saris continue to be the traditional mode of dress for the masses in the country and having regard to the length of saris and dhotis, coarse and heavy varieties of dhotis and saris would be very unsuitable for daily wear.

As matters stand today, if the indigenous production of cotton is not supplemented by imports, the mill industry will not be able to meet adequately its requirements of raw material and it will not be possible to maintain the present production of cotton textiles. Therefore, the need to step up production of cotton in the country is imperative and paramount.

It may also be mentioned here that we have been importing cotton from Egypt and other African countries for the last 50 years or more. The recorded figures of imports are available from 1917-18. These imports of ours have enabled the UAR, Sudan, Uganda, Kenya and Tanzania to take sizeable quantities of our textile and other exports. The economics of some of these countries depend to a considerable extent on their export earnings from cotton; we have been one of the traditional buyers of their cotton. We have already concluded trade arrangements with the principal cotton exporting countries, viz, the UAR, Sudan, Uganda, and Tanzania. If we do not buy cotton from these countries (and these countries have no other raw materials or products, which we may need for our economy, to sell to us), none of these countries might permit our goods including cotton textiles to be imported into their territories. The table below shows our imports of cotton since 1959-60.

Future Requirements

There is no denying the fact that in future our requirements of cloth will increase and so also the consumption of cotton. From the present area of about 20 million acres under cotton, it should be possible to double the annual production, provided larger quantities of fertilisers, pesticides and improved seeds are made available to farmers, along with increased irrigational facilities. Mechanisation of cotton cultivation will also have to be undertaken vigorously.

As cotton growers are among the more enlightened farmers in the country, a central "cotton commission", perhaps, may not be necessary unlike for jute development in the case of which I have been strongly advocating early setting up of a small compact body of three or four experts and administrators. However, even if no cotton commission or any central organisation is constituted for increasing the productivity in cotton culti-

vation and also for improving quality on a crash programme basis, it is essential that the union Ministry of Agriculture effectively co-ordinates, with active co-operation of state governments, cotton-growers, cotton merchants and the Indian Cotton Mills Federation, the implementation of the schemes to raise expeditiously our cotton output to 10 million bales per annum.

Cotton Control

Raw cotton is one of the most important cash crops of the nation for which, for the last many years, statutory floor and ceiling prices have been fixed by the government. There have been, of course, periodical upward revisions in these prices to ensure fair return to growers and reasonable ceiling prices to the textile industry. But due to chronic shortage of cotton, the regulation of prices has not proved successful. Inadequacy of cotton has made it impossible for the government to build up any buffer stocks which alone can help in stabilising prices at fair levels. It is, therefore, necessary to review the policy in this regard. The growers, the traders, the cotton mill industry as well as many economic thinkers, including the Agricultural Prices Commission, have felt that the price controls in terms of floors and ceilings should be removed and only support prices ought to be stipulated, so that the growers are assured that in the event of any unreasonable fall in prices they get some minimum prices through government's intervention in the market. When the statutory price controls are removed from cotton, it would obviously be difficult to continue the present statutory price controls on the varieties of cotton cloth that go into mass consumption. The industry would not be able to get its requirements of cotton within the ceiling prices.

After going into the history and the actual working of the cotton and cloth price controls, it should be obvious that time has come to remove the statutory controls. The growers, the traders and the industry need to be provided an opportunity to readjust cotton prices through a fair play of the forces of demand and supply. While removing controls, it would, however, be necessary to keep the support prices for cotton. An agreement should also be arrived at between the cotton textile industry and the government on the prices of the cloth of mass consumption, namely, dhotis, saris, long cloth, etc. The prices of cloth of mass consumption should not, of course, be raised; the interest of consumers has to be protected. If the hopes of favourable monsoons materialise and the programmes aimed at raising cotton output yield results, the difficulty which the cotton textile industry has been experiencing on account of shortage of cotton would be considerably lessened.

Summing up, we must make earnest efforts to raise our cotton output to about 10 million bales per annum in the next few years. The efficient functioning of our textile industry, which will have to shoulder an increasing burden of clothing the nation adequately, depends on this. While, in the interest of raising production, adequate quantities of farm inputs have to be arranged, the controls on the prices of cotton as well as cloth of mass consumption need to be removed, subject to an agreement between the industry and the government on not raising the prices of such products as dhotis, saris and long cloth.

IMPORTS OF COTTON, 1959-60 TO 1965-66

(In bales of 400 lbs. each)									
Year	USA (Mostly under PL-480)			UAR	Sudan	East African countries	Pakistan	Other countries	Total
1959-60	...	...	...	408,156	206,338	127,735	169,959	33,331	966,414
1960-61	...	...	...	710,058	97,362	80,800	162,181	1,983	1,147,026
1961-62	...	...	...	233,343	91,835	198,079	145,216	94,304	791,677
1962-63	...	...	...	397,188	142,747	160,782	67,620	55,971	842,931
1963-64	...	...	...	247,949	156,115	124,400	74,214	6	635,429
1964-65	...	...	...	385,067	157,630	98,216	102,999	56,307	842,865
1965-66	...	...	...	173,532	183,636	132,506	35,996	2,106	526,777

Shifting Loyalties

K. SANTHANAM

THE FREQUENT shifting of loyalties of the members of state legislatures from one party to another has been the most distressing and demoralising feature of Indian politics since the last general election. This is partly due to the manner in which candidates were given party tickets and partly to the results of the election. In giving their tickets, almost all parties, including the Congress, looked only to the chances of victory of the proposed candidates and their capacity to finance themselves. If a candidate was able to contribute to party funds in addition, he was particularly welcome. His antecedents, his political convictions, if any, and his reliability were hardly considered. Where parties were fighting the election in combination, as in Madras, it was comparatively easy for each of the allied parties to select suitable candidates as the number of seats allotted to each was fixed in advance by negotiation. But the foolish idea of the Congress high command that it should contest every seat everywhere made it inevitable that the loyalties of the Congress candidates should be even less reliable than those of other political parties. Where, as a result of the election, the Congress had no majority or only small majorities, the other foolish idea of the Congress high command that it should not enter into a coalition with other parties and groups to form state governments provided further temptation for the men of weak loyalties to hold themselves in readiness to change sides according to circumstances.

Amusing Situation

It is amusing to read party leaders enthusiastically welcoming dissidents from other parties while denouncing as unprincipled and opportunist defections from their own ranks. The latest incidence of a big block of members of the Madhya Pradesh legislature breaking off from the ruling party has made these shifting loyalties one of the most important issues of current politics.

It is suggested that before a member in a legislature changes his party, he should resign his seat and fight a re-election. On the face of it, this appears to be reasonable, but even a little thinking is enough to show that this is neither practicable nor desirable. It is not necessary for a person formally to leave the party to make himself embarrassing to it. By voting against the party without leaving it, by abstention on crucial issues, he may function as an effective member of the opposition. Should he then be asked to resign? Supposing a party expels a member for indiscipline or insubordination, should his seat become vacant? If a party breaks up into two groups on issues of policy or of leadership, should all the members of the group which is numerically a minority lose their seats in the legislature?

Thus, it is clear that party loyalties cannot be enforced by this method. It is the business of the leadership of every party to see that its members find their political fulfilment within the party. Further, if members change over from one party to another on clear issues of policy, it is something to be positively welcomed. It is not only the change of popular feelings and opinion during the general election but the fluidity of political thought among the elected representatives that makes democracy a living and vital political system capable of adjusting itself to changing circumstances.

While the penalty of vacating his seat should be ruled out for the purpose of enforcing party loyalties, it does not mean that measures should not be devised to ensure that the change-over by a candidate from one party to another is not effected or recognised promptly, secretly or without public opinion being given an opportunity to bring to bear its censure or approval.

I would suggest for consideration the following procedure to be adopted after each general election. It should be obliga-

tory for every elected member to intimate in writing to the secretary of the house of legislature concerned his party affiliation. If he had been elected on a party ticket, he would be automatically enrolled as a member of that party. If a person who was not elected on the ticket of a party wants to be included in a party, it should be done only by a resolution passed at a meeting of the party concerned. It should not be open to the leader or the executive of the party to admit a new member or expel an old one.

If during a session, a member wants to leave one party and join another, he must give formal notice to both the parties and the secretary of the house. The matter should be kept pending during the session and he should be treated as an independent member for that session. If before the next session he is admitted as a member by a resolution at a meeting of the party which he seeks to join, he should be included in that party from that session. This procedure should be embodied in the rules of Parliament and state legislatures.

A more effective measure is to have a statute for registration of political parties, for formal enrolment of membership and auditing of its accounts. It can be prescribed in such a statute that no one should be given a party ticket unless he has been enrolled as a member for at least one year before the general election or a by-election in which he is a candidate. Similarly, a year's enrolment in a party may be made a condition for inclusion in the legislative wing of such party. In many countries, there are laws governing political parties which do not take away the inherent right of a citizen to join or quit any political party or to form new parties.

There have been serious allegations of direct monetary inducements in connection with these change-overs. It is not possible to ascertain the truth in such matters. But there is no doubt that the increasing expenditure on elections has been perhaps the most demoralising factor in our politics. Dona-



"To encourage our great floor-crossing programme?"

tions from companies to political parties and individuals have made it possible for large amounts to be spent on elections. Under the present Income-tax Act, no individual can afford to give large donations to political parties or individual candidates except secretly and out of unaccounted money. This may be possible for a few but most of them will be afraid of detection. Therefore, if company donations can be legally

Bell Mission Report : Ifs and Buts

From a Correspondent

THE LATEST Bell Mission report on our economic situation is a remarkable exercise in burying critical comments in a heap of encouraging observations on the efforts made to revive the economy. The doubts and misgivings of the mission, therefore, do not stand out and the summary of the report (portions of which have recently appeared in the press) does not give a clue to these. A scrutiny of the full text of the report, however, shows that the mission feels that there is still much to be desired, although its criticism of the deficiencies is often softened by a general endorsement of the new policies and measures taken by the government to deal with the problems. Unlike its previous report which found little to praise in the state of the economy, this report speaks, though with reservation, of some hopeful signs on the economic front.

Take for instance the investment programme contemplated in the fourth Plan. Can it be managed effectively by our civil servants, public sector managers, entrepreneurial groups or the farming communities? Can specific project plans be put in train and carried forward sufficiently rapidly to permit the magnitude and pattern of investment expenditure envisaged? In the mission's judgment, the answer to these questions, on the whole, is 'yes'. But it immediately qualifies this verdict by saying that it does not believe that the entire investment programme can be executed or the entire investment expenditure made by March 31, 1971. The mission argues that new programmes and new policies call for the creation of new institutions and new mechanisms, mobilisation and deployment of technical personnel, changes in procedures, co-ordination of efforts and major decisions. In the mission's judgment most of these will take more time than is allowed for in the Plan. Further, it finds serious deficiencies in the planning, organisation and conduct of many programmes and in the management of operational facilities. It has, therefore, affirmed that "weaknesses in Indian planning and management and cumbersomeness and delay in procedures and decision-making will not be eliminated overnight".

A point which the mission has stressed is that the design and construction of some essential projects cannot be handled without experienced outside assistance in the form of foreign private investment and entrepreneurship or foreign expertise. While it feels that such assistance on the required scale might be forthcoming, it has doubts about our willingness to seek and

prohibited, it will be a great step towards the purification of our political life. Though it will only be the first step, it will induce political leaders to devise other measures to reduce election expenses, select reliable candidates on the basis of their past services and principles and create an atmosphere in which shifting of political loyalties will ordinarily amount to committing political suicide.

accept the necessary outside help. Having said all this, the mission seeks to soften the criticism by saying that the "plan investment programme is not too big to be undertaken in the period", given the willingness to permit foreign private investment and collaboration, a continuation of the new willingness to relax and eliminate controls and to decentralise decision-making. In this connection, it has observed that the time-lag of six months assumed by our planners in the achievement of the output targets of the Plan is an underestimate. It considers a lag of one year as more realistic. To put it differently, the mission is of the view that given the necessary resources, the plan might be executed in the five years beginning April 1, 1967.

Importance of Fertiliser

In the agricultural sector, the mission has pointed out the danger of adverse effects on production programmes should fertiliser supplies fall short of requirements. The mission feels that the new strategy in agriculture will compel larger imports of fertilisers than have been planned at present. Specifically, in the case of nitrogen, if the consumption target is put at 7.5 million tonnes, rising from one million tonnes at the beginning of fourth Plan to 2 million tonnes by 1970-71, actual import requirements will be 3.8 million tonnes as against 2.5 million tonnes worked out by the planners. The import cost will accordingly go up from the estimated \$700 million to \$1 billion. The mission does not set much store by indigenous efforts to step up production. While it thinks that it might be possible to establish a total capacity of two million tonnes by 1970-71, it does not expect actual production to exceed 1.3 million tonnes. It has also sounded the warning that aid-givers may not regard fertilisers as a suitable object for finance or as one for which long-term credit should be provided.

As for the industrial sector, the mission has said that the programme as set forth in the Plan will need some reshaping. It feels that some of the long-gestation, heavily capital-intensive projects may not have been well-chosen or well-timed and that effective use of existing facilities and the allocation of more resources for this purpose is an imperative. Finally, the mission has urged a more careful search for comparative economic advantage and the exploitation of such advantage in the export and the domestic markets as this is desirable as well as rewarding.

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FROM THE CAPITAL'S CUPBOARD

New Cotton Policy

IT IS fairly certain that when the new cotton policy is announced in a few days, the production of the controlled varieties of cloth by mills will be pegged at a lower level than 40 per cent of the output of each mill which is the existing level. However, in order to ensure that the mills get the necessary quantities of cotton at reasonable prices for producing these varieties of cloth, a suitable levy on ginneries is likely to be imposed.

The new cotton policy will, to all intents and purposes, do away with the "ceiling" prices of cotton. The "floor" prices will be retained, but these will be suitably increased.

A further inducement to growers to increase production has become necessary as the latest estimate of the cotton crop in the current season (September, 1966—August, 1967) places it at 5.3 million bales, against 6.2 million bales initially estimated. The net availability of indigenous cotton, however, is likely to be 4.7 million bales, as Bengal Deshi, which is generally unspinnable, accounts for 0.5 million bales of the total output. With the import of 0.8 million bales that has been planned, the availability would increase to 5.5 million bales, as against the mills' requirements of six million bales (this estimate has been worked out on the basis that textile mills will continue to be closed for an extra day every alternate week).

In view of the difficult supply position it is certain that there will be no relaxation of the arrangement worked out for the closure of mills for a day at specified intervals. For the same reason the new policy will provide for the continuance of the measures already in force: control over movement of cotton through a system of permits, a ceiling on the stocks that can be held by mills and selective requisition.

As regards imports, New Delhi has received information that the US government will shortly authorise the sale of 430,000 bales of cotton under PL 480. Negotiations are also going on with the Sudan for the import of 200,000 bales from that country. Immediately, arrangements are being made for the import of half of this quantity from the Sudan. Free foreign exchange has been allocated for this purpose.

CUTBACK IN JUTE ?

The jute industry is also in the doldrums, although for different reasons. In its case, a good jute crop in the country, coupled with liberal imports of raw jute, has resulted in production exceeding demand; exports too have not shown any appreciable increase. The industry has on its hands surplus stocks which it is finding it difficult to hold any longer. It has, therefore, approached the government that it be allowed to stagger production by closing down the mills for a day every week during the next four months. A delegation of the Indian Jute Mills Association has met the Commerce Minister in this connection and the government decision on its request is imminent.

DEFICIT FINANCING IN 1966-67

What really was the extent of deficit financing in 1966-67? The Finance Ministry and the Planning Commission have widely varying estimates. There is as big a difference as Rs. 108 crores in these estimates. In his budget presented in May, Mr Morarji Desai placed deficit financing in 1966-67 at Rs. 19 crores less than the Rs. 350 crores he had estimated when he sought a vote on account from Parliament two months earlier. The Planning Commission, on the other hand, in its document

on the annual plan for 1967-68, says that actual deficit financing in the previous year was of the order of Rs. 223 crores.

While the Commission maintains that, from the totality point of view, deficit financing is equal to the net Reserve Bank credit to the central and the state governments at the end of the financial year, the Finance Ministry has based its estimate on the deficit in the central and the state budgets.

Generally, there isn't any material difference between the net Reserve Bank credit to government and the budgetary deficits at the centre and in the states. But last year, under pressure from the states to help them out of their difficult ways and means position, the centre advanced them ad hoc loans to the extent of Rs. 108 crores to enable them to clear their overdrafts with the Reserve Bank. In calculating deficit financing, the Finance Ministry has counted this amount twice over; first on account of the deficit in the state budgets and then because of the advance given by the centre. This explains the riddle of the widely divergent estimates of deficit financing, but it certainly does not do credit to the budgetary procedures of the Finance Ministry.

FAULTY PLANNING

The coal industry is a victim of faulty planning based on unrealistic projections of the growth of demand. No other industry has had its production targets so much over-pitched and none has made so much investment to reach them as it did. No sooner did it make these than it was faced with a crisis of over-

RECORDS AND STATISTICS

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production. Output at the end of the third Plan was 66.73 million tonnes, as against the target of 98.4 million tonnes. During the last two years, the planners and the ministry concerned have been trying to fix the fourth Plan target. But this has proved elusive so far. Beginning with 106 million tonnes, they came down to 99.50 million tonnes. The target has now slid further downhill to 90 million tonnes. It is an ironical commentary on the methods of planning in our country that the fourth Plan target for coal should be lower than the third Plan's.

But the remedies that are being thought of by the authorities to overcome the difficulties of the coal industry are, to say the least, queer. An official document says: "The railways have been requested to review their pattern of fuel consumption so as to slow down the programme of dieselisation. That will not only reduce dependence upon the use of imported oil, but also enable utilisation of indigenous available coals. The Fertilizer Corporation of India is studying the possibility of using coal as the feedstock for the setting up of coal-based fertilizer plants".

Having made a mess of the coal industry, the planners have now turned their eyes on the railways and the fertilizer industry. Needless to say that dieselisation contributes to the efficiency of the railways and naphtha rather than coal is more economical in the production of fertilizers.

BELL MISSION ON FOURTH PLAN

Talking of over-pitched targets set by our planners, the following excerpt from the Bell Mission's report on the economic situation in our country needs to be quoted in substantiation:

"We have estimated roughly that, taking the investment performance as a whole, not more than one-third of the projected investment expenditure will yield any product during the fourth Plan period itself, although such investment is essen-

tial for continuing growth in subsequent periods. In the case of the public sector industrial programme, about one-fifth of the projected expenditure in the fourth Plan is for completing projects underway and altogether one-third of the total expenditure will result in output at some point of time within the period. It is the effectiveness with which existing capacity is used and the way in which current resources are deployed that will determine the levels of output and income in the fourth Plan".

SMALL CAR

The latest thinking in the Ministry of Industrial Development on the small car project is that it should be taken up as a joint venture with Yugoslavia and the United Arab Republic within the framework of the Tripartite Economic Co-operation Agreement between India and these countries. The ambassadors of Yugoslavia and the UAR are understood to have been sounded on this proposal. The ministry feels that the small car project, if undertaken on this basis, will be economical.

Probably another reason for the ministry turning its attention to this alternative is that it finds most of the proposals received from private parties (there are in all 17) for the manufacture of small car either unworkable or amateurish. For instance, the only qualification of one of the applicants is that in his spare time he had reconditioned a damaged car by utilising entirely indigenous components. Some of the applicants have a grandiose concept of a small car; the prices quoted by them are well over Rs 10,000 per car. From a perusal of the preliminary details sent by the applicants, the estimates of foreign exchange requirements for the project widely vary—from Rs 200 per car to Rs 16 crores per annum. The estimates of total investment (including foreign exchange) in the project are also widely divergent, ranging from a little over one crore of rupees to Rs 55 crores. However, all these parties have been asked to submit fuller details of their proposals to the ministry by the end of August.

FROM THE PRESS GALLERY

Capital Gains: Exemption Limit Raised

Our Parliamentary Correspondent

NEW DELHI: Monday.

THE PARLIAMENT this week approved the central budget for the current financial year and thus completed the main task for which it had assembled for the current marathon session in May last.

Most of the concessions announced by the Deputy Prime Minister and Minister for Finance, Mr Morarji Desai, in his budget proposals last week were welcomed by members. But several members, both from the treasury and the opposition benches, severely criticised the excise levies affecting power-looms and footwear. The concessions announced in regard to these two industries, it was felt, were not adequate. There was also a good deal of criticism of the Finance Minister not yielding any ground in respect to the increases in the duties on tea and coffee. The dependence on indirect taxation for raising government revenues was deprecated; indirect taxes, it was pointed out, were responsible for the rise in prices to no small extent. Some communist members suggested that all incomes above one lakh of rupees a year should be mopped up by the government with a view to obviating additions to unaccounted money and concentration of wealth. Several others urged raising of the income-tax exemption limit. Mr N. Dandekar (Swat.) wanted the exemption limit for capital gains to be raised by 10 per cent in the case of all assesseees, including companies. He also pleaded for the removal of all surcharges on taxes.

Some members, particularly from the Swatantra group, clamoured for the revival of the tax concessions on exports which had been abolished at the time of devaluation. Mr Lobo Prabhu opined that the rupee should be revalued. Quite a few members expressed themselves in favour of the abolition of the annuity deposit scheme.

Tardy Progress

The tardy pace of progress, specially in the last two years, came in for a good deal of criticism, particularly in the Upper House. There was a general clamour for making concerted efforts to revive the economy. The champions of the labour cause expressed concern over the talk of wage-freeze even in official circles. They argued that until and unless inflationary tendencies in the economy were checked effectively, there was no case for freezing wages. The growing threat from China and Pakistan to our borders was referred to by many a member who pleaded for strengthening the defences of the country even by stepping up the defence budget. Emphasis continued to be laid on raising agricultural output. So also on reduction of administrative expenditure.

Mr Desai reiterated that there would be no deficit financing during the current year. He wondered how some members could demand a reduction in indirect taxes and in the same breath ask for the raising of the exemption limit for income-tax. Mr Desai felt that contrary to the plea of members to raise the income-tax exemption limit, there was a strong case for lowering it so that more persons could be brought within the ambit of direct taxes. At present, he pointed out, there were only 2.6 million income-tax assesseees in the country. Unless this figure went up considerably, say to 26 million, it was unlikely that there would be an appreciable impact on the direct-indirect tax ratio. Mr Desai did not agree to the suggestion of the communist member that all incomes above one lakh of rupees a year should be mopped up by the government. He pointed out that such a step would act as a disincentive to production. Even as it was 92 per cent of the incomes above

one lakh of rupees was taken away by the government in the form of tax.

Mr Desai had a dig at the communist members when he referred to their criticism of indirect taxation. He pointed out that in all socialist countries the main source of revenue was indirect taxation. The communists, he observed, should not have a double standard—one for the fatherland and the other for the motherland. Referring to the opposition's demand for a drastic cut in administrative expenditure, Mr Desai suggested that the opposition parties should try to set an example in this regard in the states where they were running the administration.

Mr Desai stuck to his modified excise levies. In regard to the duty on footwear, he pointed out that nearly 87 per cent of the country's production of footwear had been exempted by him from the proposed levy. He did not agree with the criticism that the increases in the excise levies on coffee and tea would not curb consumption in the country. Mr Desai rejected the suggestion for the revaluation of the rupee, pointing out that no revaluation could be done without the consent of the International Monetary Fund. The Finance Minister also did not agree to the re-introduction of tax concessions for export which had been stopped when the rupee was devalued last year. Some of these export incentives, he observed, were responsible for devaluation. "I do not want any further devaluation", he declared.

Annuity Deposit Scheme

In regard to the annuity deposit scheme, Mr Desai observed that he was not particularly enamoured of it. He revealed that he was considering what to do with it. But the decision on it, he said, would be announced only in the next budget when the measures he was considering for further simplifying the tax structure would also be given effect to. Mr Desai also indicated that a new gold control act would be enacted in due course since the present act would lapse with the repeal of the Defence of India Act. The new act, Mr Desai stated, would have 14-carat gold as the basis. He felt that there was need for educating people to give up the lure of gold in course of time.

Despite sticking to his proposals regarding the modified excise duties, the Finance Minister, however, partially accepted Mr Dandekar's proposal in respect of the capital gains tax. He agreed to grant five per cent relief in the long-term capital gains, exceeding Rs 5,000, in the case of assesseees other than companies. A few other minor amendments proposed by Mr Dandekar were also accepted by the Finance Minister. Mr Desai, however, rejected Mr Dandekar's plea for the removal of surcharges on taxes. The Finance Minister conceded that double tax was collected in some cases. But that, he observed, was unavoidable. The government's aim, Mr Desai pointed out, was to prevent concentration of wealth and for that purpose taxes had to be imposed at various levels.

The Minister of State for Finance, Mr K. C. Pant, who replied to the Rajya Sabha debate on the Appropriation Bill, detailed the steps that were being taken by the government to stimulate production and to fight the present economic "slump". The three-point programme he enunciated in this connection, however, did not go beyond what the Deputy Prime Minister had said last week in the Lower House. Mr Pant pointed out that a genuine industrial revival would, however, have to await a good crop. Referring to the current year's plan, Mr Pant stressed that the government had to give high priority, in the

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existing conditions, to curbing the price rise than to increasing the developmental outlay. In regard to wage-freeze, he assured the House that the government had an open mind on the issue and would communicate a decision on it to the Parliament as soon as it was reached.

Mr Pant dwelt at length on the agitation of the employees of the Life Insurance Corporation against automation. He assured the House that there would be no retrenchment, no transfer and no loss of remuneration to employees. Computerisation, he observed, would reduce the number of jobs in the LIC by 158 over a period of three years, but during the same period 1,500 new jobs would be created in the normal course. Automation, he felt, might result in expansion of LIC's business. The fear of retrenchment, therefore, was unwarranted.

Among the important reports and documents presented to the Parliament this week were the Estimates Committee's report on industrial licensing and the Plan for the current financial year. In its report on industrial licensing, the Estimates Committee observed that a crucial stage had been reached in the industrialisation of the country and if the slogan of self-reliance had to be given a content and a meaning, it was imperative that the strategy of industrialisation should be reviewed pragmatically by an expert body. The committee has suggested that the government should appoint an industries commission, with representatives drawn from industry, trade, commerce, public sector, financial institutions and economists who should have intimate knowledge of the industrial development in the country. The committee has emphasised that the commission should examine the extent to which the Industrial Policy Resolution and the Industries (Development and Regulation) Act, 1951, have been helpful or otherwise in developing and regulating the setting up of industries on the desired lines. In the light of their findings they may also indicate broadly the strategy to be followed for bringing about self-reliance in industry at the earliest, keeping in view the resources of the country and the aspirations of the people.

The annual Plan 1967-68 envisages a total outlay of Rs 2,246 crores—Rs 25 crores more than the last year's estimated expenditure.

The details of the Plan and the Estimates Committee's report on industrial licensing are given in the Records and Statistics section in this issue.

Question Hour

Copyright Laws: The Minister of State for Education, Prof. Sher Singh, told the Rajya Sabha on July 28 that the government proposed to take up an ambitious programme for reprinting and translating books on science and other subjects from abroad following the decision to have Indian languages as media of instruction for higher education. Prof. Sher Singh disclosed that the proposals of the Indian delegation at the Berne Convention on Copyright Laws had been largely accepted in the adoption of the protocol for developing countries. With the adoption of the protocol on reprint, reproduction and translation rights, translation and adaptation of foreign books could be taken up immediately after the publication of a book. Under the translation programme for switch-over to Indian languages as media of instruction, the Minister said, the UGC would select the textbooks and other books for translation in consultation with universities. There would be a co-ordinating committee for each of the linguistic groups to select the books and get them translated.

Price Policy: The Minister of State for Finance, Mr K. C. Pant, told the Lok Sabha on July 27 that the government's price policy aimed at achieving an appropriate balance between the prices of agricultural and industrial products, consistent with the investment involved, the requirements of the economy and the need to provide adequate incentives to producers and reasonable prices for consumers. Another aim of

the policy was to reduce the wide fluctuations in the prices of agricultural commodities arising as a result of large fluctuations in their output.

Family Planning: The Minister for Health and Family Planning, Dr S. Chandrasekhar, told the Rajya Sabha on July 26 that the government had not yet arrived at any decision on compulsory sterilisation of men and women who had three or more children. The Maharashtra government, he said, had, of course, approved a proposal for compulsory sterilisation of parents who had three or more children and had forwarded this recommendation to the central government. Dr Chandrasekhar also informed the House that the Indian Council of Medical Research was making pilot clinical trials of an intra-uterine device from Denmark which was regarded as more effective than the loop device in use in India at present. The Danish government had gifted 10,000 antigonadotropin IUD sets to the ICMR for trial. With the Danish intra-uterine device the rate of retention and the prevention of conception was higher than in the case of Dr Lippes' loop. Bleeding and backache were also reported to be considerably less in the case of the Danish device. Dr Chandrasekhar also disclosed that a gift of oral contraceptives worth two million dollars was expected from the US Agency for International Development.

Madras Surgicals: The Minister of State for Petroleum and Chemicals, Mr K. Raghuramaiah, disclosed in the Rajya Sabha on July 26 that the surgical factory near Madras had "accumulation of large stocks" because production had been undertaken strictly as per the plant's capacity and without regard to the actual demand in the country for different types of instruments. He denied that the accumulation was due to recession in demand. The factory, which had 280,000 unsold pieces, was now carrying out a market survey to determine what types and numbers of instruments out of those originally planned should be produced and what new types of instruments should be developed.

Food Imports: The Minister of State for Food and Agriculture, Mr A. P. Shinde, told the Lok Sabha on July 25 that the cost and freight of imported grains during the five months after devaluation had gone up by Rs 100 crores, compared to the cost and freight in the five months before devaluation. While the total figure for the five months before devaluation was Rs 159.73 crores, it rose to Rs 260.14 crores during the five months after devaluation. Part of the increase in the food import bill after devaluation, Mr Shinde observed, was also due to increase in international price and a marginal increase in the quantity imported. Total food imports this year, Mr Shinde disclosed, were likely to be 9.5 million tonnes, as against 10.4 million tonnes last year.

Correction

In the article "Indian Investment Centre: An Evaluation", by Dr Ashok Kapoor (Assistant Professor, Graduate School of Business Administration, New York University) and Robert N. Tadross, published in our issue of July 28, 1967, the first two sentences of the para below Table IX on page 161 should read as follows: "With reference to the influence of the perceived affiliation on information bias, 12 of the 26 (46 per cent) respondents to the question indicated that the affiliation did bias information". The reference to Table XI in the first sentence of this para was erroneous.

On page 157, in Table II, column 8, under "No.", the figure "10" appearing against "About prospective Indian partners" should be read against "No difficulty in gathering information". In the last column of this table, showing percentages, the figure "15" should be read against "About prospective Indian partners" and not against "Raw materials". Against "Raw materials" the percentage figure should be 26.

The errors are regretted.

WINDOW ON THE WORLD

Economic Re-appraisals in the UK

JOSSLEYN HENNESSY

THE BACKGROUND

LONDON:

IF THE Tories lost the general elections of 1964 and 1965 because they appeared to the electors to be bankrupt of new ideas and alternately bogged down in a deflationary "Stop" or an inflationary "Go", the Labour government now appears to have stumbled into the same swamp. The Tories, for their part, now seem to be feeling their way towards a modern re-statement of their principles.

If we are to speculate usefully about the possible outcome of the present economic deadlock in the UK, we must glance back to see how it came about.

While in opposition, the Labour party proclaimed itself the party of high economic growth. Why, then, did it abandon this principle virtually overnight when it took office?

For whatever reasons, Mr Harold Wilson created an atmosphere of economic crisis in October, 1964. It is true that the Tory Chancellor, Mr Reginald Maudling, had warned the country that a substantial deficit in the balance of payments lay ahead, but he was taking the risks involved with his eyes open. His plan was to borrow enough from the Group of Ten to tide over the problems created by mounting imports until new levels of domestic production had been achieved, which would enable exports to rise and the borrowings then to be repaid from an expanding economy. We shall not know until the archives are opened and the spate of self-justificatory political autobiographies begins some years hence why Mr Wilson did not attempt to continue the Maudling policy which might well have paid off. It is true that foreign creditors would have been less inclined to lend to a Labour government, but had Labour pursued prudent policies, foreigners might have given it the benefit of the doubt. Mr Wilson, having denounced Mr Maudling's policy as a rake's progress on the road to ruin, cannot revive it today without reviving the alarm and despondency among foreign creditors which his previous declarations created. As the "Observer", a paper sympathetic to the Labour government, said recently, "After all, the international bankers have Wilson's own word for it that this way lies national bankruptcy!"

Expenditure on Social Services

Alternatively, the government could have devalued the sterling and imposed import controls. Instead, they wrung their hands in public, explaining to the world what a frightful mess they had inherited from the Tories. Yet at the very same time the government raised expenditure on the social services! When all this caused a flight from sterling, it went back to Mr Selwyn Lloyd's deflationary "Stop" on a scale that not even he attempted.

On July 20, 1966, Mr Wilson announced tax increases, a wage freeze and cuts in government investment, killing any lingering ideas that Labour knew the secret of stable economic growth and bewildering those who had voted on the strength of the slogan "Let's go with Labour!"

There has followed a year of stagnation, with unemployment up to 2.6 per cent and likely to rise still further in the coming winter. What to do next? The government seems to have no idea at all. Mr Wilson has pegged his hopes on get-

ting the UK into the European Economic Community, but although I have always been a strong advocate of UK membership, I have never suggested that membership would be an automatic panacea for all the economic troubles of the UK. The basic argument in favour of joining the EEC is that it will return the UK to the seat of political power in Europe. The economic benefits of access to a mass market should, of course, be vitalising, but they are long-term. In the short term, competition from European exports could create serious difficulties for British industry.

The Labour government's economic strategy makes the possibilities of achieving a reasonable growth rate in the rest of this decade look dim. Autumn is the time in which seasonal pressures pile up against sterling, and in order to re-assure its foreign creditors, the government will have to keep a sharp curb on the economy. Unemployment could rise above 750,000. None of the economic research institutions holds out hope that the Chancellor will obtain the balance of payments surplus that he forecast for 1967. The underlying trend of exports shows no signs of real improvement.

The Worst Quarter

At this point the government may find some consolation in the first issue of a new OECD publication "The OECD Economic Outlook", from which it could argue that none of this is its fault. The "OECD Economic Outlook" reveals that this was the worst quarter for economic growth in the OECD's history. For the first time, output was falling or stagnant simultaneously in the United States, West Germany, and the UK, the OECD's three major industrialised countries. West Germany and France have both been piling up export surpluses and refraining from buying UK's exports. Neither can the Israeli-Egyptian and Middle East crisis, which adds to the UK's economic difficulties, be blamed on the Labour government. All this is true, but, first, the UK has benefited from a change in the terms of trade in its favour which has brought it a windfall of some £300 million a year since Labour took office. Secondly, it is by no means certain that we shall be able wholeheartedly to exploit the recovery that the "OECD Economic Outlook" now predicts, because the wage freeze has merely bottled up wage demands and an explosion in the months ahead would hardly come as a surprise. The OECD bases its prediction on the assumption that expansion resumes in the US and levels out in West Germany, even though it expects unemployment to continue to rise there. The OECD relies on the reversal of the adverse stock cycle of recent months, on rising American defence expenditure, and deflationary measures in West Germany, but it takes care to point out that timing of these possibilities is uncertain. The West German economy is not responding as yet to reflation and there are signs that the expansion in France may be slowing down.

II

LISTLESS ENTREPRENEURS

The UK government is making strenuous efforts to re-train and redeploy industrial labour, to reorientate lagging development regions and to encourage mergers among smaller firms as well as among technologically advanced industries, in hopes that larger-scaled units will compete more effectively in world markets. These are praiseworthy objectives. The trouble is that they are being imposed from above. In an economy in which the government enforces competitive conditions, such structural reforms occur spontaneously and growth follows. But who wants to invest and to modernise with direct taxation

at its present levels and in a stagnant economy? Labour spokesmen constantly seek to rebut the argument that high taxes reduce incentives by saying that there is no evidence that high taxes cause entrepreneurs to work less hard. Proclaiming an optimistic faith in humanity, they say that the average man is too interested in his job to slack on it. Stated in these terms, there is some truth in the argument. But the real damage that high taxes cause is to reduce incentives to take risks and to expand. Entrepreneurs are ready to work hard at their existing tasks, but why should they launch out into the risks of innovation if the tax gatherer is to snaffle all possible additional profits? When Mr Selwyn Lloyd was imposing the same restrictions that Mr Callaghan is enforcing, Labour politicians were the first to point out that growth depends on confidence in future expansion. "Let's go with Labour!" The whole point of Mr George Brown's Department of Economic Affairs and of the (now abandoned) National Plan was to persuade entrepreneurs that they could invest safely in the knowledge that a Labour government would not suddenly clamp down a "Stop" and a freeze.

But, in spite of repeated attempts, at vast expense, to make the incentives for investment more attractive, managements have unrepentantly cut their investment budgets. Manufacturing industry expects to invest about eight or nine per cent less this year than in 1966, while distributive and other service trades, more important than some policy-makers seem to think, show the same pattern.

The truth, as the "Times" wrote, is that the first consideration by boards of directors in vetting investment proposals is: will profits rise sufficiently to pay for the investment? Grants may influence the decision, though even in this, the evidence is sketchy. Directors rely chiefly on their instinctive judgment of the future market. If the general atmosphere for making profits is wrong, the pruning knife comes out rather than any increase in investment. Industrialists have been disappointed by too many crises to put much weight on the exhortations and the promises of ministers.

Key to Recovery

So, the key to a recovery in investment depends largely on the confidence of industry. The latest CGI Industrial Trends Survey gives a picture of general recession and businesses are less optimistic about the future than they were four months previously.

What is wanted, therefore, is an agonising re-appraisal of government policy. Instead, ministers are bickering over the proposed cuts in the social services. Extra money for the social services can, however, only be found in a growing, not a stagnant, economy.

Only one member of the Labour party, Mr Douglas Houghton, who resigned from the government in January and who is now the Chairman of the Parliamentary Labour Party, has publicly aligned himself with the growing band of economists and other authorities who are pleading against the wastefulness and inefficiency of the present universal flat rate benefits, whereby a poverty stricken parent or pensioner in dire need receives the same allowance as a wealthy parent or pensioner. Everyone agrees that there are about a million persons below a tolerable subsistence level. The reformers wish benefits to be raised for these. The snag is the emotional resistance to a "means test". But why the filling in of an income-tax return should be objectionable no one has explained. The reformers wish to collect payments for the use of the social services from those who can afford them. The Institute of Economic Affairs has carried out two public opinion polls which revealed that substantial numbers of people—probably as many as one-third of the population—would be prepared to pay for better health or educational services but not to provide more taxes that

bear no relation to the social services they receive. Amongst the advantages of such an innovation would be (a) to raise the quality of the social services by encouraging beneficiaries to shop around for the best and (b) to encourage expenditure on private insurance and education, which would relieve state expenditure.

The Labour party is, however, too committed to egalitarianism (that experience is proving every day more sterile) to be likely to look at these possibilities.

III TORY ALTERNATIVES

In these circumstances, the speech made on July 8 by Mr Edward Heath, the Tory Opposition Leader, has aroused widespread debate. Mr Heath was in line with many economic and other reformers when he said that the British system needed to be overhauled. Marginal rates should be lowered, all direct taxes reduced, and indirect taxes increased. Incomes would be taxed less, consumption taxed more, and so more savings would be available to swell investment.

The UK needs to switch at least five to 10 per cent of GNP away from consumption and out of government expenditure into both exports and productive industrial investment. Mr Callaghan immediately attacked Mr Heath's proposals for cuts in direct and increases in indirect taxes as "hitting the many to favour the few". Economic history is against Mr Callaghan. Growth industries and expanding make both the few and the many richer. Firms in expanding markets push up wages by competing with each other for labour, and, with rising profits, they can afford rising wages. They can also afford rising dividends, without which there can be no rising investment. Who wants to invest in stagnant firms?

Mr Heath said that the Tories would cut wasteful government expenditure. The burden of the ever-increasing bureaucracy hampers industry and weighs on the taxpayer. Although Mr Heath did not mention it, it is certain that by applying modern management techniques, including automation and computerisation, to government administration, substantial economies in money and manpower could be achieved. To cite but one example, a computerised medical centre, linked to hospitals, and eventually to general practitioners, could revolutionise the accuracy, time consumed and costs of diagnosis and prescription.

Mr Heath also proposed to curb the anti-productive activities of some trades unions. The British union structure impedes sensible productivity bargains. Unions organised in obsolescent crafts cannot negotiate detailed productivity agreements adapted to the differing conditions of each factory. Where there are 10 factories, all producing different goods in different ways, and only 10 unions, you need only 10 productivity agreements. But if each factory employs workers belonging to 10 different unions, you need 100 different agreements. Today there is no legal means of enforcing a productivity bargain, which can be ignored the day after it is signed. Mr Heath proposed that contractual obligations, freely negotiated, should be enforced by law. Mr Heath insisted on the need to put all the nationalised industries on an efficient commercial, profit-making basis. This means, if the Tories were to follow West Germany's precedent, that nationalised enterprises would have to raise capital by borrowing in the market at commercial rates, it would in itself be a powerful insurance against the misallocation of scarce capital.

Since the Labour government rejects these alternatives, there has been increasing speculation in the press about the possibilities of devaluation (which the government also rejects). The number of influential voices which now advocate devaluation as the only way to square the circle, include the "Ob-

server", Nigel Lawson, editor of the "Spectator", Sam Brittan of the "Financial Times", and Professor Alan Day of the London School of Economics. Even the National Institute of Social and Economic Research has periodically hinted at it.

The "Observer" concedes that there are obvious difficulties in devaluation. It might let loose competitive devaluation by other countries. Prices of British imports would rise. But, against this, the "Observer" maintains that the economy would be able to start expanding once again. With British goods competitively priced, we could have the export-led boom, which Mr Harold Wilson has been seeing in his crystal ball. The events of the past 12 months mean, in the "Observer's" view, that the government is left with only one alternative to devaluation (as Richard Crossman blurted out recently with his usual candour) if things go wrong: another compulsory freeze or even more unemployment by a savage round of deflation. If ministers continue to reject the arguments for a change in the exchange rate, it is for them, says the "Observer", to show that they can bring about the boost to our economic health which devaluation or a floating pound would produce.

Devaluation Solves Nothing

Against the "Observer" and the several other authorities who agree with it, I argue that devaluation by itself solves nothing. Assuming that other countries meekly accept a British devaluation and refrain from following suit—an optimistic assumption—devaluation would offer the UK a breathing space in which to overhaul her economy. If reforms, such as those advocated by Mr Heath, were not introduced, prices would eventually rise to the point when the benefits of the devaluation would be eliminated. Further, although there are exceptions, it is broadly true today that UK export prices are pretty competitive. The weak points are not so much prices as uncertain delivery dates; hold-ups due to strikes; sometimes inadequate after-sales service; and last, but not least, lack of aggressive enterprise in seeking out new markets. The cures for these lie in creating truly competitive

Oil Crisis Deepens in W. Europe

E. B. BROOK

VIENNA:

AMONG ITS many preoccupations, a principal concern of Europe at present is oil. Britain is probably the country most affected by the Arab embargo since it is a specific target of the embargo and further because it has no possibility of oil supply by pipeline. Compared to Britain, the principal parts of both western and eastern Europe, are being increasingly supplied from a growing network of pipelines.

In pipeline development east Europe has a large basic advantage in that the oil flowing through its pipelines comes from its own oilfields in Russia and Siberia. Further, Rumania has its own deposits and Czechoslovakia has part of a small oilfield centred round Bratislava.

West Europe, on the other hand, has only some very small oilfields in Austria, near Vienna, and in West Germany. For the most part west Europe depends for its oil on the US and Venezuela, on North Africa, Libya, Egypt, Saudi Arabia, Iraq, Gulf shiekdoms, Iran and Nigeria. With the important exceptions of Iran, the US and Venezuela, supplies from these sources are now either totally or partly cut off and look like remaining so for some time to come. All the Iranian oil, also, must now be transported by the long haul round the Cape of Good Hope.

Had the Arab states not energetically and successfully protested against Soviet sales of oil to west Europe, the USSR would by now have been making a pretty packet out of oil sales here. As it is, the Soviet Union and several other east European states are making some hay out of the tanker boom

conditions in the economy, forcing entrepreneurs to work hard for profits, allowing them to keep the profits when made, and enabling good wages to be paid to a contented labour force in an expanding economy.

One of Labour's stock comments on this argument is that whether or not competition existed in the 19th century, today the giant size of modern enterprises has virtually eliminated it. Secondly, investments at stake are now so vast that no government can afford to risk unemployment by allowing the forces of the market to bankrupt an obsolescent industry. In reply, I concede that giant corporations may be in a position to form market sharing agreements and to use other devices to minimise competition. But that does not justify such practices. It is for the government to fight them. As to avoiding unemployment by bolstering obsolescent industries "in the national interest", the longer that a government persists in so doing the faster is it moving towards a stagnant economy. If millions had not been poured into defensive investment in British textiles, railways, ship-building, coal, etc., we should not be saddled with these low-profit or loss-making industries. Since nationalisation, the railways alone have lost over £1,300,000. In a few weeks, the government is to issue some £660,000,000 of government stock in compensation to shareholders of the newly nationalised steel companies. Apart from the incredible waste of resources at such a moment in the economic history of the UK, the issue of stock on this scale cannot fail to make it more difficult for the government to borrow for other purposes; it will mean either higher interest rates or raising additional money by higher taxes. Moreover, this sum of £660,000,000 is not being used to modernise the industry, but merely to acquire existing assets. The mind boggles at any attempt to explain such folly. If these industries had had to raise their finance on the market, they would have been cut down to their realistic economic size, and vast resources of capital and labour could have been redeployed into growth industries.

caused by the Arab oil embargo. The Russians have chartered nearly 50,000 tons of tanker space to Japan to lift oil from the Persian Gulf at more than double the peacetime freight rate. Rumanian and Bulgarian vessels have also been hired privately at substantial figures.

Already petrol prices have risen in almost every west European country. Other than in Britain the principal cause of increased oil and petrol prices is not so much the possibility of shortage—almost all importing countries still have reserves of crude in their refineries up to their legal limits—as the increased cost of tanker rentals.

Even with a tremendously increased renting of tankers the flow of oil into European terminals, with the exception of the French oil depots which continue to receive oil freely on the short haul across the Mediterranean and Gulf of Lyons from North Africa, is falling rapidly. Italy's oil imports have dropped precipitately—by 45 per cent in Genoa and by 60 per cent in Naples—and north European importers are slowly becoming more dependent on the US.

West Germany, which was depending this year for nearly 62 million tons of its nearly 80 million tons total requirement of crude oil on the Middle East, is seriously affected by the Arab shut down. When the Arab oil embargo was announced, West Germany had a 60-day oil supply on hand, which means that she has another four or five weeks before an immediate emergency there is possible.

Even this may be avoided if West Germany, whose imports are already under boycott in Iraq, manages to persuade

the Arabs that it is not blindly following the Anglo-American line. The close support given by Bonn to President de Gaulle's overall European policies and the marked revival of vigour in the Franco-German alliance during Gen. de Gaulle's recent visit to Bonn is explained partly by Bonn's necessity to show independence and even some defiance of Washington whenever possible in order to obtain better consideration from its principal oil sources overseas.

But even though the Arab countries may keep their supplies open to West Germany, many German industrialists fear that a prolongation of the crisis in the Middle East and continuation of the embargo on deliveries may mean that she will not get all the supplies expected from this area. West Germany would then be dependent on the US to help it organise supplies from other sources which would undoubtedly mean higher prices. With German industry passing through its first serious recession in post-war history, such a heavy extra overhead would be burdensome, restrictive and resented. One of the many side effects of the Middle East conflict is the German resentment of foreign, principally American, penetration of its own oil industry and market and especially of the aggressive tactics of the international oil companies on the German market in recent years.

While France, West Germany and Turkey abstain in the OECD from declaring the existence of an oil emergency or even an oil problem, the US is anxious that such a declaration be made so that it may be able to assume the functions of an emergency oil supplier. Until this is done, the official US restrictions on oil production and on oil cartel prices cannot be lifted. The US Interior Department has warned both a Congress sub-committee and the Office of Emergency Planning that early in August a critical oil supply and transport problem will have arrived incapable of solution by the individual efforts of oil companies.

Co-operative Action

Oil deliveries to Europe are assessed to be less than 30 per cent of normal. The US plan urges co-operative action among oil companies, both in production and movement of tankers, to ensure an adequate flow of oil—principally American and Venezuelan—to Europe, whose increasing consumption of oil and petrol intensifies the current problem. This increasingly heavy European consumption of oil helps to account for the heavy increase in world production noted last year—1,632 million tons as against 1,503 million tons in 1965. This increase of 129 million tons (of which an extra 49 million tons came from the Middle East) was the highest in the history of the industry.

Under the US plan the American oil companies would be permitted to pool their production and shipping and to divert oil supplies to Europe without laying themselves open to anti-trust prosecution. Although the US Interior Department has approved the idea, it still has to pass the Office of Emergency Planning, the Justice Department and the Federal Trade Commission. It is a scheme over which the continental section of the projected European recipients are most unenthusiastic and to which both France and West Germany are opposed. The Arabs have the western world neatly divided on this issue.

Immediate problems apart, the growing shortage in oil supply is having two significant effects. There is now more purpose behind the drive in Europe and in the US to discover or develop alternative sources of energy. If the crisis lasts, it may prove a spur to develop nuclear energy as a commercial motive power.

Even more intense is the drive to find new and to expand the existing oil sources on the American and European continents. In Europe, where the west is comparatively poorly off for domestic oil, there may develop an increasing willingness to accept piped oil and gas from eastern Europe. In the US, the Oil Shale Corporation has begun constructing the first commercial plant to exploit shale oil resources which are believed to exceed the oil reserves of the entire Middle East; in Canada, Sun Oil is increasing its efforts to extract oil from

the tar sands of northern Alberta. Small Canadian oilfields, hitherto almost ignored, have been given an enormous fillip and prospects are being discussed for piping Canadian oil through new, large-diameter lines into the US.

The crisis is even more likely to alter the general pattern of carrying oil from the Middle East and Iran. The smaller carrier may now be having its last heyday. Even now, although there has been hectic chartering of laid-up tramp tanker tonnage from Norwegian, Greek, Italian, Panamanian and Liberian flag sources, there were still, at the beginning of July, 31 oil tankers, totalling 313,368 gross tons, laid up.

The tendency is towards the bigger tanker—125,000 tons and more. The pattern for the future appears to have been indicated by Gulf Oil which imports fuel for continental Europe in 300,000-ton tankers to the huge terminal at Bantry Bay in Ireland from where it is re-shipped to European refineries in 100,000-tonners.

The long haul in future appears to lie with the big vessels, tankers of between 175,000 and 300,000 tons. Some sources suggest that 450,000-ton tankers will eventually prove to be the most economic unit.

All this development automatically cuts out the Suez Canal which has a tolerance only for tankers of 110,000 tons laden and of 200,000 tons in ballast.

This development of size for economy in oil shipping and the fact that the Suez Canal, despite all national and international guarantees, can be put out of action almost instantly at political will, suggests that the canal's future will lie in dry cargo carriage. Since customer demand for dry, and sometimes perishable goods would never justify their carriage in very large vessels, lower transport costs are essential. For this reason, the canal will still, despite its political vulnerability, be attractive for most commercial voyages from Europe to the Far East and Australasia and vice versa. But for the valuable oil traffic, it is increasingly evident that the canal has, for the most part, had its day.



The moving finger writes

I GREATLY enjoyed the way Mr Y. B. Chavan took to pieces Mr Bhupesh Gupta in the Rajya Sabha on Wednesday last week. In an over-zealous attempt to prove that the central government's ban on the possession of bows and arrows in the Naxalbari area was an unwarranted interference with the functioning of the West Bengal government, having for its motive the discrediting of the United Front ministry in that state, the communist group leader committed himself to assertions and arguments so difficult to sustain that he found himself completely at the mercy of his very clear-headed and quick-witted opponent from the treasury benches.

To Mr Gupta's allegation that the West Bengal Chief Minister's concurrence in the issue of the central government's notification was merely nominal since Mr Ajoy Mukherjee had been faced with a 'fait accompli', the Home Minister responded with the simple but devastating refutation that whereas the ban had been promulgated on July 10, he had discussed the matter with the West Bengal Chief Minister two days earlier and secured his agreement. Caught on the wrong foot thus, Mr Gupta (with whom comment is licence even as facts are never sacred) went so far as to suggest that Mr Ajoy Mukherjee, whom he described rather patronisingly as a good man but not the equal of Mr Chavan in cleverness, had apparently not understood what it was all about and had, in fact, been tricked or trapped into giving his approval to the central government issuing the notification. Mr Gupta evidently did not quite realise the implications of what he was saying, but Mr Chavan certainly was not the man to let him get away with it. The Home Minister promptly took him to task for casting reflections on the ability or competence of the Chief Minister of West Bengal and even the agile Mr Bhupesh Gupta found himself well and truly cornered and, shout or struggle as he might, he could not extricate himself from the invidious predicament in which the Home Minister's debating skill, aided by his own indiscretions, had placed him.

Mr Chavan, in fact, showed himself a master of repartee on this occasion. Twitted by Mr Gupta with his Royist past and the Marxist leanings of his earlier years, the Home Minister countered by declaring that if one were not a Marxist before one was 30, there was something wrong with one's mind (he meant, perhaps, one's heart), but if one continued to be a Marxist after one was 30, something had gone wrong indeed with his head. Mr Bhupesh Gupta could not, of course, claim that he was still under 30.

Although these exchanges, despite the sharpness of the attack and the counter-attack, were good-humoured for the most part, it could be seen that Mr Chavan was rather upset by Mr Gupta's remark at one stage that the Home Minister was indeed a clever man since he had managed to oust Mr Morarji Desai from the chief ministership of the former Bombay state and had obviously not exhausted his ambitions yet. Reacting rather sharply, Mr Chavan left the communist group leader in no doubt that he did not care greatly for Mr Gupta's particular parliamentary style which permitted the light-hearted casting of personal aspersions. It is not often that the ebullient and irrepressible leader of the communist group in the Rajya Sabha is properly rebuked and effectively put in his place and the fact that Mr Chavan managed to do both with such economy of time and speech was impressive evidence of his fast-growing stature in government and Parliament. The Home Minister indeed is a very self-confident man these days, which makes it quite legitimate for observers and students of public affairs to speculate about his future without necessarily attri-

buting to him the quality of ambition in the sense of mere personal aggrandisement.

* *

The 'Statesman' deserves credit for clearing up a minor mystery. When Mr Morarji Desai made his now celebrated remark that what the economy was suffering from was not a recession but a slump, the more earnest among us might have searched for an economic textbook while others probably simply went to the nearest dictionary of the English language. Not that these efforts had been of much use for, whether one looked at the simple meaning of the terms which the Finance Minister used or pondered their economic significance, one only got perplexed rather than enlightened. The 'Statesman' has now come nobly to the rescue of this confused crowd. It has rightly pointed out that, if the Finance Minister's observation at Hyderabad is interpreted in the light of his speech in the Lok Sabha moving the Finance Bill, the inference could be drawn that when Mr Desai said "slump" he actually meant "slack". This must absolve the Finance Minister's technical advisers of the charge of unwise; what apparently was at fault was only Mr Desai's use of the English language. This however may be dismissed as a venial sin. After all it is well known that Mr Desai considers English dispensable in education or administration.

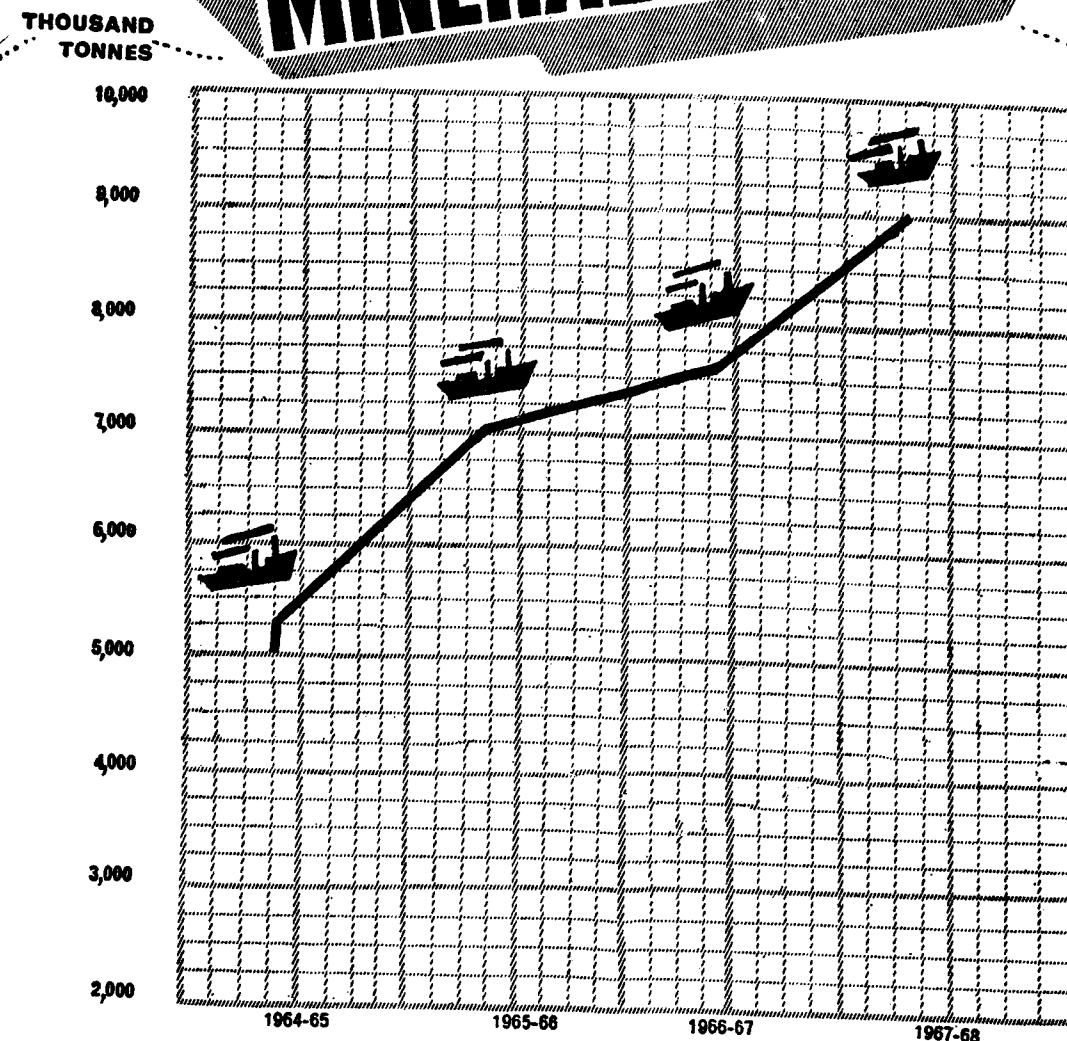
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The Finance Minister rightly emphasized in his reply to the general debate on the Finance Bill that, financial stringency notwithstanding, the government has made available to the family planning programme not merely adequate funds but ample money. This is a right decision but, at the same time, there is a risk that the finance thus spared with great difficulty may be spent inefficiently or even wastefully unless the administrative ministry concerned is ready with a proper scheme for spending it for the purpose for which it is meant. It is too often the case that a good deal of financial allocations for projects or programmes is absorbed by swelling administrative overheads. There is, in fact, a marked tendency for these overheads to be inflated in direct proportion to the unpreparedness of the authorities concerned to utilise the funds purposefully. I am afraid that in the case of the family planning programme, there has already been delay in defining purposes sufficiently sharply.

While the Minister concerned, Dr S. Chandrasekhar, is himself convinced that efforts should be mainly concentrated on the spread of vasectomy for good result in the short period, a proper scheme of incentives for promoting vasectomy more vigorously is still to be worked out. Dr Chandrasekhar himself however is not wanting in ideas or enthusiasm. On the contrary, he is pleading for an increase in the monetary incentive or better still for the substitution of money payments by the award of low-cost transistor sets. Perhaps the Finance Ministry shies at such innovations and is unduly nervous about the financial implications. It should however realise that there is a possibility that it may be shown up as having been penny wise but pound foolish. As I had remarked earlier, in the absence of schemes for effective utilisation of the family planning funds, there is the danger of the administrative overheads eating into them. It is far better to spend a little more money on incentives rather than on salaries or office buildings and furniture. I do hope that Dr Chandrasekhar will be able to persuade Mr Desai soon enough to give the green signal to an adequate incentives programme.

V.B.

PROGRESS IN EXPORTS OF MINERALS & ORES



"Comparisons", the sage said, "are odious"; but like all generalisations this is only partly true. Comparisons can denote progress, as in our case, when we compare our exports of Iron ore for the months of April, May and June this year, with the corresponding months of 1966. There is corresponding increase of 5,42,000 tonnes in exports during April, May and June this year. The total estimated export of Iron ore for the year 1967-68 will be in the region of 86,29,000 tonnes as against 52,00,000 tonnes in 1964-65.



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Trade Winds

CEMENT PRICES

THE EXPANSION programme of the cement industry during the fourth five-year Plan and the utilisation of the expansion reserve fund were discussed recently by Mr N. N. Wanchoo, Secretary, Department of Industrial Development, with representatives of the cement industry. The President of the Cement Manufacturers' Association and the Cement Allocation and Co-ordinating Organisation, Mr G. D. Somani, urged the government to agree to the proposal for an increase in the price of cement both on account of freight and production cost. Mr Wanchoo indicated that the whole matter was under the urgent consideration of the government and a decision was expected to be taken shortly. The industry assured the government that money accumulated in the expansion reserve fund and the extra price due to supply of less than 50 per cent of cement production to rate contract consumers was being used only for expansion purposes. It was disclosed that a sum of Rs. 5.50 crores had accumulated in the expansion reserve fund and companies had withdrawn Rs. 6 crores for the purpose. Representatives of various units of industry outlined in detail their programmes of expansion in the fourth Plan and pointed out that two factors were standing in the way of their going ahead. One was the delay in getting loans from financial institutions and the other was the uncertainty about assured availability of raw materials such as slag on a long-term basis. Mr Wanchoo assured that all applications for loans would be examined at a meeting with representatives of the financial institutions which was proposed to be convened shortly. Mr Wanchoo also emphasised the need to resume exporting cement which had stopped since decontrol. Even though the quantity exported was small it would be a good beginning and we could also retain our markets. He suggested that the industry could discuss the subject with the STC.

EXPANSION OF CEMENT PRODUCTION

Mr Fakhruddin Ali Ahmed, the union Minister for Industrial Development and Company Affairs, urged cement manufacturers to expedite their expansion programmes, while inaugurating the annual general meeting of the Cement Manufacturers' Association held recently. He added that in order to help the expansion of the industry, the government had given assistance in various ways such as larger development rebate, tax relief, excise duty rebate and provision of loan facilities, besides the price increase allowed in January, 1966, and decontrol. He hoped that the expansion schemes would be taken up immediately and orders placed for machinery and plants on a firm basis. The minister stated that the present range of production was about one million tonnes per month and it was expected to rise to 1.10 million tonnes shortly when a few more factories were commissioned. The capacity would go up from the present level of 13.2 million tonnes to 19.2 million tonnes per year by 1969.

Mr G. D. Somani, President of the Cement Manufacturers' Association, urged that the policy of dividend freeze should be reconsidered by the government. He added that it was necessary to allow reasonable return on the investment in order to attract fresh funds from the market for expansion. He hoped that the ministry would ensure that the net surplus available for expansion was not eroded away by pegging the prices down to an artificially low level not justified by the changes in the cost structure. The government, he added, should allow automatic readjustment of the price structure necessitated by the factors beyond the control of the manufacturers.

U.S. LOAN FOR FERTILIZER PLANT

An agreement providing for a US government loan of Rs 3.91 crores to Coromandel Fertilizers Ltd to finance the completion of a fertilizer factory at Visakhapatnam, was concluded recently in New Delhi. The fertilizer plant, which will

have an annual capacity of 85,000 tons of nitrogen and 73,000 tons of phosphoric acid, is at an advanced stage and is expected to be commissioned in October. Two US firms, California Chemicals Company of San Francisco and International Mineral and Chemicals Corporation of Skokie, Illinois, are collaborating in the enterprise. The US government has assisted the project by two earlier loans which consisted of a foreign exchange loan of \$27 million and a rupee loan of Rs 10.76 crores. The latter loan, like the one concluded now, has been advanced from the sale proceeds of agricultural commodities supplied to India under the US PL 480 programme.

REVIEW OF N.C.D.C.

A three-member committee under the chairmanship of Mr G. R. Kamat, former Secretary for Planning, has been set up by the Government of India to make a thorough review of the working of the National Coal Development Corporation. In a notification issued recently, the government stated that the performance of this public sector corporation had been causing concern for some time past inasmuch as production had not been commensurate with the investment made, nor had the return on capital invested been adequate. The government felt that there might be scope for improvement in regard to such matters as planning, administrative and organisational set-up, staffing, procurement of equipment, control of stores, financial and budgetary control, management-labour relationship and marketing.

The government has, therefore, asked the three-member committee to review all these problems, besides looking into alleged malpractices and financial irregularities in NCDC. The committee will also identify and assess deficiencies, and ascertain their causes. It will indicate what remedial action can be taken and what improvements, if any, can be made in the policy and organisational set-up to ensure full utilisation of the installed capacity. The committee will report to the government by October 31. The two members of the committee are Mr Mohanlal Gautam, MLA, UP, and Mr S. S. Saluja, acting Principal, College of Mining and Metallurgy, Varanasi, Mr Ram Sahay, Under Secretary, Department of Mines and Metals, will be the secretary of the committee.

PERFORMANCE OF E.C.G.C.

The Export Credit and Guarantee Corporation Ltd is receiving more and more inquiries for assistance in respect of long-term credit needs of exporters of plant and machinery, it is learnt. Exporters of Indian machinery such as textile and cement plants now find that they need to extend credit for more than five years to the importing countries. The ECGC is now actively considering how best this class of exporters can be helped to meet their new requirements.

Meanwhile the corporation has extended its latest scheme of export production finance guarantee to many more industries such as engineering goods, chemicals, iron and steel and oilseed cake. The scheme is designed to ensure that the exporters' funds do not get locked up until the incentives available for exporters are actually realised.

The corporation has reported satisfactory working in the first half of the current year, its premium income having risen from Rs. 7.6 lakhs in the first half of last year to Rs. 11.93 lakhs. The risk value of its policies and guarantees works out to Rs. 58.31 lakhs in January to June, 1967, as compared with Rs. 30.41 lakhs in the corresponding period of 1966 and Rs. 74.60 lakhs in 1966 as a whole. Exporters have been able to avail of the bank credit to the tune of Rs 35.38 lakhs in January-June, 1967. At the end of June, 1967, the policies in force totalled 1,909 and the corporation's maximum liability was Rs 53.43 lakhs as against 1,609 policies and Rs. 45.01 lakhs at the end of June, 1966. Of a total premium income of Rs 63.39 lakhs since

the inception of the corporation in 1957 up to the end of 1966, the corporation has paid out claims to the tune of Rs 26 lakhs representing as much as 41 per cent of the income. Of these, claims paid due to defaults by overseas buyers amounted to Rs 19.16 lakhs. Insolvency accounted for Rs 5.38 lakhs, while exchange transfer claimed a sum of Rs 62,630. The balance of Rs 88,148 was due to other reasons.

ASSESSMENT OF AIR TRAFFIC NEEDS

A committee has been appointed under the chairmanship of Mr J. R. D. Tata to assess the demand for passenger handling facilities at the four international airports at Calcutta, Bombay, Delhi and Madras, when the large capacity subsonic and super-sonic aircraft come into operation in the early 1970s. The committee will advise on the action to be taken with particular reference to the buildings, equipment, amenities and organisation to meet the requirements of air traffic in respect of passenger and cargo handling, aircraft parking and other related matters. The committee will submit its report by the end of 1967.

It is hoped that by the time the large capacity aircraft come into operation, the facilities and equipment at the four international airports would have been augmented and improved for operations by jumbo jets and supersonic aircraft. The committee, while formulating its proposals, will also ensure that the facilities recommended to be provided at the airports are capable of expansion, in keeping with the continuous growth of air traffic. The other members of the committee are: Mr R. C. Dutt, Secretary, Ministry of Tourism and Civil Aviation; Air Marshal P. C. Lal, Managing Director, HAL; Mr B. M. Gupta, Director-General of Civil Aviation; Mr H. N. Ray, Additional Secretary, Ministry of Finance and Mr K. T. Satara-wala, General Manager, Indian Airlines Corporation. Mr T. Arumugam, Deputy Secretary, Ministry of Tourism and Civil Aviation, will be secretary of the committee.

CENTRAL LOANS: BUYING RATES RAISED

The Reserve Bank has decided to step up the buying rates of nine central government loans and of two Gold Bond series. It has started buying outright the three per cent conversion loan at Rs. 55 against the last quotation of Rs. 54 and the previous buying rate of Rs. 53.75. It has also resumed buying the 3½ per cent 1968 loan at Rs. 99.55 against the recent quotation of Rs. 99.45 and the previous buying rate of Rs. 99.25. The Bank has started buying the 3½ per cent 1968 loan at Rs 99.15 against the quotation of Rs 98.50, and 3½ per cent 1969 loan at Rs 98.30 against Rs. 97.50. The buying prices with the recent quotations in brackets for other loans are: 3 per cent 1970-75 Rs. 93 (Rs. 90.50), 4 per cent 1970 Rs. 99 (Rs. 98.90), 4 per cent 1972 Rs. 97.80 (96.50), 4 per cent 1973 Rs. 97 (Rs. 95.75), 2½ per cent 1976 Rs. 81 (Rs. 78), 7 per cent Gold Bonds 1977 Rs. 115 (Rs. 112.75) and the 7 per cent Gold Bonds 1980 Rs. 116 (Rs. 112.85). The Bank has also started selling the 5 per cent 1982 loan at Rs 100 and the 5½ per cent 1992 loan at Rs 100.10.

LOAN FROM CANADA

Canada has offered a loan of \$ 19 million to India for mineral exploration and fertilizers. Two agreements covering the loan were signed on July 28 at Ottawa. The loans are for a period of 50 years, with a 10-year grace period, without interest, fees or levy charges. The loan for mineral exploration is for \$ 9 million to be used for supplying various types of equipment to the Geological Survey of India. The second loan for \$ 10 million is for supply of fertilizer components as part of Canada's expanded long-term agricultural aid programme to India this year.

AIR FRANCE BOOSTS TOURISM

Air France business on Air-India and Indian Airlines Corporation kept growing at a fast pace, according to latest airline statistics. In 1966, Air France reported an increase of 24.3 per cent of its sales on Air-India over the figures of 1965.

In the case of Indian Airlines Corporation the increase was 5.6 per cent. Whereas, Air-India sold on Air France \$745,557, Air France sold on Air-India \$1,120,140 and Air France sold on Indian Airlines \$344,641. Thus Air France earned for Air-India foreign exchange to the tune of over \$370,000 and for Indian Airlines over \$340,000, the clearance of which takes place in US dollars at International Airlines Clearing House, London. Besides this, Air France has been a constant promoter of tourism to India. Last year, Air France, won the "India Travel Award" instituted by the local Indian Tourist Office, being the airline which carried out the most imaginative promotion of India as a travel destination.

OIL FIND IN GUJARAT

The Oil and Natural Gas Commission has discovered oil at three or four places in Gujarat and efforts are being made to bring them up to the stage of commercial production as early as possible. Efforts in Assam, in Rudrasagar and Lakwa are also being intensified. Drilling work in the off-shore areas has, however, not yet begun in the absence of any satisfactory collaboration arrangement.

HALDIA REFINERY

The formal sanction of the government for launching the 2.5-million tonne capacity Haldia Refinery is expected shortly. It would be a wholly government-owned refinery, but the French and Rumanians will provide credit and technical know-how. No long-term contract for crude supplies is involved, though short-term arrangements for supply of crude up to 50 per cent of the requirements have been made with an Iranian source. This country would share up to the maximum extent the work of designing and construction. The total cost of the project is expected to be Rs. 54 crores.

WEEKLY LAY-OFF IN JUTE INDUSTRY

To meet the crisis in the jute industry the Indian Jute Mills Association has proposed production curtailment by closing all jute manufacturing operations every Saturday in August, September, November and December by laying off workers. Other measures suggested include immediate suspension of future trading in jute goods and immediate setting up of a jute buffer stock association on the lines of the Raw Jute Buffer Stock Association. According to the IJMA, shortage of raw jute for more than two years leading to high raw jute prices and the "very heavy burden" of export duty on finished goods are the two basic reasons why Indian jute goods prices are not competitive in world markets.

NATIONAL INCOME FOR 1966-67

According to the latest official estimates, national income in 1966-67 was roughly of the order of Rs 22,950 crores, against Rs 20,190 crores in 1965-66 at current prices. Of the 13.7 per cent increase, 10.5 per cent is attributed to the rise in the price level, the remaining 3.2 per cent being the "real" annual increase. Since in 1965-66 national income in real terms had declined by about 3.7 per cent compared to the previous year, the increase of 3.2 per cent in 1966-67 was still about 0.6 per cent lower than the 1964-65 level. On the other hand, compared to 1964-65, the country's population in 1966-67 is estimated to be higher by 4.9 per cent, therefore, the per capita income in 1966-67 was lower than the 1964-65 level by 5.5 per cent.

INDO-JORDANIAN TRADE

A three-man Indian trade delegation concluded recently trade talks in Amman with a Jordanian delegation. The talks reviewed Indo-Jordanian trade in 1966 and 1967 and considered the scope for its future expansion and diversification. Both sides noted with satisfaction that the total trade between the two countries had almost doubled since 1964.

Company Affairs

LARSEN & TOUBRO

ALTHOUGH ALL manufacturing units in general and engineering companies in particular, have been badly affected by the recession which has overtaken the economy and are almost facing a near-crisis through sheer lack of demand for their products, Larsen & Toubro Ltd. had been eminently successful in maintaining its unbeaten record of progress in all spheres of its activities. In fact, it always exceeded the targets set for each year in respect of production, sales and creation of financial resources. Hardly any engineering company could boast of such astounding performance in a year of stresses and strains. Of late, the company has acquired the unique privilege and rare distinction of being able to offer a comprehensive range of services required by an industry—right from the preparation of blue print to the commissioning of a plant to its clients. Consequently the volume of business has been expanding at a phenomenal rate during the past few years. The current year, in particular, has started with a record back-log of valuable orders, promising further impressive working results during 1967-68. The continuous rise in operating costs and fierce competition, no doubt, cause concern. But with continued emphasis on improved techniques and higher quality products, with intensive penetration into markets and further diversification of its activities, the company is reasonably confident of its future growth and prosperity.

What is more, the directors are considering the advisability of merging some of the wholly-owned subsidiaries with the holding company in the light of the amendments being made to the Income-tax Act. The company, moreover, proposes to make an issue of equity shares to implement its comprehensive plan for the expansion of its facilities. Additional cash credit had already been secured and negotiations are in progress for obtaining medium and long-term loans.

With marked rise in the volume of business, sales, including revenue from other sources, jumped to Rs. 14.91 crores during the year ended March 31, 1967, recording an increase of 16 per cent over the previous year's figure of Rs. 12.85 crores. The rising output of its workshops and those of its subsidiary and associate companies had substantially contributed to this increase. The total sales of the company and its subsidiary and associate companies now exceed Rs. 25 crores.

The output at the company's workshops at Powai increased by as much as 32 per cent over the previous year. All manufacturing units at Powai continue to operate efficiently and have exceeded their targets. Continuous efforts are being made to broaden the manufacturing base, diversify its range of products and become more and more self-sufficient. Further expansion at the Powai workshops involving a total investment of about Rs. 3 crores in the current and the following year is proceeding satisfactorily. These new facilities are expected to commence production during 1968 and will considerably enhance its productive capacity.

The contracts for the mechanical and electrical erection and instrumentation of the 200 mW thermal power station extension at Korba for the Madhya Pradesh Electricity Board, for the construction of the radiological laboratory at Trombay for the Bhabha Atomic Research Centre and the construction of the iron ore beneficiation plant at Barsua, Orissa, for Hindustan Steel Ltd., are making good progress. The jobs at Korba and Trombay are expected to be completed in the course of the current year. Contracts for electrical installations, instrumentation and mechanical erection of plant and equipment worth Rs. 1.05 crores were completed during the year.

Commendable progress was also made by the company in the field of exports. Despite fierce competition in international markets the company continued to increase its export sales of

petrol dispensing pumps, switchgears, motor starters and bottle closures to countries in east Europe, the Middle East and the Far East. To promote exports a separate export department was established during the year.

Additional investments in fixed assets amounted to Rs. 1.19 crores as compared with Rs. 1.15 crores in the previous year. Once again the bulk of this investment was at Powai.

The all-round improvement in its manufacturing, marketing and developmental activities was reflected in the gross profit which went up to Rs. 1.81 crores, registering a handsome rise of 17 per cent over the preceding year. The net profit, after providing for depreciation, development rebate reserve and taxation, was also appreciably higher at Rs. 60.45 lakhs as compared with Rs. 54.17 lakhs in 1965-66. The directors have maintained the equity dividend at 15 per cent. Dividends, equity and preference, will absorb Rs. 40.58 lakhs and will be paid out of the general reserve.

Alu Capsules Ltd., Christensen-Longyear (India) Ltd., Engineering Construction Corporation Ltd., India Crown Cork Company Ltd and Willcox Buckwell India Ltd—subsidiaries of Larsen & Toubro Ltd—have also reported encouraging working results during the year. All the subsidiaries, except Willcox Buckwell India Ltd, have increased their equity capital by issuing bonus shares.

Of the associate companies, Tractor Engineers Ltd has commenced production at the new larger manufacturing unit at Powai where a complete range of undercarriage parts for crawler tractors will be manufactured. Sales increased by Rs. 5.62 lakhs to Rs. 55.15 lakhs and are expected to improve further in 1967-68 as a consequence of a rate contract having been finalised with the government by the company's dealers. The production of low temperature welding alloys by Eutectic Welding Alloys of India Ltd. has started and the sales prospects are considered good. An enlargement of the product range will be taken in hand in the course of the year. A new factory is being constructed at Madras by Audco India Ltd to meet the growing demand for lubricated taper plug valves. Tractor & Equipment Corporation Ltd increased the sales of Caterpillar and allied machines and accessories to central government and semi-government bodies and a further rise in sales is expected during the current year. Production and sales of Utikal Machinery Ltd are steadily increasing. All in all the year was one of all-round growth and prosperity for Larsen & Toubro Ltd and its subsidiaries and associate companies.

INDIAN OIL BLENDING

Though Indian Oil Blending Ltd is only in its third year of operation, it has already turned the corner and the working results for the year ended March 31, 1967, show a net surplus of Rs. 22.93 lakhs. The lube oil blending plants at Bombay and Calcutta were operated efficiently during the year with the result that utilisation of production facilities went up to the extent of 63.5 per cent as compared with 48.1 per cent in 1965-66. This has been made possible by the steady supplies of base stocks assured under the non-project US aid programme. With this continuity in the flow of additives and base stocks the working results are likely to show a further improvement during the current year. This was disclosed by the Chairman, Mr Kamaljit Singh, when he was addressing the annual general meeting of the company held recently in Bombay.

The company is widening its area of production by undertaking the manufacture of multipurpose grease-complex base, lithium base, lithium mixed base and other simple greases. The grease plant has already been installed and it had gone into trial production since May 1967. The company, moreover, has established suitable laboratory facilities for quality control of the premium products. The laboratory facilities are also

available for testing oil samples and for rendering technical service to customers. Mobil Petroleum Company Inc., USA—the internationally acknowledged leaders in the manufacture of premium grades of lubricants and greases—are collaborating with the company in this project and the company continues to enjoy the benefit of receiving technical and management advice and other assistance in development and diversification of its operations.

HINDUSTAN LEVER

Hindustan Lever Ltd has reported fairly encouraging working results during the six-month period ended June 30, 1967. The company's turnover recorded a smart rise to Rs. 51.51 crores in the first half of 1967, registering a rise of Rs. 8.86 crores or an increase of more than 21 per cent over the corresponding period of last year. Despite the handsome rise in sales, the company's profit before taxation has declined by seven per cent to Rs. 2.81 crores as against Rs. 3.02 crores in the first half of 1966. The allocation to taxation was reduced by Rs. 0.12 crore to Rs. 1.58 crores. The profit, after providing for taxation, was a shade lower at Rs. 1.23 crores as compared with Rs. 1.32 crores for the first six months of last year.

The company's turnover for the full year of 1966 was to the tune of Rs. 84.67 crores. The profit before taxation for 1966 as a whole amounted to Rs. 5.10 crores while the profit after taxation was of the order of Rs. 2.21 crores.

The increased cost of production and price control on vanaspati, according to the directors, were mainly responsible for the fall in profit margins for the first half of 1967. Moreover, the prices of soaps were reduced at the beginning of the year in anticipation of cheaper imported raw materials, the benefit of which was not fully reflected in the first half year's results. The improved raw materials position for soaps and the recent partial relaxation of the production control on vanaspati make the outlook more encouraging for the second half of the current year.

INDIAN IRON

The directors of Indian Iron and Steel Co. Ltd have recommended for the year ended March 31, 1967, an equity dividend of 85 paise per share or 8.5 per cent on a capital which has been doubled by the issue of bonus shares in the ratio of one share for every share held. Last year the company paid a dividend of 17 per cent. Thus the quantum of dividend for 1966-67 has been maintained in terms of its old capital.

The working of the company during the year under review has resulted in a lower gross profit of Rs 10.19 crores as compared with Rs 14.26 crores in 1965-66. The appropriation to depreciation reserve was enhanced by Rs 0.08 crore to Rs 4.49 crores while taxation absorbed Rs 1.68 crores as against Rs 4.31 crores in the preceding year. The transfer to reserves was reduced by Rs 1.53 crores to Rs 1.73 crores. The proposed preference and equity dividends will claim Rs 2.29 crores, the same as last year.

TELCO

In the annual statement circulated to the shareholders of Tata Engineering and Locomotive Co. Ltd., the Chairman, Mr J. R. D. Tata, has described the company's outlook for the current year as "somewhat uncertain". The steady erosion of law and order and unsettled labour situation made it almost impossible for the company to operate its plant efficiently and to utilise fully the modern and highly productive equipment which have been installed at a considerable cost. Inevitably the output remained below installed capacity, the costs were higher than they should be and the profitability insufficient to provide the plough-back for continued growth. All possible steps are, however, being taken by the company to

sustain the quality, continuity and profitability of its operations.

The tight money conditions, general recession, persistent supply difficulties and above all, the uneasy labour situation, subjected the company's operations during 1966-67 to great difficulties and pressures. Despite these handicaps the company succeeded in enhancing its output of commercial vehicles to 19,135 from 17,500 in 1965-66. The turnover also expanded by Rs. 11.27 crores to Rs. 90.65 crores. The results, according to Mr Tata, would have been "substantially better" had conditions been nearer to normal. In spite of this the equity dividend of 14.5 per cent has been maintained on a capital as enlarged by the bonus issue.

Considerable progress has also been made by the company in the field of exports. Its exports have increased three-fold to Rs. 123 lakhs from Rs. 44 lakhs in 1965-66 and it is expected to cross the Rs 200-lakh mark during the current year. As the products are of the finest quality and highest standard, they are being readily accepted in the markets of Europe, Asia and Africa.

Referring to the developmental activities of the company, the chairman said that the press tool division is now about to commence operations and it will be producing for the first time press tools of a quality and complexity which hitherto have not been manufactured. The machine tool division has been completely reorganised and its production facilities are being enlarged to produce the urgently needed special purpose machine tools in collaboration with Messrs. Gebruder Honsberg of West Germany. The Poona operations will greatly strengthen and widen the company's base and improve its ability to digest and execute new projects.

The company's efforts to develop new and commercially profitable products have started bearing fruit. Apart from the continuing sales of shunter, a heavy duty forklift and two sizes of drilling/boring machines—completely designed and developed by the company's engineers—have now entered the stage of production. Quite a number of new products of commercial promise are in various stages of development and they will be put into production after they are fully proved and tested.

Criticising the time-consuming and ineffective procedures and policies of the government, Mr Tata said that the company's proposed collaboration with Harnischfeger Corporation for the manufacture of additional sizes of excavators had been hanging fire for the last three years. The result is that while the demand for the new sizes of excavators cannot be met from indigenous production, a point had been reached where the collaborator had started losing interest in the project as the terms offered in this country were less remunerative than those obtained from the numerous licensing arrangements they had in other parts of the world such as Germany and Japan. In the chairman's opinion, foreign collaborations should be weighed and evaluated in terms of the overall benefits rather than on concessions when considering joint venture proposals.

BANK OF INDIA

Bank of India Ltd has proposed an interim dividend of Rs 5 per share, including the diamond jubilee dividend of Re. 1 per share for the half-year ended June 30, 1967, as compared with Rs 4 per share declared for the first half of 1966. During the first six months of 1967, the bank has earned a slightly lower pre-tax profit of Rs 59.75 lakhs as compared with Rs 60.28 lakhs in the corresponding period of 1966. After bringing in Rs 93,450, the amount available for disposal came to Rs 60.69 lakhs as against Rs 61.38 lakhs in the similar period of last year. The interim dividend will absorb Rs 40.50 lakhs as compared with Rs. 32.40 lakhs distributed in the same period of 1966. The balance of Rs 20.19 lakhs has been carried forward to the next half-year's accounts.

NEPAL BANK LIMITED

Est'd.—1994 B.S. Central Office : Kathmandu, Nepal Est'd.—1937 A.D.

AUTHORISED CAPITAL	...	Nep. Rs. 1,00,00,000
ISSUED AND PAID-UP CAPITAL	...	Rs. 37,46,600
RESERVE FUNDS	...	Rs. 60,50,000

NOTE:—One Nepalee Rupee is the equivalent of 11½ D (U.K.), 13 C. (U.S.) and 98½ P (India)

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COMPANY MEETINGS

TATA ENGINEERING & LOCOMOTIVE CO. LTD.

Chairman's Statement

The following is the Statement of Shri J. R. D. Tata, Chairman, Tata Engineering & Locomotive Co. Ltd., for the year 1966-67.

To The Members.

During the year under review, our operations at Jamshedpur were subjected to great difficulties and pressure. The steady erosion of law and order, the unsettled labour situation at Jamshedpur and persistent supply difficulties did not permit the maintenance of either full or efficient production. The production of commercial vehicles increased from 17,500 to 19,135 and the turnover from Rs. 79.38 crores to Rs. 90.65 crores. Had conditions been nearer to normal, the results for the year would have been substantially better. It is a matter of satisfaction that despite these problems the dividend of 14½% on the ordinary shares can be maintained on the increased capital of the Company.

Although the results of the year under review were not unsatisfactory, the prospects for the current year are somewhat uncertain. Whilst all possible steps will be taken to sustain the continuity and profitability of our operations, the difficulties which face us on the labour front in common with other engineering units in Bengal and Bihar are very great indeed and their solution lies in hands other than our own.

STATE OF AUTOMOBILE & ROAD TRANSPORT INDUSTRIES

A major portion of my Statement last year was devoted to the unsatisfactory state of the automobile and the road transport industries. I had urged that the taxation and controls governing these industries should be altered, the oppressive burden of taxes on the road transport operators should be lightened and the obstacles, delays and difficulties on the movement of vehicles and goods should be removed. In the event what has taken place? As in the past, the measures which are so clearly essential for the survival of the automobile and road transport industries have not been taken. The findings of numerous Committees have not been taken. The representations made by the Government and the representations made by the manufacturers have gone unheeded. The size of the domestic market has been reduced causing costs to rise and productivity, profits and investments to fall. The taxes that continue to be heaped on commercial vehicles ignore the fact that the cost of transport enters cumulatively into the cost of every manufactured article. It seems to me a strange way of trying to keep down costs and prices.

Although the output of TMB vehicles increased during the year 1966/67, we cannot overlook the plight in which the industry finds itself. In my previous year's Statement, I had pointed out that less than 57% of the Third Plan target of the output of commercial vehicles had been attained. What is of even greater concern is the decline in the subsequent output which will be clear from the following figures:

Year ending	Production	Sales
30th June		
1965	36,357	36,016
1966	31,881	32,354
1967	30,309	30,593

The parlous state of this industry is evident from the fact that the production and sales of commercial vehicles during the first quarter of the current financial year were substantially lower than in the corresponding quarter of any financial year since 1959. Whilst the current recession which affects numerous

sectors of the economy has had its impact on the commercial vehicle industry, it is relevant to mention that the decline in this industry started whilst other industries were enjoying relative prosperity. These clear signals for action and remedial measures were not heeded. It is strange that the Fourth Plan envisages a target output of 90,000 commercial vehicles in 1970/71 even though the target of 60,000 set for the final year of the Third Plan was missed by as much as 43%.

Oblivious of the deplorable state of the road transport and commercial vehicle manufacturing industries our Governments, both at the Centre and in the State, have continued to heap even more taxes and burdens on them. The recent Central Budget increased the excise on diesel fuel. Of the 12 State Budgets which have so far been announced 9 have proposed increased taxes on the sales or on the operation of commercial vehicles. In no country in the world is the incidence of such taxation as heavy as in our country.

Despite the steep fall in the overall demand for commercial vehicles, the demand for our vehicles has remained steady and because of their sound design, built-in quality and workmanship, our vehicles continue to be the firm favourites of long distance operators as well as the State Transport Corporations.

QUALITY

There has been much talk recently about the quality, or rather the lack of it, of the products of the Indian automobile industry. Indeed there would appear to be need for a nationwide drive for quality. It has, however, to be recognised that the difficulties of maintaining quality in the conditions under which we have to operate these days are very great. The extraordinary complexity of processes of vehicle manufacture and the widespread network of component and raw material suppliers on which the vehicle producer has to depend makes the task of quality control a most difficult one.

The manufacture of the various models of the TMB vehicles involves the production and assembly of some 6000 different parts, some made by us, some by others, the quality of every one of which has a cumulative impact on the quality of the final product. Unless quality consciousness exists at all levels of management, supervisory staff and workers, quality becomes the first casualty. If we, in Telco, have succeeded in achieving a high reputation for our products, it is because from the very start there has been on the part of our German collaborators and ourselves an unrelenting insistence on quality. But, to achieve and maintain a high and consistent quality, it is not enough merely to declare one's intention to do so or to rely on tight inspection. It requires an uncompromising, almost obsessive determination on the part of everyone concerned to ensure that quality is maintained from beginning to end of every process of manufacture and assembly. One of the most difficult requirements is a highly trained and disciplined body of men with a spirit of craftsmanship, proud of their work, and fully indoctrinated against the evils of slipshod workmanship so prevalent in many of our industries.

I need hardly assure you that we shall continue to do all that lies in our power to sustain the quality of our products but we must face the fact that the growing indiscipline which we ex-

perience at Jamshedpur is making the task increasingly difficult.

POLITICALLY INSPIRED INDISCIPLINE

This indiscipline is in fact our principal cause for concern, apart from the generally parlous state of the automobile industry. Until recently, the situation had gradually improved and we had hopes that with the considerable increases in emoluments granted to our labour, at great cost to the Company, a greater degree of contentment and discipline would prevail in our workforce. Unfortunately, the new alignment of political forces which emerged from the recent elections has brought about a sharp turn for the worse. Disruptive groups from outside the labour force have appeared on the scene bent upon capturing the labour movement in the State for their own political purposes. These forces have embarked on a campaign of organised work stoppages and go-slows in strategic departments, so planned and carried out as to ensure the maximum of interference with production. The campaign is also clearly intended to intimidate and demoralise the supervisory staff. Violence is preached at meetings organised in defiance of Section 144 of the Criminal Procedure Code; unauthorised structures are permitted and even encouraged to be set up on our land, and group rivalries within the recognised Unions are encouraged. On the 7th of June this year, a "Gherao" took place at the Company's main office at Jamshedpur in which the Resident Director, the General Manager and thirty-four other officers were confined for over twelve hours. The significant feature of this "Gherao" was that few of those who participated in it were employees of the Company, a conclusive proof of its political nature.

There is little doubt that the forces which are today seeking to acquire control over labour at Jamshedpur, as in most other parts of Eastern India, conduct their agitational activities not for the solution of any genuine industrial grievance or dispute, but to create the chaotic conditions, already largely established in Bengal, which they hope will lead to political power.

You will appreciate that such conditions make it almost impossible to operate our plant efficiently and to utilise fully the modern and highly productive equipment which we have installed at such considerable cost. As a result, much of the large capital investment we have made in establishing the most modern production facilities remains infructuous. Inevitably our output remains below installed capacity, our costs are higher than they should be and our profitability insufficient to provide the plough-back for continued growth.

We have kept, and shall continue to keep the State and Central Governments informed of these grave developments and to urge them to support our efforts to maintain production. We on our part will continue to do all we can to lessen the adverse impact of such politically instigated turmoil on our operations.

The economic situation now demands a sense of urgency and understanding of priorities and an emphasis on decisions. The costs of delayed implementation of projects, of under-utilisation of capacity, of accumulation of inventories, of non-productive use of capital and of ineffective procedures and personnel are altogether too expensive even if they are not to be seen immediately in the balance sheet of companies or of the nation.

COLLABORATION AGREEMENTS—PROCEDURAL DELAYS

An instance of the manner in which industry is subjected to time-consuming and ineffective procedures and policies is our proposed collaboration with the Harnischfeger Corporation for the manufacture of additional sizes of excavators which has been under discussion with Government for almost three years. Since no rules or guidelines exist as to the terms, conditions and limits which are to apply to collaboration agreements,

the process of securing the necessary approvals resembles more the bargaining of the market place than the application of well considered and established policies of Government.

Instead of the exceptional performance and achievements of our Excavator Project being recognised and the expansion of our activities encouraged, the collaboration proposals have moved back and forth and the draft agreement has been twice renegotiated to conform to Government's suggestions and each time further concessions have been insisted upon from our collaborators. The result is that on the one hand, the domestic demand for the new sizes of excavators, particularly for the 3/4 cu. yd. machine cannot be met from indigenous production and on the other a point has been reached where our collaborators are losing interest in the project as the terms offered in India are less remunerative than those they obtain from the numerous licensing arrangements they have in other parts of the world, including in highly developed countries such as Germany and Japan. The additional savings in foreign exchange that could accrue during the period of the agreement even if Government's latest proposals were acceptable to Harnischfeger, are relatively small and certainly substantially less than the cost to be incurred by the country by resorting to imports or by the non-availability of these sizes of machines for which there exists a substantial demand, apart from the loss of the foreign exchange we could earn through exports.

While your Company is fully in accord with Government's policy that the dependence of Indian Industry on foreign collaborations should be reduced and the payments made to collaborators should be reasonable, surely the nature of the collaboration and the extent of the overall benefits that can accrue need to be evaluated.

NEW PRODUCTS

It will, I am sure, be a matter of satisfaction to you to know that our efforts to develop new and commercially profitable products of our own design are beginning to bear fruit. Apart from continuing sales of our shunter, a heavy duty forklift and two sizes of drilling/boring machines designed, developed and fully tested and proved by our own engineers are now going into production. These new products reflect the high level of technical experience, skills and initiative which have been built into our organisation over the years. These, though intangible, are amongst our most important assets.

Research and development now constitute a major activity of our Company both at Jamshedpur and at the new Engineering Research Centre which we are setting up at Poona. We have under development a number of new products of commercial promise which we shall put into production only after they are fully proved and tested.

Two other encouraging features of our recent activities are the success of our export drive and the progress of our Poona Project.

EXPORTS

The three-fold increase in exports to Rs. 123 lakhs from Rs. 44 lakhs in 1965-66 is a notable achievement of which we may be justly proud. The acceptance by the markets of Europe, Asia and Africa of the TMB vehicles is testimony to the intrinsic worth and quality of our product. During the current year we expect to improve significantly on our performance and to increase our export earnings to over Rs. 200 lakhs.

I would like to record our deep appreciation of the very valuable assistance which Daimler-Benz render us in our export efforts. Our association with them which was initially intended

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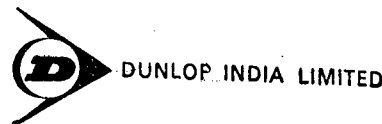
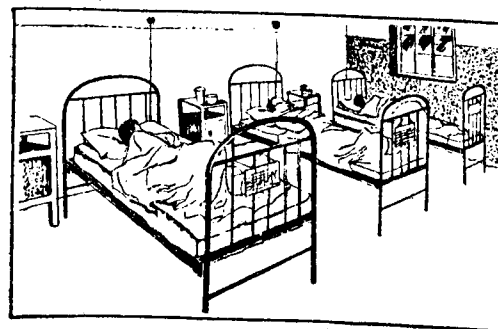
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DUNLOP INDIA LIMITED

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to provide know-how for establishing manufacture of vehicles in India has now extended to receiving assistance from them in the sale of our products in international markets. This is an especially fruitful aspect of our collaboration with Daimler-Benz which deserves to be noted by Government. The mere insistence on incorporating in collaboration agreements rights to unrestricted exports is of little practical value. What is of real significance in achieving worthwhile exports is the invaluable advantage of a well-known and internationally accepted product name; the assistance of a worldwide dealership and after-sales service organisation; and the benefits of continuing product improvement through research and development. Our collaborators, such as Daimler-Benz and Harnischfeger, who provide these services, understandably expect that the arrangements with them should be commercially remunerative and should bear reasonable comparison with similar arrangements made in other countries. The payments made by us to the foreign collaborator are earned many times over not only through indigenous production of high quality products previously imported but also through exports.

POONA PROJECT

Our decision to establish operations at Poona was based on long-range considerations. I have no doubt that it will confer great advantages on your Company. The Press Tool Division is now about to commence operations and will provide to the Company and the country press tools of a quality and complexity

not heretofore available. The Machine Tool Division has been completely reorganised and its production facilities are being enlarged to produce urgently needed special purpose machine tools in collaboration with Messrs. Gebruder Honsberg of West Germany. The Poona operations will greatly strengthen and widen the Company's base and improve its ability to digest and execute new projects.

It will be our endeavour in Poona to manufacture engineering products of the highest quality, to attain international levels of productivity, to develop a body of highly skilled craftsmen and to build our operations on the technical abilities and managerial talents of carefully selected young people. It is on such foundations that a truly sound organisation can be constructed to enhance the future prospects of the Company.

I am sure you would wish me to convey our thanks to all those responsible for the excellent results achieved during the past year. Our thanks are particularly due to the Management, Officers and Supervisors at Jamshedpur and to all the workers who have stood firm by them, for sustaining the operation of the Company at a high level despite the innumerable problems and difficulties with which they have been faced and the harassment to which they have been subjected.

Sd/- J. R. D. Tata
Chairman

Bombay, 7th July, 1967.

THE ORIENTAL FIRE AND GENERAL INSURANCE CO. LTD.

Speech delivered by the Chairman, Shri M. R. Bhide, at the Nineteenth Annual General Meeting of the Shareholders held on Monday, the 31st July, 1967.

Gentlemen,

I have pleasure in welcoming you to the Nineteenth Annual General Meeting of the Company. The Report, Accounts and Balance Sheet for the year ended 31st December, 1966 are already in your hand and with your permission, I propose to take them as read:

(2) At the outset, I may mention here with regret the passing away of Sir Dhiren Mitra on 31-12-1966. Late Sir Dhiren Mitra was a Director of your Company for about six years during which period he rendered invaluable services to the Company.

(3) The devaluation of the Indian Rupee on 6th June, 1966 was an important event during the year under review. The Company's Income and Outgo abroad upto 5th June, 1966 have been incorporated at the pre-devaluation rate of exchange and thereafter at the revised rate. The Assets and Liabilities (except estimated liability for outstanding claims) at the close of business on 5th June, 1966 have been converted at the new rate of exchange. The total exchange gain to the Company was Rs 66.27 lacs. However, as a result of the increased strain due to revaluation of the estimated liability for outstanding claims at the close of the previous year at the new rate of exchange, the net exchange gain to the Company was Rs 21.27 lacs.

(4) Coming to the results of the year's working, the Company has made a gross profit of Rs 111.86 lacs as against Rs 108.45 lacs in 1965. After taking into account the balance of Rs 25,598 from the last year's account there is a surplus of Rs 112.12 lacs out of which a sum of Rs 2.50 lacs has been provided for Reserve for Doubtful Debts, Rs 75.00 lacs for Taxation reserve, Rs 15.50 lacs for General Reserve, Rs 13.20 lacs for Dividend Reserve and Rs. 5.20 lacs for Dividend Equalisation Reserve.

(5) The net premium of the Company for the year 1966 was Rs 732.91 lacs as against Rs 638.18 lacs in 1965.

The over-all position of net claims to net premiums was 50.80% for the year 1966 as against 49.73% for the year 1965.

In the Fire Section claims have gone upto 35.43% (Rs 67.95 lacs) as against 26.44% (Rs 43.65 lacs) in the previous year.

In the Marine Section, the claims experience for the year 1966 was 63.99% (Rs. 49.61 lacs) compared to 63.11% (Rs. 70.10 lacs) in the previous year.

In the Miscellaneous Section, the claims experience for the year 1966 was 56.35% (Rs. 254.77 lacs) as against 56.24% (Rs 203.59 lacs) in the previous year.

The over-all ratio of commission and expenses of Management to the net premiums was 39.28% as against 35.04% during 1965.

The Departmental Reserves have shown an increase of 7.17% compared to 9.06% in 1965.

Our Investments as at 31st December, 1966 aggregated to Rs 692 lacs and the Depreciation ascertained at Rs 38 lacs is covered by the Investment Reserve amounting to Rs 46 lacs.

(6) Your Directors have recommended dividend at the enhanced rate of 12% (subject to deduction of tax at prescribed rates).

The reserves have been further augmented by an appropriation of Rs 20.70 lacs as under:—

General Reserve	...	Rs. 15.50 lacs
Dividend Equalisation Reserve	...	Rs. 5.20 lacs
		Rs. 20.70 lacs

(7) In conclusion, I take this opportunity to express my thanks to our clients and well-wishers both in India and abroad who have continued to extend us their support. I also thank the Officers, Staff and Development Officials of the Company for their loyal work.

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

THE TATA IRON AND STEEL COMPANY LIMITED

Statement of the Chairman

The following statement by Mr J.R.D. Tata, Chairman of the Tata Iron and Steel Company Limited, dealing with the Company's working for the year ended March 31, 1967, has been issued to the shareholders. The Annual General Meeting of the Company will be held on Tuesday, 29th August, 1967, at 4-30 p.m. at the Birla Matushri Sabhagarh, 19, Marine Lines, Bombay—I.

To the Members,

ECONOMIC SITUATION

On the economic front, the past year has been a disastrous one. While millions of our people in various parts of the country, and particularly in Bihar, suffered grievous hardships as a result of the failure of two successive monsoons, and of the continued inflationary rise in prices, large sectors of industry have been seriously affected by a significant recession in demand and mounting costs on the one hand and a virtual collapse of industrial discipline, and, in many instances, of law and order, on the other. The engineering industries, located in the eastern part of the country, have suffered most from these adverse factors. The only silver lining in the dark clouds overhead has been the removal, at least for the time being, of one of the most serious impediments to production in the shape of shortages of raw materials and foreign exchange. The liberalisation of maintenance imports, thanks to foreign aid, has enabled many industries to achieve a higher utilisation of installed capacity. Unfortunately, this relief has been nullified in many cases, and particularly in the engineering industries, by the deep recession which has overtaken the economy.

LAW AND ORDER

2. On the labour front, the difficulties faced by the engineering industry in Bengal and Bihar have been greatly aggravated by the policies adopted by their new Governments consisting mainly of a coalition of Socialist and Communist Parties. Under the guise of the democratic rights of the people, mob rule has been allowed to prevail in Bengal and to a lesser extent in Bihar and elsewhere and the management of industries has in some parts of the country become a veritable nightmare. There is clear evidence that one political party in the country is taking full advantage of its participation in the government of these States to encourage the process of disintegration as a necessary prerequisite to the assumption of power it hopes ultimately to achieve.

3. At the same time, it is only fair to recognise that if some of the people of Bengal have responded to the call for indiscipline and disorder, it is partly due to their frustration and despair caused by persistent shortages, spiralling prices and the obvious absence of any significant progress in their standards of living, coupled with massive unemployment or under-employment. What is so heartbreaking is that the miseries inflicted on our people, the stagnation in our economy, and the debasement of our currency could have been avoided by recourse to sensible and pragmatic policies the effectiveness of which has been amply proved in other countries. Even today, if our Government and political leaders would learn the lessons of our economic



Shri J. R. D. Tata

debacle and recognise the winds of change sweeping even the communist countries of Europe, if they would realise that efficiency in industry and low costs of production cannot be achieved by bureaucratic means and by shackling management with forces provide vital stimuli for dynamic growth and change, and finally that punitive levels of individual and corporate taxation such as prevail in India are self-defeating; if all these lessons were learned and governmental policies and decisions adjusted accordingly, I, for one, believe that this country would rapidly emerge from its present crisis, and would achieve rapid economic progress, strengthened and tempered by its ordeal.

REDUCED PROFITABILITY

4. Coming to our own problems, the past year has been, from the shareholders' point of view, a most disappointing one in that, despite the maintenance of full production the disposable profits were the lowest in the last five years. The cause of this sad state of affairs is not far to seek, being wholly due to the fatal combination of unchanged ex-works prices on the one hand, and persistently rising costs on the other, for which Government was largely responsible. While the industry was compelled to maintain prices at substantially the same level for nearly three years, our costs rose by over Rs 100 per tonne over the same period. On a million and a half tonnes, the impact on our gross profits comes to no less than Rs 15 crores a year, or about half of that after taxes. Although Government decontrol of control over flat rolled products and billets precluded in practice any increase in the prices of the former by the Joint Plant Committee until complete decontrol was announced recently.

DECONTROL

5. The withdrawal of direct Government control over the distribution and pricing of steel with effect from May 1967, which brings to an end the control regime which has prevailed for 26 years, is a step in the right direction, although the measure introduced is more in the nature of a transfer of control from Government to a body, on which Government have a dominant voice, than of full decontrol. While, therefore, we welcome this step, we must deplore the long and unnecessary delay in taking it. Your Company, along with other producers, has repeatedly and consistently represented to Government the unfairness of the imposition of heavy cost increases on the one hand and the maintenance of prices on the other, while all Government enterprises and industries in many other fields were allowed to raise prices to meet at least a substantial part of the increases in their costs.

6. In order to protect the customer and in recognition of

the importance of holding the price line, we persistently advocated the solution of increasing our ex-works prices not by an increase in market prices but by a reduction in the grossly excessive excise duties, which burden the steel industry, amounting as they do to about Rs 150 per tonne. Our pleas for relief were disregarded and we found it impossible to move Government to any action whatever for nearly three years. Today the position is that while Government have accepted, on decontrol, increases in the prices of the various categories of steel, which, in our case, will average Rs 50 to Rs 55 per tonne, amounting to about half our increases in costs since the previous prices were fixed, the demand for most categories of steel has sharply declined as a result of the economic recession. Furthermore, so long as inflationary forces continue to operate in the country, costs are bound to go up further.

COST REDUCTION PROGRAMME

7. We are naturally making every effort to keep costs under control and to minimise as far as possible the effect of such increases. Apart from general cost control measures, we are taking some important long range steps. Amongst them, we are undertaking the establishment of a plant at our Noamundi Mine to pelletise the blue dust and fines produced at this Mine. The use of pellets in the ore burden of a blast furnace increases its output and efficiency and reduces costs by reducing the consumption of coke and limestone. Such use of pellets is growing rapidly throughout the world and the later expansion of our pelletising plant could well provide us in time with a valuable export potential, apart from meeting a vital need of our own.

8. The completion of our long range programme of development and improvement at our ore mines early next year and the commissioning of the pelletising plant a couple of years later, should result in a marked improvement in the quality, consistency and cost of the iron produced in the blast furnaces, which will have a beneficial impact on the output and cost of finished steel.

9. Similarly, we are in the process of finalising a long range programme of development and modernisation of our coal mines in the Jharia and Bokaro fields which, after its completion in five to seven years, should not only make us virtually self-sufficient in our coal supplies but give us better coal at a substantially lower price than we would otherwise have to pay.

10. We are expanding our research and development activities from which we hope, in time, to see emerging profitable new processes and products.

11. At the other end of the cost/price equation, we are undertaking a programme to increase appreciably our output of quality steels for which the demand is growing. This is independent of the Alloy and Tool Steel Project which has made little progress since last year.

ALLOY AND TOOL STEEL PROJECT

12. In regard to this project which, as you are aware, was to be established with Japanese collaborators at Adityapur, a new industrial estate close to Jamshedpur, rising capital costs, principally due to the devaluation of the rupee, have necessitated a careful review of the project from a financial and economic point of view. Apart from this, two developments make us inclined not to hurry the implementation of the project. One is the serious set-back in the profitability of the Company's operations for the reasons mentioned earlier, coupled with the recession in demand which has tied up a good deal of additional finance in increased inventories and may, unless it comes to an end very soon, even lead to a curtailment of steel output in the country. The other is the situation in Bihar in regard to labour

matters, law and order and, generally, the attitude and policies of the State Government.

BIHAR GOVERNMENT POLICIES

13. As stated earlier, the new State Government which has emerged from the recent General Elections is formed of a coalition of parties largely dominated by the Socialist and Communist Parties. It is an unfortunate fact that most Socialists in India, unlike Socialists in the other non-communist countries of the world who have evolved and matured greatly since the days of Marx, adhere to an obsolete concept of Socialism, which they largely equate with Marxism. This makes them ipso facto hostile to private enterprise which they are in fact pledged to eliminate totally as soon as practicable. Thus, one of the foremost points in the 33-point programme of the Government of Bihar is that "immediate steps will be taken to abolish Tatas' Zamindari in Jamshedpur". No attempt was made to check whether in fact there were any lands at Jamshedpur over which the Steel Company could be said to have "Zamindari" rights. We naturally pointed out that there was no Zamindari at Jamshedpur, but that did not deter some Ministers of the Bihar Government, on visits to Jamshedpur, from inciting people to take illegal possession of any vacant land in the town belonging to the Company. We have naturally protested against this move which seems to have been instigated by mischievous elements in Jamshedpur and which, if allowed to be acted on, would soon result in the creation of the horrible slums and squatters' colonies and the dangerously unhygienic conditions which unfortunately prevail in so many cities of India, including the urban areas surrounding Jamshedpur.

14. My colleagues and I have called on a number of the Ministers concerned, with whom we have had frank and cordial talks. We were impressed by their anxiety to serve the people of Bihar. We were assured that there was no intention to harm the interests of the Steel Company whose contribution to the industrial development of Bihar and to the welfare of its employees was recognised. We were in fact urged by all the Ministers whom we met to invest more money in Bihar and help in its further development. We were less impressed, however, by their understanding of economic and industrial problems, and by their faith in an out-dated and somewhat primitive concept of Socialism. We informed them that while we were anxious to develop the activities of the Tata Group of Companies in Bihar, the conditions in the State and Government's attitude towards private enterprise would inevitably have an important bearing on our plans and on the investment of further funds in that area. We pointed out that the conditions as they existed today, the growing labour indiscipline in industry, the "gheraos" and other forms of coercion and disorder tolerated by Government, the continued threat of action inimical to the interests of the Steel Company and to the beautiful and efficiently run city of Jamshedpur, hardly provided the assurances and encouragement required to induce private enterprise including Tatas, to invest further monies in Bihar when the same investment could be

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made more profitably and safely in other States enjoying more stable and propitious conditions.

TATA RELIEF WORK IN BIHAR

15. While on the subject of Bihar, I must refer with a heavy heart to the appalling sufferings of millions of the people of the State caused by the failure of the last two monsoons. You will, I am sure, warmly approve of the relief work which, your Company, jointly with the Tata Engineering and Locomotive Company and the Tata Trusts, has undertaken in a particularly hard-hit area in Bihar.

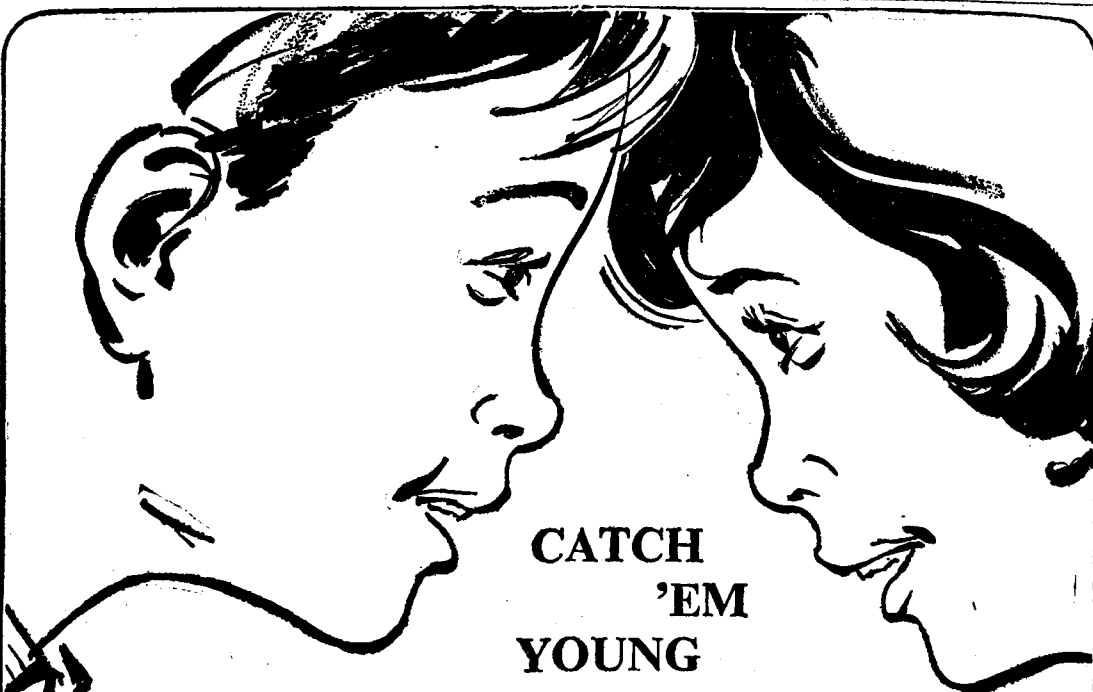
16. The plight of Bihar and the sufferings of its people provide a harrowing illustration of the result of wrong economic policies over a period of years. It is inconceivable, but it has happened, that a State like Bihar, perhaps the richest in the Union in minerals and industrial potential, watered by India's greatest perennial river as well as by other rivers, should, after twenty years of economic planning and enormous developmental expenditure, suffer acute distress and economic collapse as a result of the failure of the monsoon. It cannot but anger one to think that priority over agriculture and irrigation should have been given to gigantic industrial schemes such as the Heavy Engineering complex in Ranchi and the Bokaro Steel Plant on which over Rs. 1200 crores are in the course of being spent. We wish the new Government of Bihar well and will do

whatever we can to help them in constructive activities, but I must express the gravest doubts that their economic policies and programmes will bring about a solution to the long-term problems of the State as long as they are primarily based on ideological and doctrinaire considerations.

17. In closing, I should like, as usual, to express on your behalf and your Directors' and mine, our grateful thanks to the Management and Staff, particularly at Jamshedpur, whose heavy task has been rendered all the more onerous by the difficult conditions under which they have had to work. Of all the companies at Jamshedpur, the labour situation in the Company's Works has been the best up to now, at least in the sense that they have been free from stoppages of work and serious agitation. This proves once again the maturity of our labour force, many of whom have known no home but Jamshedpur, and no work but service in the Steel Company. I am grateful to all of them for their loyalty and good sense, and I have every hope that with their support and the devoted work of our supervisory staff we shall overcome the present difficulties facing us and resume our progress towards better times for them and for our shareholders, and for the country as a whole.

J. R. D. TATA
Chairman.

Bombay, 27th June, 1967.



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RECORDS AND STATISTICS

1967-68 Plan: Slight Increase in Outlay

THE ANNUAL Plan for the current financial year, a copy of which was presented to Parliament on July 26, envisages a total outlay of Rs. 2,246 crores—Rs. 1,172 crores on the schemes of the central government, Rs. 1,010 crores on the programmes of the state governments and Rs. 64 crores on those of the union territories. The outlay this year will be higher than that of 1966-67 (Rs. 2,221 crores) by Rs. 25 crores. The current year's Plan continues to accord the highest priority to agriculture, exports and family planning.

The following is a summary of the current year's Plan:

The national income at current prices is expected to rise by about 20 per cent in 1967-68—12 per cent due to growth in real output and eight per cent due to price rise—over the previous year. The total would be of the order of Rs. 27,500 crores against Rs. 22,900 crores in 1966-67.

Priority for Agriculture

The Plan accords the highest priority to agricultural production and allied programmes. Even in the other sectors of the economy, activities catering to the needs of agriculture such as irrigation-oriented rural electrification, production of fertilizers, pesticides, agricultural implements, etc. have been given priority.

The provision for agricultural development, community development, co-operation and irrigation is Rs. 523.27 crores, including Rs. 10 crores for Agriculture Refinance Corporation and Rs. 15 crores for land mortgage banks. In addition, provision has been made for production and supply of agricultural inputs, such as electricity for tubewells and lift irrigation, production of fertilizers, pesticides, agricultural implements as well as for agro-industries.

Among the selected physical targets (potential) for the current financial year in agricultural sector are: foodgrains 100 million tonnes; sugarcane 12 million tonnes; cotton seven million bales of 180 kg. each; oilseeds nine million tonnes; and jute 7.50 million bales of 180 kg. each. The area under improved seeds will go up by the end of the year to 134.53 million acres. Of this, 16.23 million acres will be covered by high-yielding varieties. Irrigation potential at the outlet at the end of the year will be 21 million acres and utilisation 17.4 million acres. In addition, minor works will provide irrigation for another 3.5 million acres. The consumption of fertilizers will reach 2.15 million tonnes. Plant protection would have been extended to 126 million acres.

In the distribution of investment, projects oriented to export promotion and import substitution have also been accorded due priority.

Among social services, family planning has continued to receive great emphasis, the provision for health and family planning being Rs. 75.84 crores. The allocation for family planning in the current year is Rs. 31 crores, this being twice as much as for the last year.

In the case of essential overheads such as power and transport & communications, the provisions respectively of Rs. 384.78 and Rs. 418.76 crores are considered adequate to ensure that the facilities would continue to expand commensurate with the growing requirements of the economy. The target for installed capacity of electric power has been set at 13.50 million kW. Generation of electricity is expected around 50,000 mil-

lion kWh. The targets for transport are: originating freight traffic 211.5 million tonnes; surfaced roads 300,000 km; shipping 2.1 million GRT; traffic handled at major ports 56 million tonnes.

An effort has been made to provide the minimum outlay necessary for the expansion and consolidation of the industrial base. The outlays in the industrial sector have been fixed as follows: organised industries Rs. 520.19 crores; village and small industries Rs. 43.55 crores.

Among the principal physical targets fixed for industries are: steel ingots 7.5 million tonnes; metallurgical and other heavy mechanical equipment 20,000 tonnes; machine tools (including accessories) Rs. 29 crores; industrial machinery (including coal and other mining equipment, cotton textile, jute, sugar, paper, cement, printing and dairying machinery) Rs. 56.20 crores; precision instruments Rs. 10 crores; power driven pumps 325,000 Nos.; agricultural tractors 13,000 Nos.; some of the other targets are: sulphuric acid 850,000 tonnes; cement 13.2 million tonnes; mill-made cloth 4,200 million metres; khadi and handloom cloth 3300 million metres; sugar 2.2 million tonnes; fertilizers 786,000 tonnes; coal 72.50 million tonnes, crude petroleum 14.20 million tonnes.

For social services allocations are as follows (in crores of rupees): education 111.66; scientific research 19.06; water supply 36.96; housing and urban development 25.87; welfare of backward classes 17.73; social welfare 4.43; craftsmen training and labour welfare 15.31; rehabilitation 16.08; rural works 6.50 and other programmes 26.08. The principal targets for these programmes are: additional enrolment in schools (age group 6-17 years) 4.4 million; technical education—diploma level 47,780, degree level 26,090; hospital beds 264,000, houses and tenements to be constructed 37,800.

Emphasis on Continuous Schemes

The Plan document emphasises that the bulk of the outlay in each sector and in particular in the case of irrigation, (major and minor), power, industry and textiles is in respect of continuing schemes. The new projects included are those the details of which have been fully worked out or on which preliminary work has been completed or is nearing completion, and arrangements for foreign exchange have been finalised or are in sight so that there would be no delay in their implementation and infructuous tying up of funds could be avoided. It is also stated that taking the first two years of the fourth Plan together, despite the acute financial stringency, the needs of the directly productive sectors have been met to an extent that would more or less keep up the tempo of development.

In regard to fixation of targets for the current financial year, due account has been taken of the likely achievements during 1966-67, the overall state of the economy and the outlay of the year, the order of allocations available, the state of readiness for implementation of various projects and schemes included in the fourth Plan, intensive utilisation of capacity already created, and availability of essential inputs.

According to the estimates of financial resources for the 1967-68 Plan, the central government's contribution will be Rs. 1,236 crores and that of the states Rs. 956 crores—the resources in sight thus are Rs. 2,192 crores. Measures for covering the gap of Rs. 54 crores in the state plans are under consideration in consultation with the state governments concerned.

The central and state governments, says the Plan docu-

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ment, are expected to provide about Rs. 1,177 crores for the current year's Plan from their domestic budgetary sources. Budgetary receipts corresponding to external credits, including those under PL 480, are estimated at another Rs. 1,001 crores. The total normal budgetary resources are thus estimated to amount to Rs. 2,178 crores.

In view of the need to stabilise the economy through a policy of budgetary restraint, deficit financing is expected to make only a marginal contribution towards the financing of the Plan outlay in 1967-68.

The balance for the Plan in 1967-68 from the current revenues of the central and state governments at 1965-66 rates of taxation is estimated at about Rs. 212 crores, representing an improvement of Rs. 169 crores over the revised estimates for 1966-67. At the centre, the balance is expected to show an improvement of as much as Rs. 180 crores, but in the states it is expected to decrease by Rs. 11 crores.

The total revenue receipts of the central government at 1965-66 rates of taxation are expected to increase in 1967-68 by about Rs. 215 crores in view of the anticipated growth of output and incomes. Non-plan expenditure, on the other hand, is expected to show an increase of only Rs. 35 crores. In fact, if the expenditure on debt service is kept apart, the rest of the non-plan expenditure is expected to show a net decrease of Rs. 15 crores. This is explained partly by the decision taken to reduce the subsidy on fertilizers and partly by the stringent measures adopted by the government to effect economies under various items of non-plan expenditure.

In the states also, revenue receipts are expected to show a large increase in 1967-68. For example, receipts from state taxes at 1965-66 rates are expected to rise from about Rs. 887 crores in 1966-67 to Rs. 974 crores in 1967-68 even after taking into account the estimated loss of about Rs. 28 crores on account of various concessions in land revenue and certain other taxes announced by the state governments. This is partly due to the normal growth of receipts from various taxes, particularly sales taxes, and partly because of the efforts being made by state governments to collect arrears and prevent tax evasion. Receipts from interest and other non-tax items, are also expected to show a substantial increase.

Increase in Non-Plan Expenditure

The increase in the revenue receipts of state governments in 1967-68 is, however, expected to be more than counter-balanced by an increase in non-plan expenditure. Debt service charges (including appropriations for the reduction or avoidance of debt) are expected to rise from about Rs. 329 crores in 1966-67 to Rs. 384 crores in 1967-68. Besides, the increase in non-plan expenditure on account of increases in the emoluments for state government employees, school teachers and employees of local bodies, etc., announced since the formulation of the annual Plan for 1966-67, but before the end of March, 1967, was estimated at about Rs. 131 crores for a full year, as against Rs. 53 crores in 1966-67. Allowing for normal growth, the increase in non-plan expenditure in 1967-68 on account of the increases in emoluments might be taken at about Rs. 136 crores. Moreover, the further increases in emoluments sanctioned by state governments since April 1, 1967, are expected to add another Rs. 56 crores to the non-plan expenditure in the current year. Expenditure on famine relief is, however, expected to be smaller than in 1966-67.

The contribution of railways in 1967-68 at the 1965-66 rates of fares and freight charges is estimated at six crores of rupees for 1966-67, representing a deterioration of about Rs. 23 crores. This is partly due to the fact that the increase in railway earnings is not expected to be sufficient to meet the increase in ordinary working expenses and dividend pay-

ments to the central government as well as the rather sharp increase of about Rs. 18 crores in the provision for current replacement expenditures. In part, it is due to the inclusion of a provision of Rs. 13.3 crores for possible further increase in dearness allowance in 1967-68.

The contribution of central government enterprises in 1966-67 is expected to show a considerable shortfall, as compared to the original estimate for that year, due mainly to lower levels of output and sales as well as increases in cost of production. But due to the efforts being made to improve the operational efficiency of the enterprises, their total contribution in 1967-68 is expected to increase to about Rs. 168 crores.

The contribution of state enterprises is also expected to show a substantial improvement, partly because of the larger net accruals to the depreciation funds of state electricity boards.

The yield in 1967-68 from the measures of additional taxation adopted by the central and state governments in 1966-67 is estimated at about Rs. 184 crores—Rs. 155 crores from those adopted at the centre and Rs. 29 crores from those adopted in the states. Besides, measures already adopted by the central government in its final budget for 1967-68 are expected to yield about Rs. 125 crores in the current year and Rs. 151 crores in a full year, as shown below:

ADDITIONAL RESOURCE MOBILISATION BY THE CENTRE, INCLUDING RAILWAYS AND POSTS AND TELEGRAPHS IN 1967-68.

	(Rs. crores)	
	Yield in 1967-68	Yield in full year
A. Central government		
1. Union excise duties	98.1	115.5
2. Import duties	5.8	7.3
3. Export duties	-16.7	-19.0
Total	87.2	103.3
B. Railways		
Increase in railways fares and freight charges	35.0	43.3
C. Post and Telegraphs		
Changes in postal rates	3.0	4.4
Grand Total	125.2	151.5

Of the total estimated yield of about Rs. 125 crores for the current year from these measures, about Rs. 19 crores represents the share of state governments. Correspondingly, the states' share in the full year's yield is estimated at Rs. 23 crores. The measures which the state governments have already adopted or propose to adopt are expected to bring in another Rs. 51 crores in 1967-68.

Reflecting the general state of the economy, the conditions in the capital market have been far from satisfactory. Consequently, total receipts from net borrowings from the public by the centre, state governments and their enterprises in the current year have been tentatively taken at about the same level as in 1966-67.

Small savings collections are, however, expected to show a significant increase. Receipts from annuity deposits and un-

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funded debt are expected to be more or less of the same order as in 1966-67.

Miscellaneous capital receipts in 1967-68 are estimated at Rs. 50 crores, which show a large deterioration as compared to the latest estimate for 1966-67. This item reflects the net effect of receipts and disbursement under a number of budget heads on capital account, including deposits and funds. The dependable sources of receipts include recoveries of loans and advances and transfers to sinking funds from current revenues. On the disbursements side, the item accommodates all non-plan outlays.

In 1966-67, there was an exceptionally large inflow under deposits and advances. This explains partly the deterioration in net miscellaneous capital receipts in 1967-68 as compared to the preceding year.

The utilisation of external credits, other than those under PL 480, is expected to increase substantially in 1967-68. Consequently, the budgetary receipts corresponding to such credits are estimated to increase to about Rs. 716 crores in this year. Besides, receipts from PL 480 imports are estimated to amount to Rs. 285 crores. This latter estimate is much higher than that envisaged earlier, mainly because of the need to import larger quantities of foodgrains on account of the setback to agricultural production in 1965-66 and 1966-67.

Reviewing the economic outlook for 1967-68, the Plan document says that it is linked, first and foremost, with prospects in agriculture. Since the climatic factor has been very unfavourable for two successive years, there is high probability that the 1967-68 agricultural season would be normal, or even better than the normal. Good and timely onset of the monsoon has further added to this probability.

The grain harvest was 89 million tonnes in 1964-65. During the last two years further agricultural potential has been created. The "new strategy" centred on the cultivation of high-yielding varieties promises a real breakthrough on the agricultural front. Large imports of fertilizers have been arranged to supplement domestic output so that there is reasonable assurance of more or less adequate supplies of this vital input.

Good Harvest

Given reasonably good monsoons, a grain harvest of around 95 million tonnes should be quite likely, which will be 6.7 per cent larger than the production in 1964-65. This order of foodgrain output will be feasible only if both the kharif and the rabi seasons are good.

It would also be reasonable to assume that in 1967-68, the output of the non-food sector as a whole will exceed the 1964-65 level by at least as much as the output of foodgrains. On this assumption, the index of agricultural production (1949-50=100) would be 169.1 as against the rough estimate (on the basis of data available so far) of about 135.7 for 1966-67. The increase would work out to 24.6 per cent.

During the first half of 1967-68, growth of industrial production is unlikely to pick up significantly. Even if the anticipations regarding a good agricultural season do materialise, its impact on industrial production will begin to be felt after October, 1967.

For industries constrained by insufficient demand, expansion of public development outlays in appropriate directions could provide the much needed stimulus. But, for the present, taking into account the strong pressure on the price line, it has been decided to limit the public sector plan for 1967-68 to about the same level as the actual outlay in the previous year.

Any additional provision must await a significant improvement in the price situation and the resources outlook.

Given a good agricultural season, industrial production should begin to pick up significantly in the second half of 1967-68. The following industries are likely to benefit through greater raw material availability: milling; oil seed crushing; ginning and pressing; sugar; confectionery; vanaspati; various other food industries; cotton textiles; jute textiles; soap, etc.

A wide range of industries would benefit through expansion of rural purchasing power. These would include: textiles; footwear; vanaspati; cigarette and biri; tea; coffee; cycle tyre and tube; paper; steel; cement; soap; cycle; sewing machine; hurricane lantern; utensil; radio; electric motor, water pump; diesel engine; fertilizers; etc.

Impact on Urban Demand

A good agricultural season may result in the prices of food and other farm produce seeking somewhat lower levels than the inordinately high level reached at the end of June, 1967. If so, this is likely to have a favourable impact on urban demand for manufactures. Power and transport position is expected to be generally quite comfortable. There would be sizable additions to industrial capacity as a result of completion of projects initiated in the third Plan period.

The policy of liberalisation of maintenance imports adopted towards the middle of 1966-67, should also show its full results in 1967-68. As a result of all these factors, it is quite likely that the industrial production during the second half of 1967-68 may show an increase of six to seven per cent over the corresponding period of 1966-67. Taking the year as a whole, the increase may be of the order of five per cent over the previous year.

The sharp increase in agricultural production and the pick up in industrial production would benefit the tertiary sector—transport and communications, wholesale and retail trade, banking, service trades, etc. Income generation in all these sectors would receive a fillip. The increase for the tertiary sector as a whole may be of the order of four per cent.

During the first quarter of the fiscal year, it is usual for the price line to show an upward trend. This is because, firstly, the summer months are the lean period in regard to agricultural output, and secondly, this is the period when the price line adjusts to additional taxation imposed in the central and state budgets. This time, because of 1966-67 being a poor agricultural year, prices began to rise earlier than usual, that is from December, 1966, onwards. With the beginning of the rabi harvest in March, prices were more or less stable for a few weeks. The upward trend was, however, resumed from about the middle of April. By the end of June, the index of wholesale prices had moved up to 217.2 as against 202.7 at the end of March, that is by a little over seven per cent.

The seven per cent rise in wholesale prices in the first quarter of 1967-68 has been accounted for mainly by 13.5 per cent rise in the prices of food articles which have a weightage of about 50 per cent in the overall index of wholesale prices. During the same period, the index for fuel, power, light and lubricants has gone up by 8.1 per cent and for liquor and tobacco by 2.9 per cent. There has been a decline of 1.1 per cent in the index for industrial raw materials. Within this group, there was a heavy fall of 18.3 per cent in the price of raw jute but a rise of 3.9 per cent in the price of oilseeds and 1.7 per cent in that of raw cotton. There was a fall of 0.6 per cent in the index for manufactures due mainly to a heavy fall of 11.9 per cent in the price of jute manufactures.

The price trend may continue upward during the greater

part of the second quarter of 1967-68. But the rise is likely to be smaller than during the first quarter.

The average overall index for the first quarter of 1967-68 works out to a little less than 209. Since the index as of first July already stood at 218.7 and the trend was upwards, the average for the second quarter is unlikely to be below 220. If the crop is good, the average for the last six months of the year may drop to around 210 to 215. On these anticipations the average for the year could be anticipated at around 214. **Compared to the average index of 191 for 1966-67, it would be about 12 per cent higher. This would be a somewhat smaller rise in the average index compared to that of 15.7 per cent in 1966-67.**

Since national income at current prices is anticipated to go up by 20 per cent in 1967-68, in order to prevent further deterioration in the rate of investment (measured as the ratio of investment outlay to national income, both taken at current prices), investment outlay would need to be stepped up correspondingly. If total investment is no more than at the last years level, that is, about Rs. 2,800 crores, the rate of investment would drop to a little over 10 per cent.

For the present investment outlay provided in the public sector plan for 1967-68 is, in fact, at about the same level as the likely actuals in 1966-67. Obviously, if the prices and performance outlook significantly improves as a result of a reasonably assured good crop, it would be appropriate to step up public investment and to stimulate private investment.

Improved prices and performance outlook could provide favourable conditions for raising additional resources for financing an enlarged public investment programme. Additional resources would accrue in the following ways: reduced outlays on scarcity and famine relief; larger receipts from excise, sales and other taxes consequent on improvement in industrial production, possibly, larger utilisation of non-project aid consequent on the pick up in industrial production; larger earnings of the public transport system.

Positive Measures Needed

The improvement in the resources position in the above ways may be neutralised, to some extent, by (i) the need to pay additional dearness allowance, over and above those provided in the budgets, in consequence of the price rise that has already taken place, (ii) possibly, reduced sale and absorption of aid financed imported grain during the last few months of the fiscal year, and (iii) possible gaps in the state budgets. This suggests that it would not do just to rely on automatic factors for the required additional financial resources. Positive measures for the purpose would be necessary.

Some of the measures for augmenting resources for public as well as private investment that would seem to be both feasible and appropriate if the anticipated improvement in economic performance and the price situation does, in fact, materialise, are:

- (1) Removal of food subsidy (a good crop with its favourable impact on foodgrain availability and prices will create proper conditions for this);
- (2) Removal of the remaining subsidy on fertilizers;
- (3) Launching of a drive by the government and the credit cooperatives for collection of land revenue and other tax arrears and overdue loans;
- (4) Increase in excise duty on items the consumption of which is expected to go up;
- (5) Upward revision of water rates in line with the recommendations of the Nijalingappa Committee, so as

to reduce, and in due course wipe out, the current deficit on government irrigation;

- (6) Upward revision of electricity tariffs in line with the recommendations of the Venkataraman Committee;
- (7) Higher taxation on larger holdings in some form or the other;
- (8) An intensified drive for small savings; and
- (9) A special effort in the rural areas for securing subscription to rural bonds of land mortgage (development banks) and share capital of cooperative organisations.

The programmes of intensive agricultural development are likely to benefit mainly certain, favourably placed areas and sections of the farming community. It is, therefore, very necessary from the point of view of long-term development strategy, that an appropriate proportion of the increments in income resulting from these programmes be tapped.

The 1967-68 budget envisages larger receipts from net external assistance compared to 1966-67—Rs. 1002 crores as against Rs. 900 crores. Net inflow of external funds into the private sector (exclusive of reinvested profits) may be of the order of Rs. 30 crores in each of the two years. The total inflow may thus be estimated at about Rs. 1030 crores in 1967-68 as against about Rs. 930 crores in 1966-67—an increase of Rs. 100 crores. If investment in 1967-68 is no more than in 1966-67, domestic saving would be Rs. 100 crores lower. Since national income at current prices is anticipated to be about 20 per cent higher, the rate of saving would slump from 8.2 per cent to just 6.4 per cent. Thus in two years the rate of saving would have dropped by four percentage points, from about 10.4 per cent in 1965-66 to 6.4 per cent in 1967-68.

Reversing the Trend

The above trend is inconsistent with the accepted long-term goal of self-reliance, at an adequate rate of growth. For this goal would require a saving rate of close to 20 per cent of national income. If the above goal is to be realised by the target date, that is 1976, the country must do its utmost to halt the present declining trend and to bring about a steadily rising trend. Hence the importance of vigorous measures this year to step up the rate of investment and to mobilise non-inflationary resources for this, should improvement in the economic situation permit that.

As a result of the various measures adopted since devaluation to promote exports, a moderately rising trend in exports was noticeable in the early months of 1967-68. The dislocation caused by devaluation has now been overcome while its stimulating effect on certain categories of exports has begun to be felt. Larger exportable surpluses of certain agriculture based items are expected if, as anticipated, the agricultural year is at least normal. Measures of cash assistance to selected exports introduced in 1966-67 together with other export promotion measures are expected to show their results this year. As a result of these developments and export promotion measures, exports are anticipated to recover from the setback suffered in 1966-67 and to exceed the 1965-66 level, if only by a small margin.

Despite the expected improvement in exports and the large inflow of external aid, the foreign exchange position would continue to remain tight, particularly in respect of free foreign exchange. This is attributable to projected large imports of foodgrains, raw cotton, jute, fertilizers, maintenance imports for industry, POL, etc. and to large debt service payments including repurchases from the IMF. The beneficial effects of a good crop on import requirement of food and agricultural raw materials are expected to be felt significantly in 1968-69 rather than in 1967-68. The need for vigorous measures for export promotion and import substitution remains as urgent as ever. Relief obtained on debt service charges could also contribute to an easing of the foreign exchange position.

PLAN OUTLAY FOR 1967-68

(Rs. crores)											
States					Amount	Union Territories*					Amount
Andhra Pradesh	...	...	...	...	68.98	Andaman and Nicobar Islands	...	...	...	...	2.58
Assam	...	...	...	...	30.00	Dadra and Nagar Haveli	...	...	...	...	0.34
Bihar	...	...	...	...	66.36	Delhi	...	...	...	...	25.30
Gujarat	...	...	...	...	70.00	Goa, Daman and Diu	...	...	...	...	7.51
Haryana	...	...	...	...	24.15	Himachal Pradesh	...	...	...	...	15.72
Kerala	...	...	...	...	42.63	Laccadive, Amindive and Minicoy Islands	...	...	...	...	0.56
Madhya Pradesh	...	...	...	...	60.37	Manipur	...	...	...	...	2.91
Madras	...	...	...	...	77.28	NEFA	...	...	...	...	2.15
Maharashtra	...	...	...	...	122.38	Pondicherry	...	...	...	...	2.18
Mysore	...	...	...	...	60.25	Tripura	...	...	...	...	4.16
Nagpur	...	...	...	...	46.00	Chandigarh	...	...	...	...	0.69
Norissa	...	...	...	...	42.00						
Punjab	...	...	...	...	43.00						
Rajasthan	...	...	...	...	155.00						
Uttar Pradesh	...	...	...	...	60.87						
West Bengal	...	...	...	...	20.25						
Jammu and Kashmir	...	...	...	...	6.25						
Nagaland	...	...	...	...							
Total	...	...	...	...	995.78	Total	...	...	...	...	64.10

* Budget Estimates.

FOURTH PLAN OUTLAY, ANTICIPATED EXPENDITURE FOR 1966-67 AND PLAN OUTLAY FOR 1967-68

(Rs. crores)													
	Fourth Plan (as in the Draft Outline)				1966-67 (Anticipated)				1967-68 (Outlay)				
	Centre	States	Union territories	Total	Centre	States	Union territories	Total	Centre	States	Union territories	Total	
Agricultural programmes	335	1559	50	1944	29.89	231.91	7.09	268.89	59.37	228.85	8.43	296.65	
Community development and cooperation	97	359	10	466	24.93†	50.56	2.17	77.66	36.91††	40.85	2.09	79.85	
Irrigation (including flood control)	44	912	8	964	1.40	140.90	1.46	143.76	1.64	143.49	1.64	146.77	
Power	260	1717	53	2030	67.71	314.36	17.20	399.27	62.64	307.81	14.33	384.78	
Organised industry	3751	178	7	3936	509.49	32.77	0.58	542.84	483.02	36.53	0.64	520.19	
Village and small industry	171	191	8	370	27.19	16.68	1.46	45.33	24.68	17.31	1.56	43.55	
Transport and communications	2575	380	55	3010	345.78	73.72	12.37	431.87	337.49	67.84	13.43	418.76	
Education	323	815	72	1210	39.86	52.42	5.95	98.23	42.00	64.10	5.56	111.66	
Scientific research	140	...	...	140	15.86	...	...	15.86	19.06	...	...	19.06	
Health and family planning	250	300	37	587	21.84	30.33	3.77	55.94	38.70	33.97	3.17	75.84	
Water supply	3	335	35	373	0.40	29.18	4.62	34.20	0.40	32.40	4.16	36.96	
Housing and urban development	140	105	35	280	11.24	9.36	3.66	24.26	12.96	9.33	3.58	25.87	
Welfare of backward classes	90	85	5	180	13.85	8.38	0.74	22.97	8.35	8.51	0.87	17.73	
Social welfare	30	16	4	50	2.43	1.26	0.25	3.94	2.81	1.33	0.29	4.43	
Craftsman training and labour welfare	85	56	4	145	8.40	5.61	0.42	14.43	8.03	6.98	0.30	15.31	
Public cooperation	7	2	1	10	0.15	0.09	0.02	0.26	0.42	0.15	0.02	0.59	
Rehabilitation	90	...	...	90	14.34	...	...	14.34	16.08	...	...	16.08	
Rural works	95	...	...	95	7.75	...	...	7.75	6.50	...	...	6.50	
Other programmes	50	63	7	120	5.49	11.32	1.90	18.71	10.94	10.52	4.03	25.49	
Total	8536	7073	391	16000	1148.00	1008.85	63.66	2220.51	1172.00	1009.97*	64.10	2246.07	

† Including Rs 8.65 crores on account of land mortgage banks.

†† Including Rs 10 crores for Agr. Refinance Corporation and Rs 15 crores for land mortgage banks.

* This does not take into account the reduction of Rs 14.19 crores in the Annual Plan 1967-68 of Rs 80.55 crores of Bihar.

FINANCING OF THE PLAN IN 1966-67

(Rs. crores)

	Original estimates(a)			Latest Estimates		
	Centre	States	Total	Centre(b)	States(c)	Total
I. Plan Outlay	1151	930	2081	1212	1009	2221
II. Financing of Plan Outlay						
1. Domestic Budgetary Resources						
(a) Balance from current revenues at 1965-66 rates of taxation (d)	314	120	434	--13	56	43
(b) Contribution of railways at 1965-66 rates of fares and freight charges	34	...	34	--1(e)	...	--1
(c) Surplus of other public enterprises, exclusive of the yield from measures adopted for raising additional resources for the Plan	164	54	218	100	44	144
(d) Additional taxation, including measures to increase the surpluses of public enterprises in 1966-67:						
(i) By centre (including railways)	119	21(f)	140	112	27	139
(ii) By states	...	51(g)	51	...	20	20
(e) Loans from public (net)	88	121	209	90	114	204
(f) Small savings	40	95	135	40	85	125
(g) Gold bonds, prize bonds and compulsory deposits	1	...	1	2	...	2
(h) Annuity deposits	35	...	35	22	...	22
(i) Unfunded debt	59	29	88	58(h)	27	85
(j) Miscellaneous capital receipts (net)	200	--91	109	277	--79	198
(k) Further resources to be raised by states	...	34	34	...	...	...
Total of (1)	1054	434	1488	687	294	981
2. Budgetary receipts corresponding to external credits	581	...	581	900	...	900
(a) Other than those under PL 480	351	...	351	577	...	577
(b) PL 480 aid	230	...	230	323	...	323
3. Deficit financing	25	--13	12	350	--10	340
Total (1 to 3)	1660	421	2081	1937	284	2221
4. Assistance for state Plans	--509	509	...	--617	617	...
5. Ad hoc loans from centre to states	...	...	...	--108	108	...
III. Total resources	1151	930	2081	1212	1009	2221

(a) As indicated in the "Annual Plan, 1966-67".

(b) Revised estimates.

(c) As indicated by state governments in the discussions held during May-June, 1967.

(d) Inclusive of estimated yield from the post-budget measures adopted by the centre and the states in 1965-66. In the Annual Plan document, this yield was shown under additional taxation.

(e) Revised estimate. The latest data indicate that the actual contribution of the railways might have been lower by about Rs 5 crores.

(f) Exclusive of estimated receipts of Rs 7.5 crores from changes in sales tax on "declared goods". These receipts are included under additional taxation by the States.

(g) Without taking into account the yield from post-budget measures adopted in 1965-66 but inclusive of the yield from sales tax on "declared goods".

(h) Without taking into account the transfer of Rs 5.7 crores made from state Provident Funds to the Railways Pension Fund in 1966-67.

FINANCING OF THE PLAN IN 1967-68

(Rs. crores)

	Centre (a)	States (b)	Total
I. Plan Outlay	1236	1010	2246
II. Financing of Plan Outlay			
1. Domestic Budgetary Resources			
(a) Balance from current revenues at 1965-66 rates of taxation	167	45	212
(b) Contribution of railways at 1965-66 rates of fares and freight charges	--29	...	--29
(c) Surplus of other public enterprises, exclusive of the yield from measures adopted for raising additional resources for the Plan	168	71	239
(d) Additional taxation, including measures to increase the surplus of public enterprises:			
1. By centre (including railways)			
(i) 1966-67 measures	115	40	155
(ii) 1967-68 measures	106	19	125
2. By states			
(i) 1966-67 measures	...	29	29
(ii) 1967-68 measures	...	51	51
(e) Loans from public (net)	95	109	204
(f) Small savings	35	101	136
(g) Gold bonds, prize bonds and compulsory deposits	--3	...	--3
(h) Annuity deposits	22	...	22
(i) Unfunded debt	56	30	86
(j) Miscellaneous capital receipts (net)	94	--144	--50
Total of (1)	826	351	1177
2. Budgetary receipts corresponding to external credits	1001	...	1001
(a) Other than those under PL 480	716	...	716
(b) PL 480 aid	285	...	285
3. Deficit financing	--1	15	14
Total (1 to 3)	1826	366	2192
4. Assistance for state Plans	--590(d)	590(d)	...
III. Total Resources	1236	956	2192
IV. Gap in Resources(c)	...	54	54

(a) Final budget estimates.

(b) Estimates agreed to by state governments in the discussions on Annual Plan for 1967-68.

(c) Measures for covering this gap are under consideration in consultation with the state governments concerned.

(d) An additional amount of Rs 8.5 crores is expected to be made available for programmes of minor irrigation and rural electrification from scarcity relief funds.

SELECTED PHYSICAL TARGETS FOR 1967-68

Item		Unit	1965-66 Achievement	1966-67 Likely Achievement	1967-68 Targets
Agriculture					
Foodgrains	Potential	Million tonnes	90.0	94.0	100.0
	Production	"	72.3	76.0	
Cotton	Potential	Million bales of 180 kgs. each	6.3	5.3	7.0
	Production	"	4.7		
Sugarcane (Gur)	Potential	Million tonnes	11.0	10.4	12.0
	Production	"	11.3		
Oilseeds	Potential	"	7.5	8.0	9.0
	Production	"	6.1		
Jute	Potential	Million bales of 180 kgs. each	6.2	5.8	7.5
	Production	"	4.5		
Nitrogenous fertilizers consumed		Thousand tonnes of N	600	700	1350
Phosphatic fertilisers consumed		Thousand tonnes of P205	132	300	500
Potassic fertilizer consumed		Thousand tonnes of K20	90	130	300
Area under improved seeds:					
Foodgrains		Million acres	112.0	115.0	134.5
Of which high yielding		"	...	6.6*	16.2
Plant protection		"	41	63	126
Minor Irrigation (Potential—Additional)		"	3.8	3.0	3.5
Irrigation					
Potential at outlet		Million acres (gross)	17.3	19.5	21.0
Utilisation		"	13.6	15.2	17.4
Power					
(a) Installed capacity		Million kW	10.2	11.4	13.5
(b) Generated		Million kWh	37,720	42,500	50,000
(c) Villages electrified (Addl.)		Numbers	5,760	7,700	n.a.
(d) Pumps electrified (Addl.)		'000 nos.	110	146	141
Industry					
Production of:					
Pig iron for sale		Million tonnes	1.2	1.0	1.2
Steel ingots		"	6.5	6.6	7.5
Metallurgical and other heavy mechanical equipment		Thousand tonnes	11.0	14.3	20.0
Machine tools (organised sector) including accessories		Rs. crores	25.8	29.9	29.0
Industrial machinery†		"	48.1	46.3	56.2
Precision instruments		"	5.4	6.1	10.0
Commercial vehicles		Thousand Nos.	35.3	35.0	40.0
Power driven pumps		"	261.0	308.6	325.0
Agricultural tractors		"	6.3	8.8	13.0
Sulphuric acid		Thousand tonnes	654.0	700.0	850.0
Cement		Million tonnes	10.8	10.9	13.2
Cloth (mill-made)		Million metres	4401	4200	4200
Sugar		Lakh tonnes	35.0	22.0	22.0
Fertilisers:					
Nitrogenous		Thousand tonnes of N	233.0	310.0	520.0
Phosphatic		Thousand tonnes of P205	121.6	145.0	266.0
Coal		Million tonnes	70.3	71.0	72.5
Petroleum (crude throughput)		"	10.1	11.9	14.2
Handloom, powerloom and khadi cloth		Million metres	3141	3150	3300
Transport					
Freight: traffic originating		Million tonnes	203.1	203.0	211.5
Road (surfaced)		Thousand kms	284	292	300
Shipping		Lakh GRT	15.4	18.7	21.0
Major ports: traffic handled		Million tonnes	50.2	53.6	56.0
Education					
Additional enrolment in schools (age-group 6-17 years)		Lakh numbers	48.1	39.4	44.0
Technical education admission capacity:					
(a) Diploma level		Numbers	43984	45750	47780
(b) Degree level		Numbers	23315	24310	26090
Health					
Hospital beds		'000 numbers	240	255	264
Doctors practising		"	86.0	90.0	N.A.
Housing					
House/tenements constructed		"	56.1	37.5	37.8

* Provisional

† This comprises coal and other mining (incl. drilling equipment), cotton textile, jute, sugar, paper, cement, printing and dairying machinery only.

Estimates Committee on Industrial Licensing

IN ITS ninth report, presented to Parliament on July 25, the Estimates Committee of the Lok Sabha has suggested the appointment of an industries commission to examine the extent to which the Industrial Policy Resolution and the Industries (Development and Regulation) Act have been helpful in developing and regulating the growth of industries on "desired lines." The committee has recommended that the commission should be asked to indicate a strategy to bring about self-reliance in industry at the earliest, keeping in view the resources of the country and the aspirations of the people.

The proposed commission, the committee has further said, should include representatives of industry, trade, commerce, public sector, financial institutions and economists having intimate knowledge of the problems of industrial development.

While conceding that the government cannot dispense with the regulation of industrial licensing in the context of planned development, the committee has felt that the time has come to use these regulations as an instrument of development rather than of restraint. This should not, however, result in relaxing in any way vigilance in checking the terms of foreign collaboration, or the time schedule for achieving self-sufficiency at the earliest or for producing goods at most competitive prices. The machinery available under the Industries (Development and Regulation) Act should be used to establish closer liaison between the public and private sectors in the interest of larger and cheaper production.

Economic Considerations

The committee has emphasised that in exercising the regulatory powers under the Act, weightage should be given to economic considerations as far as possible. It has suggested that the high powered industries commission should also undertake a thorough review of the provisions of the Industries Development and Regulation Act so that it can serve as an effective instrument for accelerating the industrial development of the country on sound economic lines.

The following are the other main points sifted out of the committee's report.

The committee notes with disappointment that no action has been taken to remove the anomalies arising from the duplication and overlapping of certain provisions in the Industries (Development and Regulation) Act, 1951; and certain other regulatory measures such as the Essential Commodities Act. It has called for close co-ordination and consultation between the central and state governments in the administration of the Industries Act. A suggestion made in this connection is that the Ministry of Industrial Development should convene regular meetings, at least once in six months, of representatives of state governments and sort out problems in the way of industrial development and production.

The committee has recognized the need for balanced economic development of the different regions but has emphasized that the key to the development of backward areas lies in strengthening the agricultural sector as also in building infrastructure for development of industries. It has felt that the problem of industrialization of underdeveloped areas should be approached in a rational and pragmatic manner.

The committee has pointed out the deficiencies in planning and industrial licensing as a result of which there have been persistent shortfalls in production in some basic industries. The

report says that installed capacity has not been put to full use in many cases and several licences have remained infructuous.

The committee has felt that in the case of industries catering for non-essential consumer goods the targets of capacity and production may be indicated so that they could be adjusted in the light of development and achievement.

The report expresses disappointment at the issue of licences much in excess of the targets as it tends to give a misleading picture of the industrial capacity and keeps out genuine entrepreneurs from coming into the field. In the opinion of the committee, this practice also encourages foreclosure of licensing capacity by interested parties who do not implement licences and prevent competition in these industries. A strict watch on the progress in the utilization of licences has been recommended to ensure that licensees take effective action within the stipulated period. The report is categorical that in the event of non-compliance, licences should be revoked or transferred to other parties.

Checking Monopolies

The committee has suggested close scrutiny on the sale and transfer of licences and requests for association of fresh partnership by the original licensee so as to prevent monopolistic growth and concentration of economic power in the hands of a few.

The committee has felt that the previous record of performance of the entrepreneur should be taken into account at the time of approval of application for the grant of licences. The authorities should also examine whether the applicant was genuinely interested in setting up an industry and not merely acting as an agent of others.

Referring in this connection to some of the observations of the Hazari committee on industrial licensing, the report has asked the government to examine the study of Dr Hazari "very carefully and take remedial measures to arrest the unhealthy trends."

The committee has criticized the Ministry of Industry for rejecting applications for licences on the ground that the public sector would enter the field. The report says that stainless steel, alloy steel, ophthalmic glass, large compressors and pumps, industrial instruments, large transformers and turbines and ammonium chloride and liquid ammonia were mentioned to the committee as illustrations in this connection. The Ministry had informed the committee that 14 applications for industrial licences had been turned down from 1964 to 1966 on account of public sector units proposing to manufacture the items in question.

The committee has emphasized the paramount importance of bringing about a reduction in the prices of goods. Stringent measures should be taken to control the prices of industrial products at a reasonable level. Economic factors should be the main criteria for the location of industries.

At the present stage of development of the Indian economy, the committee feels, it is essential that emphasis should be placed on the establishment of the most competitive industrial units so that the end-products are available to the public at competitive and low prices.

The government should evolve a suitable procedure by inviting applications by public notice from prospective entrepreneurs, who should be given adequate time to enclose with their applications feasibility reports indicating the capital cost, foreign exchange components and the cost and sale price per unit so that applications could be judged on the basis of their competitiveness. The committee has suggested that the procedure in this respect should be worked out in consultation

with representative bodies of producers, trade, commerce, industry and consumers and finalized with the approval of the Central Advisory Council for Industries.

Expansion programmes submitted by established units, the committee says, should be considered expeditiously and, where found acceptable, letters of intent covering the entire expansion programme should be issued provided this does not encourage and create monopolies. The committee has asked the government to provide necessary facilities to industrial units desiring to diversify production in the interest of export or import substitution or to meet the requirements of defence and other government organizations.

In the opinion of the committee, the government should intensify the review of the existing foreign collaboration agreements both in the public and private sectors to accelerate the achievement of cent per cent indigenous content. The government, the committee suggests, should also provide necessary facilities to reputable Indian firms to establish manufacturing units in underdeveloped areas, particularly in Africa, south-east Asia and the Middle East so that Indian technology, know-how and experience could be put to effective use in the interest of the development of the economies of other countries as also to earn valuable foreign exchange.

The committee has commended the suggestion of the study team on the DGTD that there should be an Appeal Sub-Committee of the Licensing Committee to consider the cases of applicants against rejection of their proposals.

The committee has expressed itself against the practice of issue of licences for the plan period as a whole. It has felt that the issue of a large number of licences in a relatively short period tends to impose great strain on available resources like investment capital, foreign exchange, scarce raw materials and arrangements for securing foreign collaboration and domestic supply of equipment. According to the committee, such a procedure leads to blocking of the whole capacity for the plan, period and encourages interested parties and groups to foreclose the licensed capacity.

Review of Idle Capacity

The committee has urged a thorough review of the idle capacity in various industries with a view to utilizing it fully and thus maximizing production and reducing costs. It says that in 1965-66 nearly 80 to 90 per cent of capacity was unutilized in some industries. Even in some priority industries, under-utilization was 40 per cent. It has pointed out that the working of the co-operative sector in textiles and sugar has been unsatisfactory and has called for effective measures to improve their working and ensure their proper growth.

The committee has emphasized the importance of utilizing the capacity already built in various industries, reducing costs and improving quality. Evaluation of plan achievements, the committee recommends, should be done every year and such reports should be presented to Parliament so that members could have more informed discussion and make suggestions for finalizing the plan for the following year.

The committee has asked the government to examine the reasons for the accumulation of unsold stock with the machine-building industry, particularly Hindustan Machine Tools and determine whether the accumulation is ascribable to any deficiency in the after-sales service or non-availability of spare parts or inability to meet customers' modifications or due to lack of diversification of products. The HMT should carefully analyze imports with a view to seeing which additional machinery at present imported in large numbers could be taken up for manufacture indigenously in the context of the development programme for the plan.

The committee says that keeping in view the specialized

nature of alloy steels and the need for competitive prices in the basic sector, wide publicity should be given to the capacity still remaining to be licensed so as to attract applications on competitive basis. The applications should be examined strictly on the basis of economy in capital costs including foreign exchange components and unit cost of production based on the techno-economic feasibility reports enclosed with the applications so as to licence the most competitive and sound unit for production.

In view of the scarcity of foreign exchange which is likely to continue for quite a long time, the committee feels that greater emphasis should be placed on substituting imported metals by aluminium where technically feasible.

The committee says constant efforts should be made to bring down the cost of production of fertilizers in the country at par with the cost of production in other countries. In comparing international costs, at least the f.o.b. cost should be taken into account and not the c.i.f. price.

The committee says the government should ensure that fertilizers are made available to the cultivators at reasonable prices so that the cost of production of food does not go high. There is no doubt that if fertilizers are made available at economic prices, the Indian farmer would not be slow in making full use of them to step up production and the proclaimed goal of self-sufficiency would be within reach.

The committee recommends that with the increase in indigenous content, concerted efforts should be made to bring down the cost of production of automobiles in consultation with the industry so as to make them competitive in quality and price with those manufactured abroad.

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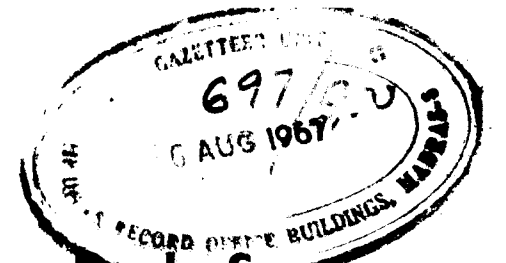
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Passenger in the Back-Seat

IN THE prevailing circumstances the annual Plan has become more important than its five-year framework. Not until 1969, at the earliest, will the Planning Commission be really able, in our view, to think in terms of longer periods. The Government of India may not like to admit this openly, but we have no doubt at all that when Mr Morarji Desai talks in terms of the present spell of fumbling and uncertainty being temporary, he cannot really be thinking merely of months. Not that we believe that there is something inherently wrong in our economy preventing earlier recovery or even resurgence. But taking a realistic view of the political context and the instability in government and administration, we hold that it will take longer than is generally imagined for the government to settle down to policies which are positive enough to assist the economy to move forward in strength, substance or speed.

It follows that for the time being what matters is whether the government is able to prosecute with reasonable competence at least the limited programmes which are included in the annual Plan for 1967-68. This document, in its restricted context, is not without virtue. It is obvious that Mr Desai's earnestness about avoiding deficit financing has told. An attempt at least has been made to prevent aggregate outlays exceeding appreciably the limits of foreseeable resources. There could however be unpleasant developments for which Mr Desai is not perhaps making, even mentally, enough provision. It is not by any means certain, for instance, that industry will take full advantage of import liberalisation, in which case the resources available to the central budget through the utilisation of the Consortium assistance for maintenance imports could be less than is anticipated. It is possible, however, that there could be some compensation in the form of speedier utilisation of foreign assistance committed to development projects and programmes in previous years. The big question mark would of course be prices. The annual Plan has the merit of taking a realistic view of the outlook in this regard. Agricultural supplies will, no doubt, improve, but the consequent relief may be felt more in the form of easier availability than lower prices, although it should be conceded that there could be a substantial decline in prices in pockets of the economy; there is an indication already of the prices of oilseeds and oils, for instance, coming down from peak levels. Nevertheless, given the pressure of the growing population and the fact that government spending, much of it administrative and unproductive, is still remaining at a high level, the upheaval in costs and prices which has been experienced over recent years is unlikely to subside materially, especially as the outlook for industrial production or for investment capable of promptly yielding new productive capacities is definitely dim.

It follows that the economy is unlikely to pick up any considerable momentum on its own. Much would therefore depend on what is done in practical terms to realise even the limited development which is provided for in the annual Plan. Here the emphasis is rightly placed on what has come to be known as the new agricultural strategy. We may say at once that some advance has been made here and more is both possible and probable. Especially encouraging are the results achieved in the evolution and propagation of improved varieties of seeds. But even in this respect it would be unwise to take things for granted. There is still the grave challenge of the problem of co-ordination. The various inputs have to be made available to the farmer in an integrated manner, at the right time and at the right place. The most serious bottle-neck would still be agricultural credit. How much real progress has been made in enlarging and expanding financial facilities for farming operations is a matter which remains to be tested in practice. Rather unfortunate, again, is

the confused state of the fertilizer development programme. It has now become a routine for almost every new fertilizer project to get caught in a political storm. The objections raised from various quarters against one fertilizer scheme or another give us the impression that more people are more interested in picking holes or pursuing controversies than in helping this vital development effort to get going. It is plain for all to see that if this mentality is not got rid of, valuable time will be lost in bringing up domestic fertilizer production to the anticipated needs of the new agricultural strategy. It follows that in terms of the annual Plan's agricultural programme, the most important tasks will be to develop rural credit vigorously and, secondly, push ahead with the expansion of the fertilizer industry.

Much the same priority should be given to measures for dealing with the depressed areas in industry. The Finance Minister has recognised the need at least for a selective reflation of demand and we are glad to find the Reserve Bank co-operating with him in a policy of progressively liberalising credit facilities for production and distribution. Mr Desai is also thinking in terms of deliberately stimulating or speeding up government orders for engineering goods and equipment. We agree that these are useful moves, but we doubt that they alone will be enough. In fact, it is difficult to see how levels of production could be restored in the engineering industries unless there is a revival of demand on a scale larger than what government purchases alone can activate. We are convinced that, unless the industrial climate changes for the better, making it possible for more and more factories being built, the engineering sector of the economy will not look up. To this we would add that a revival of and an increase in private consumption of semi-durable and durable goods is also highly relevant to the restoration of the engineering sector. It would be unwise to overlook this totality of circumstances which alone would be able to counter the decline in the engineering industries.

At the moment, the government generally and the Finance Minister particularly seem to be exercised over the issue of price and income stabilisation. Their anxiety, no doubt, is justified. It is evident, for instance, that it has become impossible for the government or employers in the private sector to accept demands for increased dearness allowance. But, at the same time, it has to be recognised that there is validity in the argument that these demands cannot be resisted indefinitely unless some effort is successfully made to stabilise prices. While this much may be readily granted, there is a clear need for a warning. The government should not carry its concern for price stabilisation to the point where production, whether its maintenance or expansion, is sacrificed. There are signs that some unhelpful thinking is already influencing the government's attitude to this problem. For instance, the decontrol of sugar or cotton textiles, both of which are so clearly desirable from every point of view, is being resisted in the government because it is unable to contemplate the possibility of some of the prices going up for some period. Similarly, the plea of the cement industry that it should be allowed to adjust its prices to costs so that resources may be secured for

the very necessary expansion of cement capacity is also not getting a fair hearing. There is also the larger danger that, in its nervousness about prices, the government may not pursue further its post-devaluation policy of progressively eliminating physical and administrative controls.

The annual Plan prudently prefers consolidation in the industrial sector to expansion, but the task of consolidation should not be conceived of as an exercise in merely staying put. Let preference be given by all means to the completion of projects already taken up as against ambitious new projects, but at the same time, let there be no starving of priority development, for example, in such sectors as fertilizers and special steels, since their essentiality is acknowledged even within the narrow limits of deflated development. In any case, there is no justification for delay or dilatoriness in respect of such essential schemes, the completion of which is indispensable to the smooth functioning of the economy even at restricted rates of growth. There can be no excuse also for our falling into arrears in respect of the rehabilitation of industries such as cotton textiles or, say, jute goods. With regard to the jute industry particularly, the point must be made that the government's inability to come to realistic decisions promptly is not helping the advance of the export sector of the economy. It has been said that our exports are looking up from their post-devaluation confusion. We would like to believe that it is so, but the fact that in such important industries as jute goods and tea unit values are declining discourages us from taking an optimistic view of progress in our export earnings.

The annual Plan for 1967-68 therefore should not



Matching contribution

be regarded simply as a general or an abstract effort in outlays and targets. A whole series of decisions of a severely practical nature has to be made at many points of economic policy-making or management. Whether the government is able to fulfil its responsibilities in this direction must remain an open question at the present time. The political context, for one thing, is certainly not conducive to enlightened action in the economic field; it is to be feared,

Coal in Distress

COMING IN the midst of a growing recession and a difficult law and order situation, especially in one of the main producing states—West Bengal—the recent announcements of the Minister for Steel, Mines and Metals, Dr M. Chenna Reddy, to decontrol coal and that of the Minister for Labour, Mr Jaisukh Lal Hathi, on the government's decision to implement the unanimous recommendations of the Wage Board for Coal-miners with effect from August 15, 1967, have created a serious problem for the coal industry. Not that the industry has any objection to an increase in the wages of colliery workers or is it against decontrol—in fact, as Mr S. L. Mehta, Chairman, Joint Working Council of Coal Producers, disclosed recently, while welcoming decontrol, the industry itself had suggested decontrol in February this year and its representatives on the wage board were a party to most of its recommendations—but that the difficulties, the industry has pointed out, will arise on account of simultaneous implementation of the two steps. The industry feels that a substantial increase in its wage bill without a corresponding increase in the prices of coal—such a link-up has been the corner-stone of the government's coal pricing policy right since 1959 when it had accepted the report of the Coal Prices Revision Committee—will throw its economy out of gear and may force many a colliery to close down. It had, therefore, recently suggested that the implementation of the wage board's recommendations should be deferred till the beginning of the next year. In the interim period, following decontrol, it expected to correct the imbalances that had crept into its working during the last 24 years of rigorous controls. On its part, the industry had assured that it would not raise the prices of coal till the end of the current calendar year. In effect, therefore, what the industry wants is that there should be a wage-price freeze in its case till December 31, 1967.

The sole reason for the above suggestion of the industry was that it was short of funds to implement, immediately following decontrol, even the coal wage board's unanimous decisions which are expected to entail an increase of Rs. 4.50 per tonne (approximately 16 per cent, taking into account the average price of Rs. 26/27 per tonne realised by the industry at present) in the cost of producing coal. There is a good deal of force in this contention of the industry. As Table I shows, the industry's profitability suffered a sharp set-back in 1964-65 when the profit after tax amounted to barely 4.8 per cent of the net worth, as against 9.2 per cent on an average for all the industries taken together. A year earlier, this percentage was as high as nine in the case of the coal industry, as compared to 9.4 for all the industries. Further (see Table II) despite dividends accounting for 41

ed, for instance, that, should the Prime Minister find it difficult for one reason or another to act on the A-ICC's recommendation that the privy purses of ex-rulers should be abolished, she may quite possibly conclude that a sop could be found for the Cerberus of Congress socialism by, say, nationalising general insurance or even the banks. Economic development, it appears, is now a passenger in the back-seat.

per cent of the total profits of the industry before tax in 1964-65, the ordinary dividend as percentage of the ordinary paid-up capital did not come to more than 7.1. The total dividend disbursements were only seven per cent of the total paid-up capital. The corresponding average figures for all the industries taken together in that year were 11.1 and 10.5 per cent.

The primary cause for the sharp decline in the profitability of the coal industry in 1964-65 apparently was that despite the demand not picking up as anticipated in the third Plan, investment was being infused into it for attaining the original target of 97 million tonnes production by the end of 1965-66. This made the industry over-capitalised. It is interesting to note that even in the first year of the fourth Plan, the output at 71.024 million tonnes was much below even the third Plan's revised target of 76 million tonnes. This year—the second year of the fourth Plan—the output is expected to be not more than 68 million tonnes, thanks to the recession getting accentuated. The industry's economy, therefore, cannot be said to have improved much since 1964-65.

In such a situation, the industry feels, and rightly so, that it is not going to be easy for it to raise its prices after decontrol in the absence of the government supporting its

Eastern Economist 20 Years Ago

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The partition of railways is an integral part of the overall division of assets and liabilities between the dominions of India and Pakistan. It is essential that each dominion should have a clear definition of the extent of its rights over specific portions of the existing railway systems together with the assets attached to them. But the aspect of division which relates to liabilities is no less important. Loans raised for financing the construction of railways form a substantial part of the national debt of our country. However, it will not be difficult to determine the quantum to be apportioned to each dominion on account of railway items. Once the shares of assets and liabilities are ascertained and handed over, the process of partition must stop at that point. It should not be allowed to be carried to its extreme consequences. Political frontiers do not necessarily correspond with economic frontiers. Where this is the case, as it is bound to be with respect to the frontiers of the two new dominions formed on a communal basis, the trend in modern times is to disregard the political frontiers in the interests of neighbourly co-operation and mutual assistance in matters of rail transport.

case. Further, with approximately 50 per cent of the total coal output being consumed by railways, steel plants and power houses, increase in coal prices with these bulk consumers, the industry has pointed out, could be negotiated only over a period of time. The industry feels that the Tariff Commission's findings on its working, which are expected to be known shortly, will lend force to its plea for an upward revision in prices. Having sorted out the issue of increase in prices in the next three or four months, the industry thinks it will be in a comfortable position by the end of the year to implement the wage board's award.

There is no doubt that by deferring the implementation of the wage board's recommendations, even if simultaneously a freeze on coal prices was ordered, the government would have run the risk of labour unrest getting accentuated. But are the decisions taken likely to avert this? The government's action shows lack of appreciation on its part of the problems of the coal industry. Due to lack of funds, all the collieries obviously cannot fulfil their obligations in respect of increase in the wages of workers. This will worsen the labour situation and lead to multiplication of "gheraos". If the situation is not to be allowed to go out of hand, it is incumbent on the government to arrange adequate credit facilities on reasonable terms for financing the substantially increased wage bill of the industry. There cannot be any hope of reaching a bilateral agreement between the management and labour on deferring the imple-

mentation of the wage board's unanimous recommendations beyond August 15. That stage has now passed.

Along with arranging adequate credit facilities, the government, whose own enterprises are the biggest consumers of coal, may also advise its undertakings to finalise the new coal prices expeditiously so that the economy of the coal industry is not unduly damaged during the transitional period after over two decades of controls.

The sharp increase of nearly 16 per cent in the cost of producing coal as a result of the implementation of the wage board's unanimous recommendations, unless absorbed substantially by the industry itself, is bound to considerably raise the fuel bill of the industries consuming coal. The inflationary tendencies in the country should, thus, get a fillip at a time when the Federation of Indian Chambers of Commerce and Industry is thinking of advising its members to reduce the prices of some of their products the demand for which has slumped. It is, indeed, intriguing why the coal wage board did not assess the impact of the wage structure recommended by it on the cost of production of the industries which consume coal; it was specifically required to do so under its terms of reference. The current rethinking in the government (reported in this journal's issue of July 28, 1967) on the subject is welcome. This reappraisal of the policy concerning constitution of wage boards should be completed without much loss of time and without bringing in political considerations.

TABLE I
PROFITABILITY RATIOS: 1960-61 to 1964-65
(Coal Mining and other Industries)

	Gross profit as % of sales		Gross profit as % of capital employed		Profits after tax as % of net worth	
	Coal mining	All industries average	Coal mining	All industries average	Coal mining	All industries average
1960-61	9.5	10.3	8.9	10.2	7.8	10.9
1961-62	8.9	10.2	8.3	10.1	5.7	10.0
1962-63	9.7	10.2	9.6	10.2	8.1	8.6
1963-64	9.0	10.3	8.3	10.6	9.0	9.4
1964-65	6.3	10.0	5.7	10.3	4.8	9.2

Source: Reserve Bank of India Bulletin: November, 1966.

TABLE II
DIVIDEND DISBURSEMENTS: 1960-61 to 1964-65
(Coal Mining and average for all Industries)

	Dividend as % of profit before tax		Dividend as % of net worth		Ordinary dividends as % of ordinary paid-up capital		Total dividends as % of total paid-up capital	
	Coal mining	All industries average	Coal mining	All industries average	Coal mining	All industries average	Coal mining	All industries average
1960-61	36.6	37.0	5.3	6.6	9.9	12.0	9.3	11.2
1961-62	38.1	35.7	5.1	6.3	9.6	11.8	9.0	11.0
1962-63	26.6	31.5	4.3	5.8	8.2	10.7	7.8	10.1
1963-64	27.3	29.9	4.1	5.8	8.1	11.1	7.7	10.4
1964-65	41.0	30.0	3.6	5.6	7.1	11.1	7.0	10.5

Source: Reserve Bank of India Bulletin: November, 1966.

Needed: Bold Liberalisation of Credit

AS A first step to reverse the recessionary trends, the Reserve Bank has announced a package of measures which are aimed at liberalising credit facilities for some selected spheres of the economy. What is now being done amounts in effect to the adoption of dual bank rates for rediscounting purposes, the funds being made available by the central banking institution on the definite understanding that the ultimate borrower should not be obliged to pay more than six per cent for his requirements, where the lending institutions had rediscounted its advances with the Reserve Bank at 4.5 per cent, and not more than eight per cent where the funds were provided at the bank rate. It is obviously felt by the Reserve Bank authorities that cheaper and liberal credit for pre-shipment purposes in the case of exports of metallurgical and engineering products and for agricultural inputs and the like will stimulate exports of industries which are unable to utilise their capacity and will increase also the yield of agricultural commodities. Export bills are to be discounted at the bank rate, while the Industrial Development Bank will be revising its bill scheme to provide hire-purchase or deferred payment facilities at eight and six per cent, respectively, to the ultimate borrowers. The small industries also are to be helped liberally, while it is hoped that, with greater emphasis on modernisation and expansion of the textile and sugar industries and the elimination of bottle-necks experienced when purchasing commercial vehicles, there will be a stimulation of demand and revival of economic activity.

The monetary authorities are to be congratulated on their readiness to think on positive lines and for their realisation that the credit squeeze policy has done more harm than good, especially after devaluation. It is difficult to understand why the Reserve Bank decided to ration credit and direct the banking system to continue to charge fairly high lending rates when it was known that there will be a slackening in demand, following a steep rise in prices for imported articles and a reduction in the purchasing power of the community with a serious shortfall in agricultural production. It is needless to point out that the unimaginative enforcement of the Reserve Bank's directive of October last and the confusion created in April-May this year, by asking member banks to call back advances wherever the stipulated ratio between advances to industry and trade had been exceeded, have accentuated the recessionary trends and brought about a difficult situation where it became necessary to formulate measures for active credit reflation.

At the meeting of the chairmen and chief executives of leading banks in Bombay, the Governor of the central banking institution, Mr L. K. Jha, is reported to have been anxious to understand clearly the problems confronting the banking system and adopt a flexible policy which will help it to meet without much fuss the unsatisfied needs of trade and industry. But the conservative group in the Reserve Bank still seems to be of the view that a reduction in the

bank rate cannot be contemplated before it becomes clear that there would be a big increase in agricultural production and prices of essential articles can be kept in check. Even though it has been disclaimed that there is no move towards a reduction in the bank rate, it would probably be necessary to take a definite decision in this regard before the policy for the next busy season is announced.

The developments since the middle of 1964 clearly suggest that an increase in interest rates by itself cannot bring about a big rise in bank deposits and what is necessary for improving the stature of the banking system is increasing monetisation of the economy and a positive policy for boosting industrial and agricultural production, apart from special incentives for bringing about the investment of national savings in productive channels. It is actually apprehended that there will be a slower growth of deposits in the current year and that, even allowing for an inflation in the value of deposits last year on account of devaluation, the banking system could not excel the record of 1966. The additions to deposits in 1967 may not be very much more than Rs. 350 crores. So an extremely difficult situation may arise in the next busy season if a really helpful attitude in regard to rediscounting facilities is not adopted by the Reserve Bank.

It has also been pointed out by bankers that the new measures now announced will not be helpful if member banks were not told in time that fresh advances effected by them under the package scheme would be excluded for purposes of determining the liquidity ratio and there would also be no confusion on account of the need to observe arbitrary ratios between advances extended to industry and trade. The liberalisation move will have no meaning during the slack season except where the rediscounting facilities can be utilised at 4.5 per cent, if banks were not made aware that there would be a flexible formula for computing the liquidity ratio. Any immediate increase in the demand for funds can be met out of the resources of the banking system itself and difficulties will arise only after December when seasonal forces begin to assert themselves. The monetary authorities should not, therefore, wait till member banks had made their estimates of the demands that would be made on them in the next busy season and of the resources that would be available to them from their own sources. There will have to be an integrated and well-thought out policy which will remove all doubts about the manner in which rediscounting facilities can be utilised and how usance bills will be discounted in the next busy season. No great risk will be involved in adopting a bold policy of credit reflation and in announcing the intentions in advance for the next busy season. The monsoons have been quite active so far and the downward trends in the different commodity markets suggest that the yields of both cash and food crops will be considerably in excess of those for 1965-67. Even the records of 1964-65 may be exceeded comfortably in some directions.

Crisis in Jute

THE FINANCIAL crisis through which our jute industry is currently passing is unprecedented, but it is certainly not unexpected. For several years, the jute industry has been complaining about rising costs and dwindling profitability and its increasing inability to face the challenge from Pakistan and substitutes. For instance, in March, 1966, the Chairman of the Indian Jute Mills Association expressed his profound concern over the health of the industry which had "an unenviably erratic profit-earning reputation". He said that the impact of the fiscal and labour policies had seriously jeopardised the solvency of the industry, adding that this was not the sort of climate likely to attract fresh investment of capital or human resources into the industry. But the Government of India did not heed the warning. The devaluation of the rupee, it was thought, would help the industry to increase its capacity to compete, but the continuation of excessive export duties has been a great handicap. Under the Kennedy Round the tariffs on jute goods have been cut in the USA and in other countries, but the industry is unable to avail itself of this opportunity to step up exports because of uncompetitive prices.

Our share in the world trade of jute goods is estimated to have declined from 82.9 per cent to 58.5 per cent between 1957 and 1966. More disturbing is the fact that the falling trend continues. Meanwhile, the jute industry in Pakistan, backed by vigorous official encouragement, is making spectacular progress. In the decade ending 1966-67, Pakistan is reported to have increased its production and exports of jute goods by 218 per cent and 328 per cent, respectively. Her share in the world trade of jute goods has gone up by 26.7 per cent during this period compared to a fall of 24.4 per cent in our case. Competition from synthetics is also becoming more severe. Studies recently carried out by the Consulate General of India at Hamburg show that PVC bags can offer intense competition to jute products in the coming years; PVC bags, it is stated, do not deteriorate easily and they offer about 10 times bigger resistance to tearing unlike jute bags which tear up when they become damp. It is claimed that even if PVC bags are dug in and taken out, they are as good as before. The frequent fluctuations in the prices of jute goods are another reason for the popularity of substitutes. "Local importers", says the Consulate General of India in Hamburg, "would even prefer to pay slightly higher prices if they would thereby be assured of a steady price as in the case of PVC cloth". The prices of PVC bags, it is expected, will fall if the orders are large enough.

When the country's jute industry is thus faced with a serious situation, both the Government of India and the West Bengal government seem rather unconcerned about its plight. The fact that the industry had to think in terms of closure on every Saturday during the five months to December shows the extent to which the authorities had allowed conditions to deteriorate. The Government of India is unhappy at this suggestion and has asked the industry to defer its implementation. But unless it considers sympathetically some of the other proposals made by the

industry, closure and curtailment of production perhaps may become unavoidable. The industry's suggestions include immediate suspension of futures trading in jute goods, creation of a jute goods buffer stock association, fixation of minimum gunny prices for internal marketing, reduction by banks of their margins on advances to jute industry, and expeditious payment to mills of the money due to them from the government on various accounts. The association points out that while the minimum support price for raw jute has been increased by 33 per cent over the two years from Rs. 30 to Rs. 40 per maund, the manufacturing costs have gone up by 45 per cent. The industry thus is squeezed between internal inflation and economic recession, on the one hand, and increasing competition from Pakistan and synthetics, on the other.

While the Government of India has been slow in responding (hedge trading in jute goods has been suspended for only seven days with effect from August 4), the Government of West Bengal has announced its intention to set up a court of inquiry to examine the problems of the jute industry. It will inquire into the problems relating to the purchase of raw jute from growers, working of the industry, sale of finished goods, export and employment as well as other aspects so that, to quote a press report, "the real picture of the condition of the jute growers and workers comes to light". The terms of reference of the inquiry have not been officially announced yet. But considering the generally unfriendly attitude of the state government to employers, one wonders whether the inquiry will be so conducted as to help the industry develop on sound lines or just to make out a case for nationalisation, which is one of the demands put forward by workers in jute mills. That the attitude of the labour leaders has been far from constructive will be evident from the one-day strike they staged on July 17. This strike resulted in a loss of output of about 3,800 tonnes valued at one crore of rupees; the loss in foreign exchange is estimated around Rs. 65 lakhs.

Mr H.S. Singhanian, Chairman of the IJMA, described the strike as "highly regrettable" because, except certain demands such as the nationalisation of the jute industry, introduction of rationing in all jute mill areas and increase in the quantum of ration, all other demands having a bearing on employer-employee relations were covered by the findings of the Central Wage Board the government decisions on whose recommendations were still in force. The workers, of course, were a party to these recommendations which had been implemented by the industry. Nevertheless, the workers resorted to strike, presumably, with political motives. It should be emphasised that if the state government is really serious about improving the lot of the jute growers and workers and increasing the opportunities for employment, it should press New Delhi to assist the industry promptly and adequately so that it can continue to play its great role in the country's foreign trade. The state government's attitude towards the jute industry and to other industries in general should also be guided by realism rather than by ideology.

Social Control on Banking ?

R. V. MURTHY

SLOGANS MAY be all right for politicians who, to gain their own ends, do everything to popularise them but precious little precisely to define them. Indeed, the cleverness of a politician, it seems, is judged by his ability to mouth slogans which must be catchy but, at the same time, mean everything to everybody. The vaguer the terms in which he can manage to veil the slogan, the greater is the esteem in which he is held by his competitors, who, perhaps make up for their lack of comprehension by simply turning into blind votaries.

Of all the slogans mouthed by our politicians, lately, two stand out for their pre-eminent characteristic of meaning everything to everybody. These are "socialism" and "social control". There are as many interpretations of these as one cares to collect, which is what makes their implementation by the administrator a truly superhuman task. Let us take, for example, social control of commercial banks, a phrase first employed by that self-styled high priest of socialism, Mr Asoka Mehta, in the course of a convocation address. Since the time he did this up to the time when the Congress working committee adopted the resolution on social control of commercial banks, a few weeks ago, nobody has bothered clearly to spell out what is meant by social control. At any rate, there is to-date no official version which explains why the union Finance Minister initiated talks with bankers and why the Reserve Bank authorities do not quite know whether, in order to implement this new-fangled concept, the present Reserve Bank of India Act needs to be amended. In view of this, bankers may be pardoned if they seek a clarification.

Charges Against Banks

The question of "social control", or more of it, arises only if commercial banks have failed to serve the people or society. But the Chairman of the Indian Banks' Association (IBA), Mr Krishnaraj Thackersey, not only maintains that "private sector (i.e. commercial) banks have served the nation well" but also holds out the assurance—and this even when the sword of Damocles is hanging over the head of commercial banks—that "they will continue to do so to the best of their ability and resources." Before we can accept the claim of the IBA chairman that commercial banks have served the nation well, however, we must examine closely the charges levelled against these banks to see whether there is any truth in the charges. It is important to do this if only to resist the growing habit in this country of giving a dog a bad name and hanging it.

Now, one of the main charges levelled by the protagonists of social control over banks is that banks have helped in the concentration of economic power and creation of industrial or business monopolies. By employing such terms as "economic concentration" and "business monopoly", the critics are either trying to create confusion in the minds of the public or betraying their lack of knowledge of banking. One could blame the bankers for these imaginary ills if it lay in their hands to carry on their work in any way they liked, according to their whims and fancies. But is this the case? Under the Reserve Bank of India Act, as students of banking know, the Reserve Bank possesses and wields extensive and comprehensive powers to control and regulate the establishment, expansion, working, administration, management, business and even liquidation of banks. Through its powers of issuing directives or giving advice, the Reserve Bank regulates the business of the banks and controls their management. It can prohibit banks from entering into any transactions. It can appoint or remove from office any director, officer or employee of a bank. In short, every bank is under the constant scrutiny of the Reserve Bank from its birth to death. When this is the position, no bank can do

anything without the knowledge of the Reserve Bank, so that, as Mr Krishnaraj Thackersey rightly observed, "any adverse criticism of the banks on the above grounds amounts to a condemnation of the policies and working of the Reserve Bank of India."

More particularly or specifically, the charge against bankers of having helped concentration of economic power stems from the assumption that banks are controlled by industrial magnates who, in turn, control industries that need finance, so that these magnates divert the resources to their own industries or industries in which their relatives and friends are interested and thereby starve or deny credit to other eligible rivals. Inasmuch as this eliminates free competition, the criticism continues, monopolies are created. All this sounds plausible, but the facts are otherwise. Industrial or business magnates may be directors of banks, but, more often than not, their becoming directors of a given bank places the industries under their control, even if they had already been receiving credit from that bank, under a distinct handicap. On the other hand, there are cases where, after an industrialist has joined a bank as director, he also brings with him deposits of the industrial undertakings he controls, so that it is not all one-way business as many suppose. In either case, it may be added, there is special scrutiny periodically of all these transactions by the Reserve Bank's inspecting staff, so that no undue advantage can accrue to the industrialist-director of a bank to the detriment of others seeking accommodation.

Bank Finance

All these apart, it should not be forgotten that any industry that is to be started has to get clearance from all the concerned departments of the government, besides conforming to the five-year plan pattern and to deny credit to such industries, even granting that they are sponsored by an industrialist-banker, may not be in the national interest. One need not be surprised if the very same critics, who may be blaming the bankers today for giving credit to these industries, turn round and take them to task when such industries are denied credit, for not advancing credit to industries which have been assigned a vital role in the economic development of the country. In such financing, one should also bear in mind that it is not the private sector banks alone that have participated but the public sector financial institutions as well. In other words, bank finance has flowed into big industrial houses because it happens to be in accordance with national interest as laid down by the Planning Commission and as approved and accepted by the government. Inasmuch as this does not betoken inadequacy or absence of social control, what is the relevance of the demand for social control or more social control?

An analysis of the composition of bank borrowers does not bear out the charge that commercial banks have favoured big industries at the cost of smaller businessmen or borrowers. On the contrary, it is seen that the small borrowers actually, may overwhelmingly, predominate. They not only constitute 85 to 90 per cent in respect of medium banks but also form a respectable majority even in the case of bigger banks. Nearly 69 per cent of the borrowers of the Central Bank of India, for example, are those with a limit of less than Rs 50,000. If the absolute aggregate of advances to smaller industries is small, it is because the requirements of these industries are small. At the end of March, 1966, the total outstandings of small industries amounted to only Rs. 90.76 crores, although the total borrowing limit sanctioned to them was Rs. 170 crores, the corresponding figures as on March 31, 1965, being Rs. 73.83 crores and Rs. 135 crores, respectively. A better or more suitable criterion

than this aggregate is the number of loan applications from smaller borrowers that are rejected. According to Mr Krishnaraj, this is an infinitesimally small number. So long as the emphasis of national economic policies is on large-scale, strategic and basic industries, as, indeed, it has been so far, banks will be failing in their duty, or not serving the national interest, if they do not finance these industries. In fairness, therefore, they cannot be blamed for being responsible "either directly or indirectly, deliberately or inadvertently, for creating industrial monopolies or encouraging concentration of economic power."

A second charge against the commercial banks is that their resources are being misused for the benefit of the directors and their concerns. What has been stated so far should disprove this allegation. True, big industrial or business houses are associated with bank managements, but, surely, this does not give them the freedom to lend to themselves as they like, thanks to the rigorous check exercised by the Reserve Bank on all loans and advances to directors and their concerns. An analysis of the advances made by 20 leading private sector banks shows that such advances were just about 10 per cent of the total advances of Rs. 1,480 crores at the end of 1966. Further, it may not be known to many that no clean advances are made to any bank director. Sections 10 and 16 of the Banking Regulation Act also take care to provide for a strict regulation of the nature and extent of interest that bank directors have in other companies.

It cannot be believed that, with all the disabilities attached to an industrialist-banker, any industrialist would itch to become a bank director. But then if there are a number of common directors in banks and industries, it is because of the paucity of entrepreneurial and managerial talent in the country. Bank directors are usually men who have made a mark in their own sphere of activity and if they are approached to become directors, it is mainly with a view to getting the benefit of their experience.

Financing of Farm Operations

A third charge is that bank credit is not available for financing farmers. This, in my opinion, is the flimsiest and the most unwarranted charge. Either one must be specifically assigned something, or at least one must not be scrupulously kept out of it, before one can be charged for not doing or doing something. In regard to financing of farm operations, commercial banks have not only not been assigned (whether by the government or the Planning Commission) the task of financing these operations at any time since Independence, but have also been sedulously kept out of the field by co-operatives. Both the Purshothamdas committee (the Rural Banking Enquiry Committee of 1950) and the V. L. Mehta committee (Rural Credit Survey and the Committee on Co-operation of 1960) actually regarded commercial banks as agencies ill-suited for the work of agricultural financing. Co-operative interests further have been complaining of the unequal competition from commercial banks. Not very long ago, when he was the Chairman of the State Bank of India, Mr B. Venkatappiah admitted that, in the matter of credit for production in the rural areas, agricultural or industrial, short-term or medium-term credit, the State Bank's contribution was still small. He also went on record as saying: "It is understandably and deliberately so, the main role in this connection being that of co-operative banks, as distinguished from commercial banks."

Notwithstanding these limitations, if not distinct deterrents, commercial banks have played their part in assisting agriculture both directly and indirectly, as witness their loans to plantation and sugar industries (these stood at Rs. 52 crores at the end of March, 1966) and other direct loans to farmers for food and cash crops (five crores of rupees). They have also assisted several agro-industries, such as sugar factories,

cotton ginning presses and other processing units. It is from the bank finance so obtained that many of them could, in their turn, lend to farmers against standing crops or for different agricultural inputs. Besides financing the marketing of agricultural products, commercial banks have not only invested considerable amounts in the debentures of land mortgage banks which use such funds to finance land improvements but have also acted as bankers to the co-operative movement generally. They are prepared to do more, provided their services are requisitioned and the requisite climate is prepared for it. Today, even in Britain, that conservative stronghold of banking, the scope of commercial banking has been widened and diversified to include farming finance, but farming in Britain is a prosperous occupation, unlike here where neither the government nor the co-operative movement—nor, for that matter, the wizards in the Planning Commission—have succeeded in making our agriculture prosperous to tempt the commercial banks to enter that sphere and extend rural credit in a big way. Meanwhile, recognising that the time has come for them to play a more direct and active role in this field, commercial banks are considering the establishment of an agricultural finance corporation with an authorised capital of Rs. 100 crores and a paid-up capital of Rs. 10 crores, to be owned, managed and financed jointly by the lending banks. If any proof of the earnestness of commercial banks to finance farm operations was needed, here is a concrete one of their sincere gesture.

Anti-Social Activities

Perhaps the least sustainable charge against the commercial banks has been the one alleging that bank finance is being used to support anti-social or undesirable activities like hoarding or speculation. The interesting or intriguing part of it is that no one has cared to say how this is feasible. Those who make the allegation are oblivious of the general and selective credit controls on foodgrains and cash crops and the existence of inspections by the Reserve Bank which rigorously regulate the nature and amount of bank loans against all agricultural commodities by carefully scrutinising the purpose of each loan. Those who speak of the possibility of speculation and hoarding being dependent on bank finance only display their ignorance of banking practices.

Some of these allegations may be due to ignorance, but they are irresponsible and mischievous too. What cannot be lost sight of by anybody is that our commercial banks are the trustees of more than a crore and odd depositors and are answerable to a large body of small shareholders. As such, those responsible for their management are bound to resist all political and even legislators' pressures, if ill-advised. Mr Krishnaraj has done well, therefore, in sounding a strong note of warning that the country would have to pay a very heavy penalty indeed if the banks are made to yield to any unwholesome pressure that may force hasty and drastic changes upon banks, if that is what social control over banks means. That things are being pushed with somewhat indecent haste is obvious, considering that, according to reports, even the Reserve Bank has yet to work out what precisely is the amount that needs to be earmarked for farm finance and also the likely impact thereof on the credit to be made available to the industrial and trade sectors.

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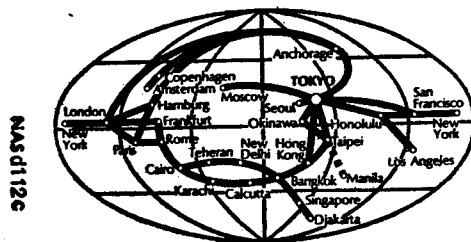


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Cotton Industry: Problems and Remedies—II

MANUBHAI SHAH

The first part of this article appeared in this journal on August 4. The third and the final part will be published on August 18.

FROM ALL accounts, it is quite obvious that our cotton textile industry is a sick industry. There are numerous reasons for this, but the main cause has been that this industry is a very old one in our country and due to lack of rational import policy for textile machinery in the past, our textile mills today are virtually a zoo of all types of equipment. Many of the mill-owners never cared to modernise their units or keep their machines in trim. Lack of entrepreneurial and management skill till the 'forties also led to frequent changes in the ownership of cotton mills among the so-called financiers rather than the real skilled managing entrepreneurs. We should, therefore, give our utmost care and attention to put this industry on a sound, healthy and firm footing.

The problems of the industry can be broadly divided into two parts: (a) the problems of modernisation and rehabilitation of the existing units and (b) establishment of new mills.

The financial position of the industry is not at all sound excepting, of course, in the case of some efficiently run mills. Most of the units are experiencing great difficulties in raising necessary finances for modernisation, expansion and diversification. The tight money market and the dear money policy have made it impossible for the industry to raise adequate resources for this purpose. It is, therefore, very necessary that for the next 10 years, this industry should be granted the statutory status of 'Priority Industry' under Schedule 23A of the Income-tax Act. It can then be directed by the government to utilise the extra tax concession only for rehabilitation, modernisation and expansion purposes. The tax concession should not be distributable as dividends. Unless 'Priority Industry' status is granted to this industry, I see very little hope for the sick or the near-sick units ever coming back to efficient working. Even the industry as a whole will not attain normal growth and become up-to-date unless this financial concession is made available to it. By all standards, our cotton mill industry, though well established, needs much more of rejuvenation than any other industry, as it is the most vital consumer goods industry in the country. Even the quality of our products entirely depends upon the modernisation of all the textile mills.

Indispensability of NIDC Finance

Ever since the National Industrial Development Corporation (NIDC), established with the major objective of extending credits to the cotton and jute mills for rehabilitation and modernization, has been stopped by the government from extending these loans, the pace of the modernisation programme in both the cotton textile and jute industries has considerably slowed down. In the first few years, the NIDC did remarkable service to these two premier industries of the country by granting loans worth about Rs. 27 crores. But later on the government stopped the NIDC from doing this work. No other financial institution of the government, including the Industrial Development Bank or the Industrial Finance Corporation, is oriented to this specialised task; nor have they any resources for this objective. I will, therefore, strongly urge that the NIDC should be at once re-assigned this job and adequate rupee funds should be given to it with the responsibility of completing the modernisation of the cotton textile and jute industries in a period of 10 years. Unless this is done, the country will continue to suffer in both rupee incomes and foreign exchange earnings accruing from these two industries. It is apparently impossible for any other banking or credit agency to provide adequate finances in a suitable manner to these industries for modernisation, rehabilitation and diversification of their production as was being done by the NIDC.

An additional method for quickening the pace of modern-

isation and rehabilitation of own cotton textile mills is to arrange with scheduled banks provision of 10-year loans to the indigenous textile machinery manufacturers, who would sell their machines and equipment to textile mills for replacement, rehabilitation, modernisation and diversification under a deferred system of payments in 20 half-yearly instalments. This will give a boost to the production of textile machinery and will simultaneously energise and activate the replacement, modernisation, rehabilitation and diversification of the cotton mill industry.

Techno-economic Study

The question of making lasting improvements in our cotton textile industry needs careful and deep study. Any generalised approach would not provide remedies for the different ills. First, the question of closed mills or mills which are about to face closure has to be considered. It is my firm view that a thorough technical-cum-economic examination of every such mill should be made by a technical experts committee under the Industries Act. Along with such an examination, Company Law examination and financial examination should also be made. If this comprehensive probe shows that some mills cannot be reactivated because of their machinery being too old, the buildings being old and badly planned or the gross mismanagement of the past being of a serious character, the only remedy would be to scrap such mills and take them into either voluntary or compulsory liquidation, so that the corpus is allowed to disappear with whatever maximum scrap value the shareholders and the country can get out of the worn-out machinery and equipment. It will be futile to follow any other course in such cases.

If, on the other hand, it is found that a unit can be run by better management and reasonable finance, the same should be taken over under the Industries Act, the state government concerned appointing its own authorised controller. As the running of an old textile unit has numerous local problems of labour, law and order, management, local creditors, electricity, land, water, state laws, etc., it will be disastrous if the central government takes it over. Also the state governments will be able to give such a unit greater care and attention which it may require. What the central government should do is to grant liberally the necessary matching credit guarantee along with the state government guarantee. Thus both the state concerned and the centre should share equally the guarantees to banks for working capital and modernisation loans for such units. But as a first step to revive employment and production, the best course will be immediate take-over and restarting of such mills by a state government authorised controller.

The question that has been agitating the minds of the people, industry, labour and the government over the years is whether old, mismanaged industrial units which have been taken over by the central or state governments under the Industries Act, for running in the interest of continuing employment and production, should be handed back to old managements after some years of satisfactory operations. Particularly, when this question cropped up in the case of M/s. Jessops Ltd, which was a good engineering unit but was badly managed by the previous management, it was felt that it would be entirely wrong to hand over such a unit back to the old inefficient management. Over the years, numerous examinations were made of the legal provisions under the Constitution and the

Industries Act. It was found impracticable to acquire a unit unless the entire industry was nationalised. The Constitution did not permit acquisition by the government of any industrial unit excepting through the normal market purchase. Therefore, acquisition under a non-justiciable law compensation was not possible under the Constitution. At the same time, it was quite clear that it would be entirely wrong to hand over such good economic units back to private managements after government had run them successfully for a number of years. On an examination of various such old units, in the engineering, textile, sugar and other industries, taken over and run by government for some years, it had been found that the question of continuing to run, either under government aegis or under the previous private managements, such units arises only in a few cases; most of the units were not found to be economic or worth sinking in huge public funds for their modernisation and rehabilitation.

Decentralization of Management

After series of discussions at different levels, it was ultimately found that a suitable amendment to the Industries Act could enable the government to acquire 51 per cent (majority) share-holding or even 100 per cent shares of such units where government felt that it would be wiser and more profitable for the country to acquire controlling-interest in such units. This amendment was contemplated with the specific objective of vesting the government with powers to acquire a majority (51 per cent shares) or 100 per cent share-holding in the equity holding of such companies. However, it should be obvious that the structure of the joint stock company under which the old unit had been functioning cannot be altered. It would, therefore, be entirely impracticable if a central Textile Corporation is asked to become a holding company of an existing joint stock company having an old unit; the old unit would have to continue to run in the former shape of a joint stock company with the same set of private shareholders and all the numerous and vicarious liabilities and problems. First, each of such units has numerous problems which I have mentioned above. They should, therefore, be left to be run by the state government even after the majority control and ownership have been acquired by the government under the amended provisions. For the state governments also, it would not be advisable to establish state textile corporations to take over such old units. In my view, an old unit must be run, even when the government thinks it worthwhile in public interest to acquire majority ownership or full ownership of it, as an individual joint stock company, so that its problems are tackled efficiently on the spot by a decentralized, local board of directors and management with full delegated powers to take and implement day-to-day decisions.

In order to help a state government to acquire majority shares in an old industrial unit, it would be necessary for the central government to advance to the state government concerned a 20-year loan of such amounts as would be required to acquire the necessary majority shares under the provisions of the amended Act. The local management and the state government would then have to act prudently and expeditiously in order to rehabilitate such units to economic and efficient working. But by and large, it will be best for the government to run such units (where the technical and economic investigation so recommends) by government appointed authorised controllers. Unless these units are of such a nature that the government and the country can profit by their continued acquisition and ownership by government, the best course would be to sell off such old units to the highest bidders through a public auction by court receivers or by some other suitable machinery after a few years of running by the government. Saddling the government machinery with numerous old units will not be judicious and worthwhile. Nor will it be wise to sink huge public funds in an attempt to modernise such units. The government will be well advised to expand its activities in such vital consumer industries, as and when found necessary in the interest

of public policy, by establishing modern new units so that it can face the competition of the private sector on even and matching terms rather than waste energy, public funds and earn bad name by acquiring old, ill-planned, sick units.

The one paramount human question which has baffled solution so far is that of absorbing the labour force rendered unemployed by closure or scrapping of old mills. This is a particularly distressing feature not only in the urban areas such as Bombay, Ahmedabad and Coimbatore, but also in mofussil areas where isolated textile mills provide employment to a sizable portion of the local population. Places like Chalisgaon, Morvi, Mahuva, Kadi, Kalyani, Agra, Dewas, Ujjain and numerous other out-centres in our country can be cited in this regard; more than 200 textile mills are working in these out-centres. Again, the mills in these mofussil areas are older, outmoded and comparatively less efficiently managed than the modern textile units in the prominent metropolitan cities. There is reluctance on the part of entrepreneurs to establish textile mills in such mofussil areas in replacement of the closed or scrapped mills. The policy of the central government to freely license at these places new mills with capacities adequate enough to absorb the entire labour force rendered idle by the closure or scrapping of old units has not been a success; entrepreneurs have not been attracted in sufficient numbers. These out-centres also have some locational disadvantages; the products from such centres cannot squarely compete with those of the mills in advanced urban centres. Further, the state governments, by and large, have not been found to be energetic or enthusiastic to set up state sector mills in these areas; the governments of Maharashtra and Madras are exceptions as they have shown some readiness to move forward in that direction.

It is, however, not correct to say that textile mills cannot function efficiently, economically and profitably in mofussil centres, although it is true that some of the disadvantages of such locations may have to be duly compensated. Unlike some other industries which are more advantageously establish-



"But the bell which gives me so much trouble is George Bell".

ed due to the easy access and proximity of raw material sources, such as steel mills, cement factories, sugar mills, etc., textile mills do not economically suffer very much by being outside the cotton zone, because most of the textile mills in the ultimate analysis require a blend and mixture of cotton of which local cotton may form only a small portion. The larger quantities of cotton will have to come from other distant areas. Our rural labour has proved its capability of being trained up in textile manufacture. As a matter of fact, most of the mills in Bombay, Ahmedabad and Coimbatore draw a majority of their labour force from backward areas in the hinterlands.

I would, therefore, suggest that both for the new textile mills to be set up in backward areas and for the establishment of new units in place of the old and scrapped mills, special financial assistance and tax incentives should be worked out.

Misgivings Over Fertilizer Policy

A Correspondent

THE GOVERNMENT of India is planning to raise the capacity of the fertilizer industry to 2.8 million tonnes (nitrogen) and actual production to about 1.9 million tonnes (nitrogen) by 1970-71. All this and much more will be needed as the farmer is becoming increasingly conscious of the efficacy of this input in stepping up agricultural production substantially. The per hectare consumption of fertilizers in this country is hardly three kilograms against 128 and 110 kilograms in Taiwan and Japan, respectively. If a breakthrough in agriculture is to be achieved, considerable leeway has to be made up in the consumption of fertilizers. With the introduction of high-yielding varieties of agricultural crops which take away from the soil a larger amount of plant nutrients than the ordinary varieties do, the soil will have to be replenished with substantially higher dosages of fertilizers.

Considering all this, the programme of fertilizer production that has been chalked out is imperative but some doubts have been expressed about its feasibility. Judging from past performance, it is considered extremely doubtful if the targets would be reached. The highest priority was accorded to fertilizers for the first time in the third Plan when it was proposed to increase the capacity to a million tonnes and production to 0.8 million tonnes. So far, the performance has been dismally poor; a capacity of only 0.59 million tonnes has been established and actual annual production is no more than 0.35 million tonnes. Among the factors that have impeded the development of the fertilizer industry at the desired pace are lack of resources, faulty planning which had necessitated frequent changes in design during construction or some time even when the projects were nearing completion, inadequacy of expertise for resolving technical and engineering problems and finally the time-consuming procedures of the government.

Attracting Foreign Capital

It was hoped that these deficiencies would be overcome in large measures once foreign private capital and entrepreneurial skill could be induced to play an important part in the establishment of the industry. The fertilizer policy was accordingly liberalised to attract the foreign investors, but the response so far has been extremely poor. The new policy has been in force for the past 18 months and although several foreign concerns have been negotiating with our government, none of the proposals has so far reached the stage of finality.

How is it that, in spite of the several concessions offered, foreign companies have been fighting shy of investing in an industry where the scope for expansion is enormous? Time is of the essence in regard to the production of fertilizers as our plan to achieve self-sufficiency in agriculture hinges on adequate availability of this vital input. Therefore, it is necessary to find out the reasons that are inhibiting the foreign investors. The Bell Mission, which makes frequent references in its latest report to the imperative need for increasing fertilizer production, says that the efforts of the government to obtain private foreign investment have been strongly opposed and attacked

As in the United Kingdom and other industrialised countries where depressed and backward areas have been developed by providing special concessions through parliamentary legislation, substantial amounts of long-term loans on soft terms with special tax rebates for specified number of years should be granted to such new textile mills as may be established in backward districts or industrially less developed states and to new mills which may be set up in replacement of old and scrapped units. This is not a difficult matter to work out. A small national committee can be asked to study and recommend special facilities and concessions for attracting textile mills to backward states and districts, provided, of course, the areas (for instance, hilly areas and remote interior places) are not such that establishment of textile units there would be totally uneconomical and burdensome to the nation.

by many elements in the Indian political life. While these attacks, says the Mission, have not brought about a change in policy, they have dampened the government's efforts in this regard. This assessment, however, is not wholly correct. While it is true that criticism of the fertilizer policy in part stems from suspicion of and hostility to some of the existing foreign private enterprises, it is unfair to charge the government with a lukewarm approach to the intending investors. Within the framework of the new policy, it has done all that it could to attract foreign private capital.

Irritating Ingredients

It seems that the reasons for the hesitancy of foreign investors are due to the policy itself. The foreign investors probably think that it does not go far enough and some of its ingredients irritate them. One of these is the restriction of a free market in fertilizers to a seven-year period from the time a unit begins commercial production. This restriction implies the possibility of imposition of control over prices and distribution after the seven-year period. The contingency may not arise, but there is provision for it. The purpose of a free market is to create conditions for competition and thereby secure increased production of fertilizers at a reasonable cost. If under conditions of shortage, as at present, a free market is considered to be an effective mechanism for stimulating production, then there is all the more reason to continue it after the seven-year period during which output is expected to increase substantially. In the event of surplus production, the free market mechanism will help to balance demand with supply. The prescription of a time-limit for the operation of a free market in fertilizers, therefore, does not make sense and if it is done away with, it is certain that an irritant to the investors will have been removed.

The foreign investors also seem to have misgivings about the provision under which the government can purchase 30 per cent of the output of a private fertilizer factory at a mutually negotiated price. The government must reserve for itself the right to pre-empt, when necessary, a certain portion of the output for its own use. But the misgivings of the investors appear to be much less on this score than on the question of prices. Their fear seems to be that a negotiated price may virtually be a price dictated to the producer by the government. Some arrangement for arbitration in the event of a dispute over prices should go a long way towards allaying their misgivings.

Finally, the foreign investor feels harassed about the cumbersome nature of the procedures of the government and the reference of a proposal to a large number of agencies for clearance. This is frustrating even to the most indefatigable among them. A single agency to deal with the major collaboration proposals and to accord sanction to those which are economically sound and equitable should help the foreign entrepreneurs in overcoming some of their inhibitions in regard to investment in this country.

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Healthy Development Through Nutritive Foods

A Special Correspondent

THE "NEW Foods for National Development" workshop, held recently in Bangalore, was not just talk. Several concrete steps resulted from it in the direction of closer collaboration between technology and business in the food industry.

One result of this new working relationship is expected to be increased production and marketing in India of new high protein foods inexpensive enough to reach the mass market where they are needed most. A special committee of 10 leaders of India's food industry, set up at the close of the workshop, is now seeking ways to produce protein-rich products in the country.

The conference functioned on the premise that increased understanding between food scientists and those engaged in production and marketing could contribute to new ways to bridge the protein gap in the Indian diet. Mr N.P. Sen, Managing Director of the Food Corporation of India and vice-chairman of the conference, explains: "What the scientist is doing had not really been known very well to industry. Neither did the scientists have a means of discovering what were the real problems of the food industry."

The Bangalore workshop was sponsored by the Food Corporation of India (FCI), the Indian Society of Advertisers and the All-India Management Association. It was conducted by the Ahmedabad Management Institute with assistance from the US Agency for International Development (USAID). Sixty leading food scientists, technologists, industrialists and administrators from all over the country and three from the United States participated in the deliberations.

Great Deal of Eagerness

All participants, Mr Sen found, showed a willingness to break down existing barriers of communication and develop a new spirit of co-operation. He was impressed with the "great deal of eagerness on both sides—technology and business—to collaborate to meet the protein gap and the nutritional programme so essential for India's answer to food scarcity."

The participants quickly agreed on the pressing nature of the protein problem. In his keynote address, the conference chairman, Dr K.T. Chandy of FCI, outlined the problem of protein deficiency and its special implications for pre-school children. Noting that protein is essential to mental and physical growth, he said that children in the age group 0-5 suffer irreversible loss if they do not have adequate intake of protein.

The increasingly substantial evidence of the inter-relation between malnutrition in the early years and mental development was also cited by Mr Alan Berg, the chief of the Food Resources and Regional Development Division of USAID. He stressed the need for developing new protein-rich foods such as Pro-nutro in Africa and Bal Ahar in India.

Dr Aaron Altschul, chairman of the US government Inter-agency Committee to Combat Malnutrition, reminded the business executives that a vigorous attack on the protein problem would conserve valuable human resources, provide new job opportunities and narrow the widening gap between the developing and the developed nations. For providing more protein in the diet, the noted American biochemist said that the ideal method was to upgrade the protein in cereals. The technology for fortifying cereals with the missing elements or amino acids was already available and cereals could be converted into com-

plete food even for children. Such fortifications, he noted, were low in cost. Amino acids need no agricultural source (they can be produced in India by processes similar to those for producing anti-biotics) and the process does not require training of large groups of people.

Dr Altschul said that by 1970 he would like to see world-wide fortification of cereals with amino acids and a world-wide distribution of 100 crore glasses of protein beverages a day.

The conferees, Dr Sen says, refused to regard food as a medicine. Nobody said, "I am producing a pill." Instead the emphasis of companies now making soups, biscuits, candy and beverages was on a staple diet item to help replace mothers' milk for the youngsters.

One manufacturer said in a committee meeting, "I am producing a sweet so good a kid will want five a day. That's enough to do him a lot of good." He meant balanced nutrient needs—not calories alone. Others told of baby cereals and protein-laden beverages soon to be available in the popular price range.

"I didn't realize myself", says Mr Sen, "that there are so many people who are aware of the need for having a nutritional supplement to the usual diet and who have been working on such products—many of them for 18 to 24 months. Many products are almost ready to market."

Production and Marketing

In order to develop production and marketing of these products and give concrete form to the co-operative spirit of the conference, the steering committee was set up as permanent liaison between the scientist, technologist, producer and the nutritionist. It is scheduled to submit its recommendations by September. Mr Sen was most encouraged by the fact that virtually all of the 30 organizations represented pledged Rs 1,750 each to meet the committee's costs. "What was particularly heartening was that the scientific bodies, which work under tightly controlled budgets, responded as immediately as the business concerns."

"I, and all of us at the conference", said Mr Sen, "hope that as a result of the steering committee, there will be a permanent liaison body developed, which will have all those engaged in meeting this nutritional gap represented. That includes the scientists, those who produce the food, marketeers, and those who help in the promotion of ideas such as the Indian Society of Advertisers."

"They will all be represented and there will be a regular channel of communication, a meeting place, and this will promote collaboration between all those whose contribution is essential to meet the challenging situation we face."

Several months before the conference, Dr Altschul expressed his concern over one of the major stumbling blocks to increasing production of new types of food to meet the world's nutritional needs. "Throughout much of the world," he said then, "there is a wall between technology and business in the food industry. We need to break that wall down."

The Bangalore workshop has helped to do just that in India.

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FROM THE CAPITAL'S CUPBOARD

Asoka Mehta's Little Secret

MR ASOKA MEHTA does not seem to have placed all the cards on the table in regard to the Dharamsi Morarji Chemical Company's proposal for setting up a fertilizer plant near Bombay, which involves the import of liquid ammonia.

Whatever the merits of the proposal—and there are some which justify a departure from the accepted fertilizer policy—some of the terms on which the Kuwait Fertiliser and Chemical Company (KFCC) is prepared to collaborate in the establishment of the plant are unreasonable.

For instance, it has stipulated that the price it has fixed for liquid ammonia will not be subject to any revision during a 10-year period. The company, it is understood, is not willing to have the question of the price or the period reopened. With all the price fluctuations that occur in the international market, a commitment over the price of liquid ammonia for a long period is neither desirable nor advantageous to the country. The advantage of assured supplies over a 10-year period will be more than undone by a decline in prices and this is more likely to happen as there is already a surplus of liquid ammonia in West Asia. The argument that over a period of time price decreases get cancelled out by increases is untenable. The government must secure for itself the right to negotiate prices when necessary.

The KFCC has stipulated that Dharamsi Morarji Chemical Company can have its nominee as chairman and managing director of the joint venture only if it holds 20 per cent of the equity. The KFCC, in which the Kuwait government has 60 per cent share and the Gulf Oil Company of the USA and the British Petroleum Company 20 per cent each, will have 50 per cent of the total equity. The remaining 50 per cent will be in Indian hands—one third with the public and the balance with Dharamsi Morarji Chemical Company and the Maharashtra government.

However, a major advantage of the KFCC offer is that the capital investment in the project will be Rs 21.5 crores—about Rs 10 crores less than what is required for putting up a normal fertilizer plant. Also, the project is expected to be completed in two years against four to five years that are required in the case of a naphtha-based plant. Further, the KFCC has offered to retain its profits (roughly estimated at \$1.2 million annually) in the country for setting up later on an ammonia plant and for other investments.

PANGS OF REPAYMENTS

Unless the Aid India Consortium provides some measure of relief to lessen our debt-servicing burden, there will be a cash gap of \$400 million in the foreign exchange requirements during the current year. This assessment has been made by the Finance Ministry and the Consortium has, in fact, accepted the existence of such a gap. But what is worrying the government is that acceptance of this has not so far resulted in definite proposals to fill the gap. While ruling out a moratorium on debt repayments—the lending regulations of some of the members do not permit this—the Consortium has been considering the refinancing of loans to help ease the pressure on our foreign exchange resources. The UK, Canada, the USA and Japan have expressed their willingness to refinance loans and have, in fact, indicated the form and extent of refinancing, which is varied. But the measure of relief they are willing to provide has been made conditional on others doing likewise. and this explains the dragging of its feet by the Consortium in a matter which, if decided early, will make a great deal of difference to our tight foreign exchange position. Fresh loans to repay debts will help release free foreign exchange which the

government can use for the import of essential items like food-grains, fertilizers, pesticides and non-ferrous metals from any source it likes and consequently at competitive prices. But there is no knowing yet if the assistance that the Consortium may give as a measure of debt relief will be over and above the \$900-million non-project aid it has committed for the current year.

Very little of this aid has come in so far and there is likely to be greater delay this year in the disbursement of the pledged amounts. The International Development Agency (IDA), an affiliate of the World Bank, is awaiting replenishment of its funds to fulfil its commitment to this country. The IDA accounts for nearly 25 per cent of the non-project aid committed for this year. The earliest that the USA's contribution (about 40 per cent of the total aid) will start coming in is in October by which time all formalities relating to its aid programme for 1967-68 are expected to be completed. Another major aid-giver, West Germany, may not be able to contribute its share until early next year because of the long-drawn out legislative processes through which its aid programme has to go through.

In addition to the \$900-million non-project aid for the current year, the Consortium had committed \$190 million as food aid, which is the value of three million tonnes of grains. But it is now known that the effective aid for this purpose will amount to only \$120 million. The Consortium has included the Canadian wheat gift of \$45 million in the overall food aid. It has also assumed that aid to the extent of \$26 million will be forthcoming from non-consortium countries including the USSR.

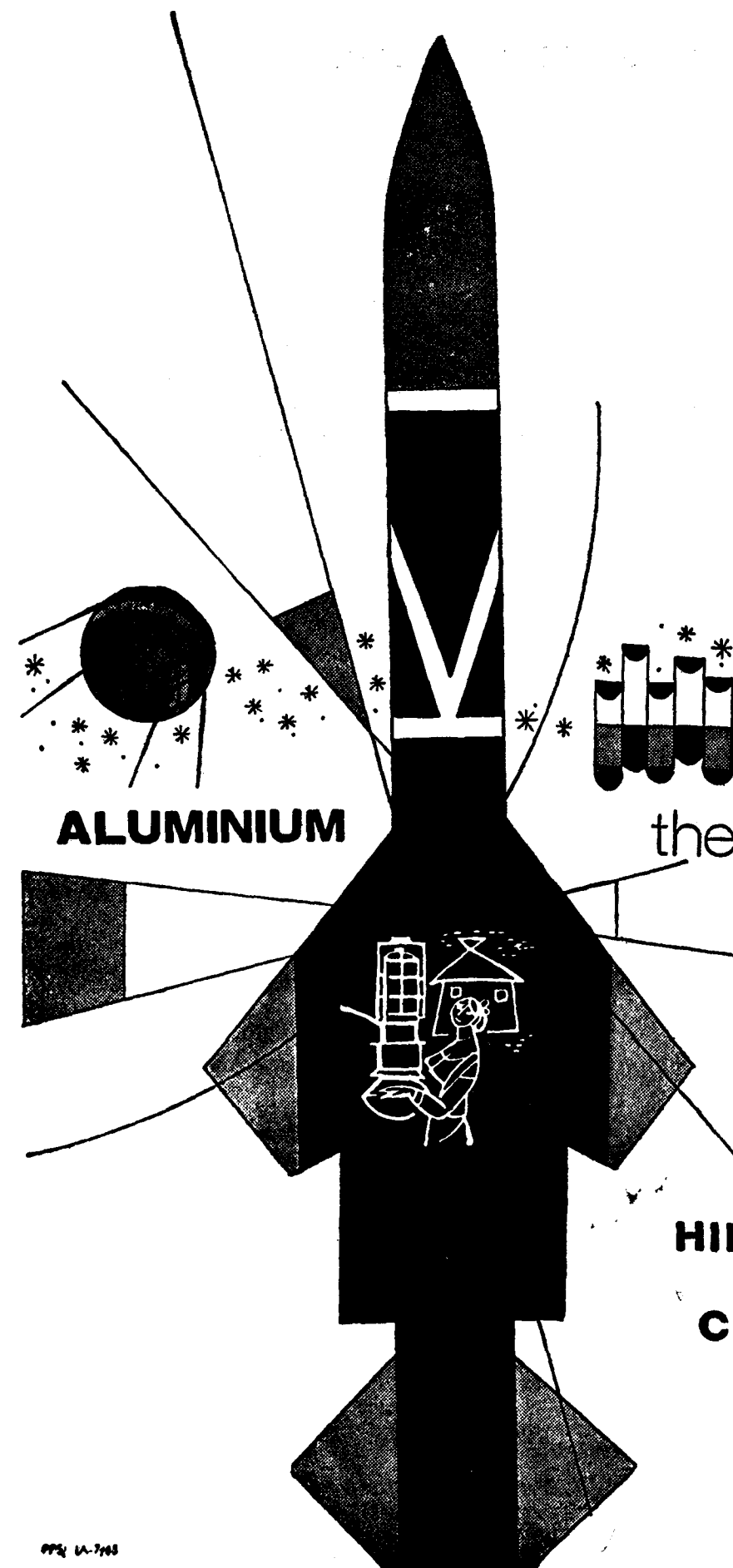
MALPRACTICES IN RUPEE TRADE

The government has traced the circumstances leading to diversion to third countries of our jute goods purchased by Yugoslavian enterprises and financed by the Yugo Bank. The Enforcement Directorate has been asked to institute proceedings for penal action against the colluding parties in this country. Further instances of diversion of our goods, especially of pepper to Italy and of grey textile fabrics to west European countries, have come to the notice of the government and these are being investigated.

The UNCTAD resolution on relations with developing countries enjoins on the member-states with controlled economies not to re-export goods purchased by them from the former. But, in the case of some east European countries, the lure of earning foreign exchange at the expense of the developing countries seems hard to resist.

To check this abuse, the government has repeatedly asked these countries to introduce a system of cross-border certificates which will provide documentary proof of actual import of our goods into each country, but there has so far been no response to this proposal. The diversion of goods takes place in three ways: (a) transferring the goods in mid-sea by manipulating necessary documents and manifests; (b) diversion from the port of transshipment, which is generally a third country port such as Rotterdam or Hamburg; and (c) diversion after actual import by the country concerned. Of these, the second is the most common method of diversion. The only way of preventing this is by introducing the cross-border certificate system.

It has also come to the notice of the government that a number of financiers in Switzerland and West Germany encourage this "switch trade" as they earn commission both ways. They have had long contacts with this country through barter trade.



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FROM THE PRESS GALLERY

Should Privy Purses Go ?

Our Parliamentary Correspondent

NEW DELHI: Monday.

SHOULD THE privy purses and the privileges of the former rulers of princely states be abolished? This subject was hotly debated in the Rajya Sabha this week.

While members with socialist or leftist leanings strongly objected to the continuance of the privy purses and the other privileges enjoyed by the erstwhile princes, several others cautioned against implementing the directive of the All-India Congress Committee that these privy purses and privileges should be done away with. The plea for their abolition was spearheaded by Mr Bhupesh Gupta (CPI-Right) who argued that the agreements with the princes were "morally reprehensible" and a "crime against the country". Although the other critics did not use such strong language, they urged that the government should take an early decision in the matter. Among these were included Mr B. B. Das (PSP), Mr G. Murahari (SSP), Mr Arun Chatterjee (CPI-Left) and Mr M. P. Bhargava (Cong). All of them opined that the privy purses and the privileges of the erstwhile princes were anachronistic in our democratic set-up.

The move was, however, severely criticised, among others, by Mr Dahyabhai Patel (SWT), Mr M. C. Setalvad (nominated), Mr B. K. P. Sinha (Cong.) and Col. Zaidi (Cong.). Their main objection was on moral grounds. Going back on the agreement with the princes, they thought, would deal a severe blow to the confidence in the promises of the government. Besides creating a number of other problems, the step would have an adverse repercussion on the flow of foreign capital and economic assistance into the country. Most of these members felt that the best course would be to ask the princes to give up their rights voluntarily. The Jana Sangh spokesman, Mr D. P. Thengari, also felt the same way, but he did not commit himself and his party either way. Mr M. N. Kaul (nominated) suggested that the purpose might be served by taxing the privy purses.

Government Commitment

In one of the most outspoken speeches, the Home Minister, Mr Y. B. Chavan, all but committed the government to the abolition of privy purses. He poured scorn on those who had put forward the "moral" argument against the move. He reminded the critics that the government had to ensure to all citizens equality of opportunity, equality of status and equality before law; the privy purses and the privileges enjoyed by princes ran counter to these rights of the citizens. Describing the A-ICC's resolution as "epoch-making", he disclosed that it was being examined with a view to implementing it. The precise form the decision would take would depend on the current examination of the issue. Mr Chavan, however, did not rule out discussions with princes before the final decision was taken. He appealed to them to adopt the right attitude as patriots and citizens of India and denied the allegation that the A-ICC's resolution was an act of vindictiveness.

The second important discussion that took place in the Rajya Sabha was on the Finance Bill which the House returned as adopted by the Lok Sabha. The highlights of this discussion were: (i) the plea of several members for a third pay commission and a wage board for railway employees; (ii) the demand by Mr Babubhai Chinai (Cong.) for a supplementary budget in the next session outlining the programmes for economic recovery; (iii) the plea of Mr Mulika Govinda Reddy (PSP) for internationalisation of the Suez canal and recognition of East Germany, Israel and Formosa; and (iv) the call

of Mr N. R. M. Swamy (Cong.) for the ostracization of tax-evaders. The Planning Commission's working came in for scathing criticism at the hands of some members. Several members called for the lowering of the exemption limit of income tax, abolition of the annuity deposit scheme and merger of sales-tax with central excise duties. Mr H. C. Mathur (Cong) stressed the need for setting up a few committees to study the difficulties faced by both the public and the private sector industries. Mr A. G. Kulkarni (Cong.) suggested development of technical consultancy services to enable the country to reduce its dependence on foreign countries for technical know-how. References were also made to the assertion of an economic daily of Bombay that despite government's declaration that deficit financing would not be indulged in this year, deficit financing to the extent of Rs. 228 crores had already been resorted to during the four months to July. The charges that the central government was discriminating against non-Congress state governments and that there was remissness in tax collections was repeated by many opposition members.

Deficit Financing

The Deputy Prime Minister and the Minister for Finance, Mr Morarji Desai, dwelt at some length on the question of deficit financing and refuted the allegation of the Bombay economic daily. Describing it as a "scare", he pointed out that deficit financing could not be measured every day. He reminded the House that what he had been repeatedly stressing was that at the end of the year, there would be no deficit financing. He reiterated that he still stood by this assurance, although many unknown facts could upset his calculations. Mr Desai also denied the allegation that the centre was discriminating against non-Congress governments. All the state governments, he assured, were being helped, irrespective of whether they were Congress or non-Congress governments, to the best of the central government's capacity. The charge that the central government was not taking energetic action for collecting tax arrears was as well denied by Mr Desai. Much else what Mr Desai said was a repetition of what he had stated earlier in the Lower House in his reply to the debate on the Finance Bill there. He, however, assured that only spares and machinery required for the industry which were not locally produced were being imported through the non-project aid made available by the Aid India Consortium.

In dealing with tax evasion, the Finance Minister, however, was more forthright in the Lower House where this matter was raised by the opposition in connection with the arrears of income-tax payable by the Amin Chand Pyare Lal group. It was alleged by several members that the government was showing leniency to the Amin Chand Pyare Lal group because some ministers were said to be interested in this firm as it had helped the Congress with funds. Mr Desai announced that income-tax evaders might in future have to lose their property as a penalty for tax evasion. The government, he disclosed, was considering legislation in this direction. Mr Desai also announced that instructions had been issued to the income-tax department for prosecuting the evaders of income-tax wherever this was possible, in addition to levying a penalty. The Minister of State for Finance, Mr K. C. Pant, however, denied that the government was showing any leniency to the Amin Chand Pyare Lal group.

Two bills were adopted this week—one, Tea Cess Bill, by the Lok Sabha and the other, Official Secrets (Amendment) Bill, by the Rajya Sabha. The Tea Cess Bill provided for the levy of a cess of four paise per kg. on all teas produced in the

country and for the collection of this cess in the same manner as the excise duty on this beverage. The cess has hitherto been levied on only that portion of our tea production which is being exported. The bill thus sought to enlarge the base for levying this cess. The proceeds from the cess are to be utilised for financing the expanding activities of the Tea Board. The bill also empowered the government to raise the cess up to 8.8 paise per kg. through notification.

Explaining the motive behind the bill, the Commerce Minister, Mr Dinesh Singh, pointed out that the proceeds from the present cess were inadequate to finance the activities of the Tea Board, especially when the country had to start blending teas and exporting them in packed form. The present arrangement under which tea blending was done in England, he observed, was not getting good rates for our tea in the international markets.

The Official Secrets (Amendment) Bill sought to remove certain shortcomings in the parent act so as to make it more effective. It provided for the widening of the scope of sections 3 and 5 of the act by bringing in their ambit cases of secret official codes the disclosure of which is likely to affect the sovereignty and integrity of the country, the security of the state and friendly relations with foreign countries. The bill also sought to make all the offences under the act cognizable and non-bailable. It further provided for the enhancement of the penalties for certain offences and for making applicable a special rule of evidence to all offences of spying. During the debate on this bill, some members pleaded for the creation of a special agency to implement the provisions of the act. The Minister of State for Home Affairs, Mr V. C. Shukla, who piloted the bill, rejected this suggestion, pointing out that the normal law and order agency was satisfactorily looking after the implementation of the act. Replying to another criticism that the government was shy in dealing with the law of treason, Mr Shukla pointed out that the bill had not touched that subject because there were adequate provisions in the Indian Penal Code and other acts to deal with the matter.

Railway Demands

The Lok Sabha also passed this week the Railway Ministry's demands for excess grants for 1964-65, totalling Rs. 4.14 crores. The excess expenditure had been incurred mainly on rolling stock and other structural works due to rise in prices. Defending the demands for excess grants, the Minister for Railways, Mr C. M. Poonacha, pointed out that the railways were a vast organisation, split into nine zones with varying patterns of expenditure. Expenditure, therefore, could not be completely controlled and further it took time to collate figures. The changing price level in the country, Mr Poonacha added, also made it difficult to anticipate expenditure correctly.

Besides adopting the Tea Cess Bill and passing the demands for excess grants of railways for 1964-65, the Lower House discussed two other important subjects—(i) the food situation in the country, and (ii) the reports of the Commission for Scheduled Castes and Tribes.

During the debate on the food situation, the representatives of the deficit states demanded prompt and increased allocation of grains to their states. The Congress members joined the opposition in pressing the claims of their states. The members from West Bengal and Kerala were particularly vehement in criticising the central government for not providing enough food to these two states. Some members wanted abolition of food zones. A Jana Sangh member demanded resignation of the union Food Minister, Mr Jagjivan Ram, for his failure to solve the food problem. The Minister of State for Food and Agriculture, Mr A. P. Shinde, denied that the centre was discriminating against any state in the matter of food allocation. Quoting statistics, he observed that there had not been any failure on the part of the central government to keep its commitments in regard to overall food supply to West Bengal. He, however, ad-

mitted that the supply of rice was less than the monthly quota promised.

The debate on the reports of the Commissioner for Scheduled Castes and Tribes could not be concluded this week because of paucity of time. Widespread concern was expressed during this debate over the tardy pace of implementing the constitutional safeguards for scheduled castes and tribes.

Question Hour

Expenditure on Ministers: The Minister for Home Affairs, Mr Y. B. Chavan, told the Rajya Sabha on August 4 that the annual cost of maintaining the union ministers, ministers of state and deputy ministers, was Rs. 2,223,264. This figure, of course, did not include the travelling allowances of ministers and the cost of providing to them staff cars, secretarial staff and medical facilities. The monthly expenditure on a cabinet minister came to Rs. 4,242 for salary, sumptuary allowance, rent of buildings, electricity, water, furniture and electrical appliances. The annual expenditure on cabinet ministers was Rs. 967,176, on ministers of state Rs. 774,768 and on deputy ministers Rs. 481,320. There was no proposal under the consideration of the government to reduce the expenditure on union ministers, said Mr Chavan.

Population: The Deputy Minister for Home Affairs, Mr K. S. Ramaswamy, informed the Rajya Sabha on August 4 that the population of India on July 1, 1967, based on projection of the 1961 census, was 511.3 million.

Cotton Imports: The Minister for Commerce, Mr Dinesh Singh, told the Rajya Sabha on August 3 that there was no specific proposal to nationalise cotton import trade. The possibility of channelising cotton imports through some suitable central agency was, however, being explored.

Monopolies Bill: The Minister for Industrial Development and Company Affairs, Mr Fakhruddin Ali Ahmed, assured the Rajya Sabha on August 3 that the proposed Monopoly Commission Bill would be introduced during the current session of Parliament. The Company Law Administration had more or less completed the re-drafting of the bill in the light of the suggestions received. It would be soon sent to the concerned ministries for further comments and then placed before the cabinet. Subsequently, the bill will be brought before Parliament. The Minister of State for Industrial Development and Company Affairs, Mr K. G. Raghunatha Reddy, denied the allegation that the delay in introducing the bill was due to some pressures.

Compulsory Sterilization: The Deputy Minister for Family Planning, Mr B. S. Murthy, assured the Lok Sabha on August 3 that compulsory sterilization would never be introduced until the nation accepted it. The Maharashtra government, he said, had advised the centre to take legal and constitutional steps to make sterilization, vasectomy and tubectomy compulsory for all citizens with three or more children. The Law Ministry had been asked to examine whether the measure can be legally enforced.

Loans to States: The Deputy Prime Minister and Minister for Finance, Mr Morarji Desai, told the Rajya Sabha on August 2 that the state governments which had taken loans from the centre would have to repay them. These loans could not be converted into grants. If this was done, he opined, it would not be possible to give any loans in future.

Wheat Prices: The Minister of State for Food and Agriculture, Mr A. P. Shinde, told the Lok Sabha on August 1 that the centre had indicated to the state governments that they should not charge more than five rupees at the wholesale level and eight rupees at the retail level for one quintal of imported wheat over the issue prices. He further stated that on indigenous wheat states had been asked not to charge more than Rs. 10 per quintal over the procurement rates. The imported wheat, Mr Shinde disclosed, was supplied to states at the uniform price of Rs. 55 a quintal.

WINDOW ON THE WORLD

The World Shipbuilding Racket

JOSSLEYN MENNESSY

CHANGES IN WORLD DEMAND

LONDON:

I HAVE just been reading a report by the Netherlands Overseas Bank (548 Herengracht, Amsterdam), which unconsciously reveals how difficult it is for a country which by reason of its past economic history has built up a great national industry—such as shipbuilding—to change and adapt to the point of scrapping, if necessary, as new inventions render older technologies out of date and create new demands which old established entrepreneurs despise as “new fangled nonsense”.

As the demand for conventional tankers, and cargo vessels, gives way to demand for container carriers and passenger freighters, competition between the shipbuilders of the world has become keener and keener, and shipbuilders of every nationality have appealed to their governments for subsidies, open or concealed. In a world in which resources remain consistently scanty in relation to supply, it is sad to see the Netherlands Overseas Bank reporting that every single government of a traditional shipbuilding country is, from a mistaken view of the national interest, misallocating scarce resources by protecting its industry.

Crazy Proposition

I am not suggesting that there is no case for a developing country such as India to protect shipbuilding as an “infant industry” and in order to effect economies of import substitution (although I must add that I would be careful to vet the claims of any infant industry in order to make sure that the country was not being asked to pour money into an obsolescent technology). I am arguing that if an industrialised country finds that its shipbuilding industry cannot make profits, it is crazy to pour the taxpayers' money into it in defensive investment. But, before further comment, let me extract some of the facts from the Netherlands Overseas Bank report.

In 1966, the shipbuilders of the world enjoyed fairly considerable expansion. The 1966 world tonnage launched—excluding the USSR and the People's Republic of China—amounted to 14.3 million GRT, over 17 per cent up on 1965. The year 1966 was the first post-war year in which the total of 13.9 million GRT achieved in 1943 was exceeded—a waiting period of no fewer than 23 years which should in itself have been a warning.

Japan's position among the shipbuilding countries has become much stronger. In 1966, Japanese output was nearly double that of West Germany, Sweden and the United Kingdom taken together. An eight per cent rise in tonnage delivered last year enabled West Germany to oust Sweden and the United Kingdom from the second and third places on the world league table. During the past year, production in the European Economic Community as a whole again rose by nearly eight per cent to 2.4 million GRT.

A revival in the Netherlands shipbuilding industry became noticeable in 1966. It remains to be seen, however, to what extent the downward curve of production that has persisted for several years has now come to an end. With an output of 450,000 GRT in 1956, the Netherlands was fifth among the shipbuilding countries, but by 1966, with production at only

284,000 GRT, the Netherlands had dropped to the eleventh place.

In the total of new ships built, tankers have declined appreciably in the past few years. In 1964, tankers still accounted for 54 per cent, but they had dropped to 37 per cent (overall tonnage 5.3 million GRT) in 1966. The growth in world output by about two million GRT between 1965 and 1966 is largely attributable to an appreciable rise in the tonnage of new bulk carriers, viz., by 1.3 million GRT to about five million GRT, which now account for 35 per cent of the overall tonnage built. The record growth in world tonnage in 1966 was accompanied by a drop in freight rates.

The 1967 order book also appears substantial. According to the Lloyds Register of Shipping, the order portfolio on March 31, 1967, was about 33 million GRT, of which 13 million GRT was already under construction. Japan had won 45 per cent of all new contracts. Of the tonnage under construction, tankers accounted for 3.6 million GRT, i.e., 29 per cent of the world total—the lowest rate recorded since 1948. At 37 per cent, or nearly 4.7 million GRT, bulk carriers accounted for the greater part of all tonnage under construction.

There are two views about future developments in world shipbuilding. The Netherlands Shipbuilding Committee expects that up to 1970 tonnage delivered will average 12 million GRT per year. In the following five years, it expects the rate to rise to about 13 million tons per annum. The British 1965-66 Shipbuilding Inquiry Committee is more optimistic and estimates the 1975 world output at 19 million GRT.

Increasing competition among the shipbuilding countries in the past few years has induced efforts all round to reduce costs by integration, rationalisation, specialisation and increased efficiency. This has meant rising investments and shrinking profit margins. For example, in order to earn Sw.Cr. 1,400

WORLD SHIPBUILDING ON BASIS OF TONNAGE

LAUNCHED

(In thousands of GRT)

Country/Region	Output		Exports in % of output
	1965	1966	
Japan	5,363	6,685	60
EFTA	2,916	3,209	43
of which: Sweden	1,170	1,161	68
UK	1,073	1,084	28
Norway	409	537	21
Denmark	260	411	43
EEC	2,246	2,415	38
of which: W. Germany	1,023	1,184	50
France	479	443	16
Italy	442	422	26
Holland	233	284	38
United States	270	167	—
Other Countries	1,421	1,831	—
Total	12,216	14,307	50

Source: Lloyds Register of Shipping.

million in 1966, you had to deliver 1.1 million tons, whereas in 1960 you got the same money for 800,000 tons GRT.

II

THE SUBSIDIES "FREE-FOR-ALL"

In most shipbuilding countries—notably in Japan—measures have been taken to support and stimulate national enterprises by low interest loans, tax facilities, investment premiums, etc. These subsidies are a severe handicap to shipyards in countries which do not match them. In the United Kingdom and the Netherlands, for instance, the government has only recently begun to support the industry, and this is doubtless one of the chief reasons why these two countries have not profited from the recovery in world demand for tonnage since 1962. Sweden, however, provides the exception which proves the rule. With only limited government support and despite comparatively high wages, Swedish yards have successfully resisted strong competition from Japan, largely because of the industry's modern equipment and intensive co-operation and rationalisation of production between firms.

Substantial expansion of tax and credit facilities has boosted Japan's industry to enormous proportions. The use of modern construction equipment, a high degree of efficiency and great labour productivity have also been vitally important. The cost of materials is held down by subsidised price reductions—of up to 10 per cent—which steel producers grant to the industry. Since steel accounts for some 25 per cent of the cost of building a vessel, this subsidy gives the Japanese industry a tremendous shot in the arm, especially in relation to the EEC countries where agreements within the framework of the European Community for Coal and Steel mean that steel prices charged to shipyards are higher than world steel prices.

In addition to quality and delivery periods, the credit facilities that shipyards in various countries are able to offer have played an increasing part in distorting international competition.

In order to promote exports, Japanese shipyards may obtain loans at four per cent per year on up to 80 per cent of the credits granted to their foreign customers. These loans normally run up to eight years. If necessary, the balance can be borrowed from private banks at current rates. Within the annual government programmes for building vessels for domestic account by local shipyards, the Japan Development Bank grants credits of up to 80 per cent of the contract price; on the interest rate, the state grants a subsidy of 2.5 per cent. In addition to these credit facilities, Japanese shipbuilding companies are allowed to write off additional amounts above the customary depreciation on all installations used in their operations. Furthermore, a special "overseas market development reserve" can be created from 1.5 per cent of profits made on exports; within five years, however, this reserve is to be added to the profits. Finally, a 15 per cent import duty on vessels built abroad provides sizeable protection to Japanese shipbuilders.

In the United Kingdom, the Shipbuilding Industry Bill, introduced in February, 1967, seeks to promote rationalisation. The support proposed will mainly consist of:—

(a) Credit facilities of up to 10 years with interest at 5.75 per cent (including 0.25 per cent charges) to cover up to 80 per cent of the building price—for this purpose, a total of £200 million will be made available to owners who order vessels from British yards;

(b) Loans up to £32.5 million will be granted for the rationalisation of some 60 shipyards and engineering works;

(c) A sum of £5 million has been set aside for guarantees to cover the cost of mergers or reorganisations.

The credits will be granted only to shipyards that have actually carried out measures to improve their competitive positions. Initial steps to merge three large enterprises, which have an aggregate productive capacity of 500,000 GRT per year, have already been announced.

The tax position of British shipbuilders is not too bad compared to their largest competitors. The corporation tax tariff, in particular, is rather low and previous losses can be offset. Of great importance is, furthermore, the investment subsidy for the purchase of new machinery and equipment and of new vessels. This subsidy amounts to 20 per cent of the cost of investments and even 40 per cent if investments are made in development areas. Accelerated depreciation of 30 per cent is possible for industrial equipment, such as motor vehicles, office equipment, etc., that does not qualify for a subsidy. In order to increase employment in development areas (where most of the shipbuilding industry is established) investment loans can be obtained at five to six per cent for periods up to 12 years. I do not want to get side-tracked into debating whether subsidised inducements to invest in development areas are sound or not—there is much to be said for and against—but if you are going to invest in such an area, at least let it be in a growth industry, not an old established industry struggling against a wholly unrealistic set of world prices upheld by competing national subsidies.

III

SWEDEN, WEST GERMANY AND HOLLAND

In Sweden, government guarantees to shipyards of loans to finance exports has been in force since 1963. These guarantees are currently given for 15 years up to a total limit of Sw.Cr. 900 million. This system takes about two per cent off market rates of interest and also enables the normal credit insurance premium to be saved. Shipbuilding companies can create a tax-free reserve for future investments. Each year, 40 per cent of the profit before taxes may be added to this reserve, half of which must be deposited with the Riksbank. For a period of five years, the reserve can only be used for purposes approved by the government, but the company may deduct from its taxable profit 10 per cent of the amount withdrawn from the reserve. Specially favourable regulations cover stock valuation and also apply to vessels under construction.

The support granted in West Germany for exports of vessels (except to the EEC, Eastern bloc and developing countries) is given on the basis of the 1966-68 support programme involving subsidies to the tune of DM 68 million. For credits raised from commercial banks, an interest subsidy of two per cent is granted on a maximum of 80 per cent of the contract price. Credits are extended up to maximum of eight years. Each year, an average of DM. 480 million of shipbuilding exports will benefit from the interest subsidy. In obtaining export finance, shipyards can (within the 80 per cent arrangement) also avail themselves of ERP credits (Marshall aid counterpart funds) at an interest of 2.5 per cent. For this purpose, some DM 160 million have been made available for 1967-70. The European Committee estimates the West German support at between six and 7.25 per cent of the contract price. The Federal Republic does not in general offer tax facilities that favour West German shipbuilding enterprises over other countries. Against this, German shipyard employees enjoy tax exemption for allowances paid for work on Sundays and on night-shifts, which, of course, helps to speed delivery dates. If this exemption were applied without discrimination to all industries, I submit that it would be wholly justifiable. But if the Netherlands Overseas Bank is right in thinking that it applies to shipyard employees only, it is indefensible.

Fierce foreign competition is making life hard for Dutch shipbuilders, who have not been helped by substantial wage

risks and high interest rates. A report of the Netherlands Shipbuilding Committee states that cost prices could be reduced by increased efficiency, rationalisation, specialisation and ed by increased efficiency, rationalisation, specialisation and concentration, and adds that the government will have to grant a subsidy to mitigate the burden of interest rates. Following a publication of the report, a bill was introduced which (temporarily) will enable shipbuilders to obtain interest reductions up to 2.25 per cent. An interest subsidy will be granted once the current rate for credits in the open market rises above the discount rate for promissory notes increased by two per cent. With a normal credit period of eight years and a facility of 80 per cent of the overall bid price, the subsidy works out at 6.5 per cent of the volume of orders to benefit from this arrangement. The volume of orders to benefit from this arrangement will be Dfls. 750 million, which will extract Dfls. 54 million from Dutch taxpayers' pockets. To qualify for the subsidy, shipyards must give an undertaking in writing that specialisation resting on mutual co-operation will be achieved, and that their applications cover types of ships in which the enterprises concerned will specialise.

By comparison with the Netherlands, the UK's measures are more far-reaching. In addition, the British tax facilities are far more liberal than the Dutch. Furthermore, Dutch shipbuilders complain that the period for which they qualify for reduced rates of interest is too short.

Important Contribution

Apart from the interest rate and credit period, the cost of credit insurance makes an important contribution to the encumbrances that shipyards can offer their customers. In so far as government orders (or orders received from private companies but guaranteed by government) are concerned, the Netherlands credit insurance premiums for medium and long-term transactions are slightly lower than those charged in a number of surrounding countries; for private buyers, however, these premiums are often higher. For example, the premium is slightly under one per cent in Japan, whereas in Holland the premium applicable to contracts from private customers without official guarantee varies from three to six per cent.

From all this it emerges that the governments of all shipbuilding countries seek to coddle their national industries,

Tourist Boom Petering Out!

E. B. BROOK

VIENNA:

A HOT, dry summer is adding its quota to the tally of the little woes building up in Europe. Not the least of these woes is a series of unmistakable signs that the peak of the money-spinning tourist trade has almost certainly been passed.

The hot weather is making some of the traditional places in the sun a little too warm even for holiday comfort: the British £50 per head spending limit is keeping some of the more free-spending holiday-makers in their island home; the immense international contest to attract tourists by cutting profits to the bone has been carried to its economic limit.

The shores of the Mediterranean, the Adriatic and of the Alpine lakes are crowded with the tanning bodies of holiday-makers getting their annual break on the cheap: the tourist trade finds it is beginning to give more and more for less and less. Both the major holiday hosts, the Italians and the Spaniards, complain this year that, warned by an economic recession at home, German tourists are being more parsimonious than ever.

Italy still leads as the holiday attraction and is probably

especially in the field of non-market interest rates.

The discrepancies between rational support measures have led to efforts towards some international co-ordination in order to iron out the more flagrant discriminations. I need hardly say that so far these efforts have achieved nothing at all. Consultations within the EEC in 1965 resulted in a proposal by the European Commission to the Council of Ministers giving directives for a Community support system to compensate for and adjust measures in restraint of competition in the international shipbuilding market taken by other countries. The proposed assistance comes to a 10 per cent subsidy on the selling price of a vessel. Up to now, the EEC Ministerial Council has not yet decided to implement the system. On the part of the industry, efforts have since been continued to achieve international agreement to regulate the shipbuilding market. For example, recent consultations in Tokyo between Japanese and West European shipbuilders ended in agreement in principle that the conditions of export credits should be regulated. The talks will be continued in Europe later this year.

To sum up, the record growth in world tonnage last year was accompanied by a drop in freight rates. Supply of tonnage was above demand. For the near future, a smaller rise in new orders must be expected—some countries, in particular West Germany and the United Kingdom, have already encountered this trend. Similarly, a decline in the order books of Japanese shipbuilders is anticipated, although orders received are sufficient for another two years. This, at any rate, was the forecast before the Middle East oil crisis disrupted freight markets. Since, however, the demand for new vessels now tends towards special ships, such as container carriers, passenger freighters, etc., rather than at tankers and cargo vessels, I doubt that the Suez crisis will affect the long-term trend. The construction of these specialised ships is more complicated, but West European shipbuilders are not unduly frightened of Japanese competition because Japanese costs have risen. Otherwise, European countries continue to aim at improving the positions of their local shipbuilding industries through mergers, reorganisations, and, of course, subsidies.

It is curious that while the coloured folk in the USA will rise against white oppression and while heaven knows who is rioting against whom or what in West Bengal, taxpayers in all countries continue meekly to pay up ever increasing amounts without firing a shot or even offering satyagraha. There is a Ph.D. for someone in this inexplicable phenomenon.

cleverer than most in persuading the visitor that he is getting good value for his money. At this season of the year it is easier to find German sausage on Italian counters than their own spaghetti.

Spain is the chief sufferer this year from the £50 limit and the Middle East conflict. Palma and Majorca hotels, especially those in the luxury class, are facing a precarious situation. So much money has been poured into the Spanish holiday industry that its ephemeral character seems to have been lost sight of. It is not long before all but the most stubborn of the high quality resorts succumb to the "package deal" holiday-makers, requiring a rash of second-class hotels and providing for minimal profit advantages for holiday-makers who expect much but spend little.

Countries farther off that seek to attract more tourist traffic might learn from Europe's little ills this year that the only holiday-makers and tourists really worth entertaining are those with ample money to spend and the will to part with it. Otherwise, tourists are an expensive and often annoying distraction from serious national economic effort.

The German holiday-makers' extreme economy this year

is based on some cold economic facts and the usual German reaction of excessive care when the way ahead looks uncertain or unpromising. Actually, the German has not overmuch to be anxious about except the natural economic effects of his own sparing habits. If only the German would invest more of his money in his own industries instead of carefully stacking it away in banks and building societies the overall economic position of his country would be better. Too long has the post-war German come to take a static boom for granted. Fifteen years of prosperity have come to be expected as a permanent condition. The boom might, indeed, have lasted longer had German domestic investment been the normal European 50 per cent instead of a parsimonious 20 per cent.

The Federal German cabinet, faced with a recession of some proportions, has had to pump in another DM 5,000 million in government funds to start new orders flowing into the capital credit industry. Private investment, alarmed by trade recesses, had declined a further 11 per cent in the first five months of this year.

There are many in German financial circles who think that a massive increase in public spending is necessary if West Germany is not to slip into a depression similar to that of the 1930s. This increase in public spending is most unlikely to come about for the German psychological reaction to threat of recession is near panic. The Germans, admittedly, have some excuse for their panic tendency—many of them have memories of two inter-war inflations and the breakdown of government finance. In Austria, a man of 60 can recall two disastrous wars and four deflations. It is small wonder that they regard cash and investment with caution, but this attitude breeds the very dangers that it seeks to avoid.

The current rate of domestic spending in West Germany illustrates this point. In the first five months of this year, when the economy called for more generous spending to keep trade and industry going, the Germans, frightened by talk of recession, spent 4.2 per cent less on buying beer and were similarly economical in buying chocolate and real coffee. Only those who know what eating and drinking means in the Teutonic world can realise what an alarmed and self-denying personal sacrifice this reduction has involved.

The same fear of spending on consumables and the rush to buy gold in the form of ornaments and jewellery as personal assets help to account also for the 27 per cent reduction in West

Alfried Krupp--More Than a Man of Property

MR ALFRIED Krupp von Bohlen und Halbach, who died of a brief incurable illness on July 30 at Essen, West Germany, represented the fifth generation of the famous Krupp family and was the last sole proprietor of the 150-year-old Krupp enterprise. Only five months ago he agreed to give up the sole control of the world's biggest private industrial empire and to turn it into a joint stock company.

Born at Essen on August 13, 1907, Alfried Krupp studied at the Technical Universities of Munich, Berlin, and Aachen; he took his engineering degree of "Dipl. Ing." in 1935. A year later, he entered his family's firm as a member of the directorial board, and became the sole proprietor of Fried Krupp in 1943. From 1945 to 1951 he was imprisoned by the Allies for war crimes on behalf of his father, Dr Gustav Krupp, who was too ill to serve the sentence. His entire property was confiscated in 1945. It was returned after 1951 when the confiscation order was revoked.

After resuming the management of his firm in 1953, Krupp turned the activities of the enterprise towards a variety of new fields which included the installation of complete industrial plants, manufacture of railway engines, diesel locomotives, trucks, bridges and hydraulic steel structures as well as oil tankers and cargo vessels. Today, the concern comprises some 30 major companies which produce a range of more than 30,000

German motor car production so far this year. German taxi-drivers complain that their earnings have been almost halved..

Those who have been accustomed for nearly two decades to regard the Germans as a prosperity-conscious, lavish-living people with masses of foreign labour to do the harder jobs need now to revise their ideas. West Germans are still well off but, being frightened, they are closing all personal financial outlets except the most essential.

So far they have no genuine cause for concern. But unless the government's measures to revive industry succeed, a 10 per cent cutback in industrial inventories will be necessary. This would mean an additional half a million unemployed to the existing 750,000 (apart from the 145,000 now working on short time). But even with about one million unemployed there would only be 1/70th of the total population, or about 1/20th of the working population, out of work. This would be scarcely an alarming position in a country which still has over one million foreign workers busily employed.

Economic Troubles in Spain

Spain is another country with economic troubles, a mounting national debt and inflation and a faltering industrial growth. Here, again, there is excess private income. Spain, in fact, has come to the point where it has two plain choices—to follow a firm policy aiming at re-establishing interior and exterior equilibrium on a basis of public and individual sacrifices or a policy without sacrifices that would take it very quickly to a deep crisis in its balance of payments. Without more economic stability Spain cannot hope even for association with the European Common Market.

Increasing costs of production have sharply reduced industrial profits and slowed investments. Unlike West Germans, the Spaniards are not deterred by their faltering economy. The Spanish population, having increased its income by 15 per cent in the recent past, demands more and more goods; unfortunately, the national resources grow only a little more than half as fast as public income. This imbalance makes this year's decrease in tourist earnings even more serious than it would otherwise be and the next 12 months must be the maximum time in which it will be seen whether Spain can discipline itself to economies like Britain, to curtailing personal spending like West Germany, or whether it will go on brightly spending until it has a balance of payments problem more intractable than that faced by sterling for some years.

different goods and services, employ 102,400 people, and last year achieved a turnover of 6,153 million D-marks.

Alfried Krupp was a frequent visitor to India; he came to this country almost every year. In 1960, he met the late Prime Minister Nehru. He took keen interest in the development of Hindustan Steel Ltd, in which his firm originally was supposed to invest £7.5 million. After it had been decided to put up HSL as a public sector undertaking, Krupps together with DEMAG were leading the group of German firms which planned and constructed the Rourkela steel plant. In Bangalore, the company is participating in an Indo-German venture, Widia (India) Ltd, which has just gone into commercial production of hard metals.

A patron of the arts, Alfried Krupp presented "Villa Huegel", the former family residence with its 200 rooms, 120 Old Masters and famous Gobelin tapestries, to the city of Essen which turned it into a museum and exhibition hall. It was there that the exhibition "Five thousand years of Indian Art" was organised a few years ago. The exhibition drew hundreds of thousands of visitors from Germany and other countries of Europe.

Alfried Krupp truly was more than a man of property. His passing away marks the end of an era.

Spotlight on US Balance of Payments

PAMELA BROOKE

WASHINGTON :

WHAT IS Washington going to do about its chronic balance of payments deficit? Administration officials are studying fresh figures which indicate that the deficit will be at least half again as large this year as it was in 1966. They predict that it will climb above the two-billion-dollar mark for the first time since 1964.

For every year but one of the last 17, the United States has paid out more dollars to foreigners than it has taken in. Some of these have moved into the hands of foreign monetary authorities who can convert them into gold if they so desire. In 1956, the amount of liquid dollars held by foreign countries totalled \$14.6 billion and our gold stock totalled \$22.1 billion. By the end of 1966, foreign liquid dollar holdings had grown to \$27.9 billion (\$13.7 billion in official hands), and our gold stock had dropped to \$13.2 billion.

The worsening of the US position comes as an unhappy development for the administration. It is considered a sign of weakness by overseas financiers and adds to the threat that European governments will ask the US Treasury to part with more of the dwindling gold supply in exchange for the dollars they are holding.

President Johnson likes to say that the dollar is as good as gold. The powerful American economy convinces many experts that it is even better to own dollars than the yellow metal. But that is not the way cautious foreign central bankers and finance ministers look at the situation. They currently have billions of US dollars in their national reserves. The weaker the dollar looks, the more jittery they become.

The deteriorating payments situation lends additional urgency to a continuing round of behind-the-scenes pleas to foreign governments to support the United States by resisting temptation to ask the Treasury to give them gold for their dollars.

The big danger is not that a few countries will take a few hundred million dollars worth gold, but that a number of countries will decide that they had better get their share while the getting is good.

Discouraging Trend

The current rise in the deficit is particularly discouraging to the administration because it is occurring even though the US is earning more from foreign trade than it obtained in 1966. The difficulty is that the trade improvement is being offset by a heavier outflow of public and private capital.

Vietnam is one cause of renewed growth in the US deficit—and a cause that arouses more irritation than sympathy in many countries. Another cause is the tourist gap. Travelling Americans will spend a record-smashing sum of two billion dollars more overseas in 1967 than foreign visitors will spend in this country. The two billion dollars figure matches our total balance of payments deficit.

As might be expected, individual sectors of our society tend increasingly to blame other sectors for the deficit. The prescription of some (outside the administration) is that we should bring back our troops from western Europe or we should drastically reduce our foreign economic assistance programmes. People not in the financial business would want reduction in or elimination of various types of private capital outflows. Others (presumably not members of the "jet set") would tax the American tourist for the dollars spent abroad. Still others, usually those doing poorly in trade, would have us erect trade barriers. Each group views its own contribution to the deficit as morally sacrosanct and economically viable in the long run—even if it is costing dollars in the short run; and each group is equipped with loud voices in Washington.

As if this chorus were not sufficiently diverting for the policy-makers, there is the simultaneous dialogue in progress

over whether the steady increase in the US liquid liabilities and the steady decline in reserves are really problems at all. Here the advice ranges from that of distinguished professors who view the process as one of normal banking intermediation and exhort us "don't do anything; just wait", to the disciplinary exhortations of foreign central bankers, who pursue cure of the deficit with the zeal of an inquisitor on a witch-hunt.

We are confronted, on the one hand, by those who would have us break the link to gold—the only question being whether to do it now, with \$13 billion left, or to let it all drain out first—and, on the other hand, by those who would apply a good dose of old-fashioned economic discipline, stagnate the economy, and presto, bring ourselves into equilibrium. Somewhere in between are the advocates of a "dollar bloc".

The US payments deficit could be solved without restrictive measures by a combination of increasing our private balance of payments receipts and exercising restraints over our government outlays.

At present, in order to balance the adverse impact of Vietnam costs we have enacted several short-term measures. They have enabled us to keep our liquidity deficit in reasonable tow. To do something about reducing our long-term deficit, the Treasury Department is working on several schemes to increase receipts and limit payments.

Export Promotion

One is to improve our trade surplus by launching a powerful drive to increase exports. With respect to export promotion, the Commerce Department has already intensified its efforts. The US trade missions, begun in 1954 largely as goodwill tours, have been entirely recast as vehicles for hard-selling of American products, services and investments abroad.

Attendance at commercial trade fairs has gone up from 1.6 million persons in the fiscal year 1963 to an estimated five million in 1967. The number of US firms participating in these fairs has jumped from 147 in 1963 to an estimated one thousand by the end of this year.

The Commerce Department is now storing in computers vast new quantities of information on the international trading interests of 23,000 US corporations. Of these, 10,000 are not now exporting but have indicated an interest in doing so. Commerce helps these novice exporters by suggesting a variety of established channels for distributing their products overseas.

Measures are being considered to simplify export financing loans. Also, we are trying to determine if differences exist between other countries and here in export tax regulations that would put our exporters to a disadvantage. Abolition of such regulations has been promised. Given adequate support by the government in the fields of promotion, finance and taxation, and given adequate interest by exporters themselves, we ought to increase our trade surplus substantially in the coming years.

Another plan is to improve our travel deficit. Last year the US travel service operated with a tiny budget of three million dollars—a budget that compared with \$10 million each for Canada and Spain, seven million dollars for Mexico and five million dollars each for France and Greece. When you compare the GNPs of these countries with that of the US, you have a clear picture of poor travel promotion in this country. Interest, imagination and action are needed by both the government and the private travel business. Comprehensive guide-books in different languages, reduced airline rates for foreign travellers and low-cost housing at universities for travelling students are among the suggestions being considered to make travel in the United States an affordable pleasure for overseas visitors.

Just as we are coming to regard the sale of US travel faci-

lities as an export, the financial community is being urged to think of US securities as an exportable item. A number of factors make the US a natural exporter of capital: its efficient money and capital markets make it cheap and convenient for foreigners to raise funds here. The passage of the Foreign Investors Tax Act, designed to end tax discrimination against foreign investors, represents the latest effort of the government to encourage a secular uptrend in foreign portfolio inflows.

Also, the Treasury Department is trying to attain a two to three billion dollars gain in our direct investment accounts. There is a good deal of debate about the effect of direct investments on our trade balance. Some analysts contend that the construction of manufacturing plants abroad preserves markets and promotes American exports. Others argue that the transfer of production from the US to foreign countries results in a loss of our exports. One does not have to resolve this debate to reach the conclusion that at the very least direct investment should be sufficiently profitable to permit corporations to send home a steadily increasing stream of dividend and royalty income.

Since the beginning of 1960, the US-controlled corporations have invested \$42 billion (net of depreciation) in new plant and equipment and working capital outside the United States. The annual amount of such investments—financed from earnings retained from abroad, other foreign funds and funds from the United States—rose from \$3.7 billion at the beginning of the decade to nearly \$10 billion in 1966. According to Treasury Department estimates, this \$42 billion investment has produced an incremental return in the form of earnings and royalties of only about seven per cent.

Since only about 37 per cent of the financing for this investment came from the United States, the performance in balance of payments terms has been better but still is inadequate. The annual excess of dividend and royalty income over direct investment outflows doubled from one billion dollars to two billion dollars between 1960 and 1962. It has since remained on a two-billion-dollar plateau. These are pretty poor results.

Long-Range Strategy

Past investment ought to become more profitable as mistakes are corrected and operating rates improve. Future investment decisions by business should be more selective and prudent. If favourable trends can be coupled with a moderate further reduction of direct investment outflows from the United States, as European capital markets adjust to higher levels of overseas borrowing by US corporations, the excess of our dividend and royalty receipts annually over direct investment outflows could and should increase by the end of the decade. Present programmes and long-range strategy are based on this premise.

Another effort of the Treasury Department is aimed at limiting government foreign exchange expenditures by hard-headed negotiations with other countries over the sharing of the burden of military and economic assistance programmes. The Treasury Secretary, Mr Henry Fowler, is taking the position that determination of a nation's "fair share" of economic and military assistance can no longer be resolved solely by relating the size of a given country's contribution to the size of its gross national product. He argues that international liquidity positions must be taken into account and those nations which have trade surpluses should shoulder a heavier load.

These, then, are the tactics the Treasury Department is hoping will bring our payments deficit back to earth. Obviously, no single effort is going to have much impact, but taken together these reforms could change our deficit situation. As a last resort, other deficit nations in the past have invariably turned to a variety of restrictive devices to solve the problem; among these are controls on capital flows, on tourism and on

trade; and deflationary measures that slow down demand for imports and increase exports, but at the same time throw hundreds of thousands of individuals out of work.

If we begin now, the US has time to solve the problem of deficit through application of sound long-range measures without such inhibiting restrictions. The Treasury Department is working to transform these aggressive, expansionary measures into national policy.

There is still plenty of confidence in the dollar and most of it is justified. If the US will just grab hold of its resourceful bootstraps and start pulling up now, we can change the deficit situation in good time.

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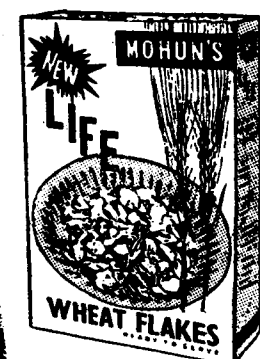


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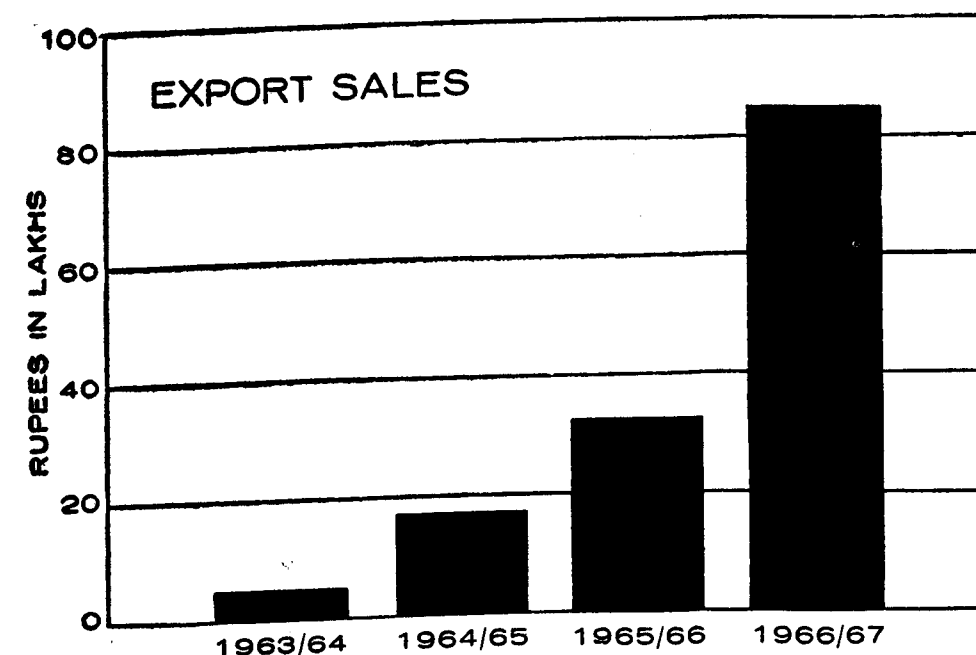


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The moving fingerprints

I AM glad that the Prime Minister had spoken out against the evil of regionalism when inaugurating the release of irrigation water from the Nagarjunasagar reservoir in Andhra Pradesh on Friday last week. Earlier, in his characteristic fashion, Mr Morarji Desai had come down even more heavily on parochial thinking on public issues, particularly economic matters, while addressing a public meeting in Madras on July 10. I understand that this meeting, which was held under the auspices of the Tamilnad Congress Committee, was attended by a very large number of people, who were both friendly and enthusiastic and had, consequently, been a valuable morale-booster for local Congressmen. I learn further that this vast audience listened with great respect and attention to the Deputy Prime Minister, although he did not mince words in countering DMK propaganda against the Congress party or the central government.

It is rather odd that the high-power panel set up by the Congress parliamentary party under the chairmanship of the Deputy Prime Minister, Mr Morarji Desai, to study the problems caused by the economic recession and suggest remedies, did not include Dr V. K. R. V. Rao, although he is the only professional economist in the cabinet. Mr Dinesh Singh is there and so also are Mr Fakhruddin Ali Ahmed, Mr Jagjivan Ram, Mr Asoka Mehta and Dr K. L. Rao. It cannot be argued that Dr V. K. R. V. Rao could not be accommodated since the panel was intended to include only ministers in charge of the major economic ministries. Transport and Shipping is not a less important economic ministry than, say, Irrigation and Power, and I may add, the Railway Ministry's problems and responsibilities are as relevant to a discussion of the recession as those of any other ministry of the central government—and I fail to see why Mr C. M. Poonacha did not make it to the panel. In any case, as I had mentioned earlier, Dr Rao was not just one of the central ministers but the only one in the team with high academic training in economic science and I wonder why the Congress parliamentary party so lightly decided to dispense with his expertise on this occasion.

What a record! It took the father some 17 years to prepare the ground for the decline of the Congress party. But, in merely as many months, the daughter has been able to precipitate this decline very nearly to the point of a fall. The general election only humbled the Congress party, whereas the developments since then have crumbled it. The state with the biggest population (Uttar Pradesh), the state with the largest area (Madhya Pradesh), the state with the firmist tradition of loyalty to Congress principles and personalities (Bihar), the state with the most lively history of political resurgence (West Bengal), the state with probably the least amount of factionalism in Congress politics (Madras), the state with one of the highest literacy rates in the nation (Kerala), the state with one of the most enterprising farming communities in this part of the world (Punjab, to which may be added Haryana), and the state with the most stimulating opportunities for the integration of tribal ways of life with modern forms of economic, political and social organisation (Orissa), have all gone out of the hegemony of the Congress party in six short months. Bitter as this pill must be for the Congress to swallow, there is not even the palliative of a sugar-coating, for, except in Madras and Orissa—and to a less extent in Kerala and West Bengal—the Congress party has lost out not so much to identifiably organised oppositions as to inchoate groupings of adventurers, opportunists and secessionists, who have merely

exploited the demoralisation of the Congress establishment and the bewilderment of its rank-and-file. The result is that today the all-India status or character of the Congress has become very nearly a polite political fiction.

Inevitably, this has meant that the overlords of the Congress party have suffered not only in political prestige but also in political substance. The worst sufferer necessarily is the Prime Minister. The failure of her desperate bid to prevent the collapse of the Congress bastion in Madhya Pradesh has merely served to mark out the vast ground she has lost in the nation and also in the party itself. It is possible, of course, that in the short period the dethronement of the boss-figures of Mr C. B. Gupta in Uttar Pradesh and Mr D. P. Mishra in Madhya Pradesh (both of whom had played a not inconsiderable part in her re-election as leader of the Congress parliamentary party) has brought Mrs Gandhi, paradoxically enough, an accession of additional personal following. Having no local satrap to look up to any longer, Members of Parliament from Uttar Pradesh and Madhya Pradesh may have well concluded that it would be prudent and profitable for them to ally themselves more directly and closely with Mrs Gandhi and her political fortunes. But it is clear that, over a longer period—and this need not be a long period in absolute terms—Mrs Gandhi's hold on the Congress party as such will have become less clear and far less assured. In fact, I do not see how Mrs Gandhi can continue to function as the effective leader of the Congress organisation unless the next Congress President is very definitely an individual of her choice. I should not be unduly surprised if there is indeed already some speculation among her counsellors and confidants that her political security could even demand her becoming Congress President herself in addition to continuing as Prime Minister. Perhaps even Mrs Gandhi has started thinking in these terms. If so, I should expect to see soon enough efforts on her part or on her behalf to woo Mr Chavan into a closer political understanding as well as more trustful personal relations. Incidentally, this could activate a counter-move in the form of a "draft-Kamaraj-for-another-term" campaign, which is already incipient. An intriguing point is whether or how far Mr Desai would extend his sympathy to a strategy of this sort.

I should like to share with such of my readers as may share my own puzzlement over the why and wherefore of Prof. D. R. Gadgil's election as Deputy Chairman of the Planning Commission a bit of political gossip which, I would like to believe, has more than an element of truth in it. It is fairly widely known that it was the Deputy Prime Minister who sponsored the learned professor. How this allegedly came about is quite a story. It appears that the Prime Minister was pressing the claims of Mr C. Subramaniam with her characteristic stubbornness. This gave some uneasy moments to Mr Desai who realised only too well that he could not get along with Mr Subramaniam, who would, no doubt, stick to his own prescription of a big fourth Plan and might even go so far as to claim the authority, as Deputy Chairman of the Planning Commission, to direct how much additional taxation should be levied and in what ways. Since Mr Desai would be unwilling, naturally, to let such liberties be taken with him where his own responsibilities as Finance Minister were concerned, it was more than probable that there would have been a show-down between them sooner rather than later. In the event of such a situation arising, Mr Desai could not perhaps have been sure of the Prime Minister backing him, which would mean that Mr

Desai might have to quit, with Mr Subramaniam only too willing to fill the resultant vacancy in the Finance Ministry.

Rather than store up such troubles for the future, the Deputy Prime Minister reportedly countered Mrs Gandhi's advocacy of Mr Subramaniam's name with a panel of possible choices for the top job in Yojana Bhawan. His first preference was for Mr B. K. Nehru and Mrs Gandhi would normally not have demurred; only, Mr Nehru's appointment (since he is a Nehru) might have been personally embarrassing to her and more than that, politically imprudent since it would have stirred up the lunatic left fringe of her party. Among the other names on Mr Desai's panel was Prof. Gadgil's and it could not have been difficult to sell Mrs Gandhi on the idea because Prof. Gadgil, when all is said and done, has the advantage of wearing the label of a "progressive". The question now is whether the professor will work smoothly with Mr Desai. Despite a superficial similarity of temperament, the two could prove odd bedfellows. Mr Desai after all is more or less a practical person with the virtue of having been a practising politician and an administrator for donkey's years. May not the academic rigidities of the professor create trouble? On the crucial question of the size of the fourth Plan, however, Prof Gadgil may be willing to go more than half-way to accommodate Mr Desai's views. For the rest even the professor may be expected to have an instinct for survival. In any case, from Mr Desai's point of view, the choice of Prof. Gadgil instead of Mr C. Subramaniam as Deputy Chairman of the Planning Commission has this advantage that if the professor and Mr Desai were to fall out on any issue of policy it would be the professor who might lose the job. This would not necessarily be the case were the protagonists to be Mr Morarji Desai and Mr C. Subramaniam.

Speaking with the ruthless incision of feminine logic, an American woman remarked to me the other day that it was no more unethical for a democratic community to compel its citizens to undergo sterilization in pursuance of a population policy designed for the common good than it was for it to conscript its citizens for national defence and send them to fight in wars. I think the lady has a point, but compulsory sterilization, so far as I am concerned, is not so much a moral issue as a question of practicability. How precisely is compulsion to be effected in this case? Is it intended that, where a person refuses to be sterilized, he should be forcibly seized by a special squad of policemen, bundled off to the nearest surgery and have his "vas deferens" snipped off? Or, is it being proposed that the recalcitrant should merely be punished with fine or a jail-term? While the former possibility is to be ruled out for obvious reasons, in the latter case, the problem of population control will remain unsolved, for a man would obviously be free to go and multiply, if he so chooses, after he has paid the fine or served a sentence of imprisonment. Again, is the same person to be repeatedly fined or imprisoned so long as he refuses to undergo sterilization? How are these fines to be realised from the poor who are bound to form the bulk of the violators of the sterilization law? In any case, is it fair that the wives and children of the recalcitrant should be deprived of their bread-winners in the name of a social reform law claiming to promote happier families or higher standards of living?

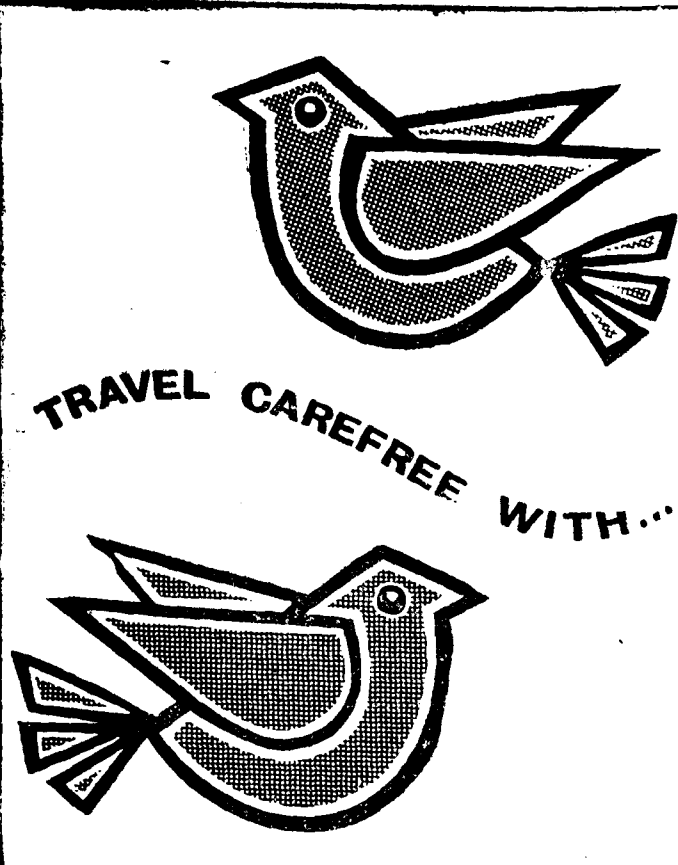
I am afraid that the enthusiasts of compulsory sterilization have not given thought to the implications of enforcement which compulsion would entail. For this reason, I am not at all impressed by the Maharashtra government's sponsorship of the compulsory sterilization move, which is also gathering support in other states such as Uttar Pradesh or Haryana. As a matter of fact, I am convinced that before this ridiculous idea gets wider play, the Government of India should stamp it out by a categorical declaration that compulsory sterilization is not to be thought of. Unfortunately, there is far too much proneness in high places to let things drift. This explains perhaps why the Health Ministry is wasting its time and the nation's by

undertaking an examination of the proposal. This is one more illustration of the adage that Satan finds work for idle hands to do and also some more evidence in support of my favourite contention that the Health Ministry, along with certain other central ministries, could be usefully axed to a shadow of its present self, thereby saving some crores of rupees of government expenditure.

* *

I am afraid this column has spilled over its allotted space this time. My excuse is that I will not be writing this feature for the next two months or so, as I will be leaving next week for Europe and Canada on my way to the United States where, thanks to the hospitality offered by the Friends of India Committee of Philadelphia, I will be spending some six weeks of travel, study and plain enjoyment. I suppose I will miss Delhi, but there will be the compensating pleasure of rediscovering it when I return in October.

V.B.



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Trade Winds

STUDY OF RECESSION

FOLLOWING A demand recently at the meeting of the Congress parliamentary party for effective measures to combat the prevalent recession, the Prime Minister, Mrs Indira Gandhi, has set up a committee to make a comprehensive study of the problem and recommend remedial action. Over 30 senior MPs having expert knowledge of economic subjects will assist the committee in formulating its proposals. The committee consists of Mr Morarji Desai, Deputy Prime Minister and Finance Minister, Mr Jagjivan Ram, Food and Agriculture Minister, Mr Fakhruddin Ali Ahmed, Minister for Industrial Development, Mr Asoka Mehta, Minister for Planning, Mr Dinesh Singh, Minister for Commerce and Dr K. L. Rao, Minister for Irrigation and Power. The list of the MPs will be finalised shortly. Apart from recession, the committee will also concern itself with the price situation and the wage policy that should be followed. It has been suggested that the committee should continue to function so long as the present situation does not improve. Its proposals will be first placed before the Congress parliamentary party and later will be considered by the cabinet.

JUTE HEDGE SUSPENDED

All business in jute goods in the futures (hedge) market has been suspended for seven days with immediate effect, the Commerce Ministry announced on August 4. The step was taken because fall in the prices of jute goods particularly during July had been steeper than that in the prices of raw jute. The Ministry stated that the government had been very much concerned over the fall as it was not justified by the level of stocks of these goods which were normal for this time of the year.

BRITISH STEEL NATIONALISATION

Britain has nationalised 14 steel producing companies representing 90 per cent of its capacity on July 28. The British Steel Corporation has been formed to manage all these companies with capital assets of £1,400 million. The total turnover of the British Steel Corporation is now estimated to be beyond £1,000 million and its employees nearly 270,000 people. The first object of the Corporation is stated to be to strengthen its marketing and technological position in the world steel industry. Its long-term objectives include development of the skills and promotion of investment and technological advances required to maintain and improve the role of the public sector as a key factor in the growth of the British economy. It also proposes to achieve high productivity through improved consultation and participation of labour. The Corporation proposes to improve trading conditions in the world steel industry and develop large production units with full recognition of all the social implications of any changes. These 14 companies owned 145 subsidiaries, which now become wholly-owned subsidiaries of the Corporation. Four others become partly-owned subsidiaries of the Corporation with 48 subsidiaries in other countries.

MADHYA PRADESH ECONOMIC POLICY

A brief outline of the economic policies of the new government headed by Mr Govinda Narayan Singh was presented recently to the Madhya Pradesh Assembly. Mr V. K. Saklecha, Deputy Chief Minister, who has also been given the finance portfolio, stated that the new government would endeavour to allot "in the minimum time possible" land to landless cultivators and create new employment opportunities. One of the important points of the "minimum programme" agreed upon by the constituents of the Samyukta Vidhayak Dal, he said, was about irrigation which was intended to be made available to every cultivable plot. The minimum programme also en-

visaged, he added, the formulation of a forest policy emphasising the welfare of the people living in forest areas. Mr Saklecha sought a vote-on-account for Rs. 170 crores for four months ending November 30.

The names of the 31-member Samyukta Vidhayak Dal cabinet of Madhya Pradesh headed by Mr Govinda Narayan Singh was announced in Bhopal on August 3. The new cabinet is composed of 14 ministers of cabinet rank, eight ministers of state and nine deputy ministers. In the new cabinet the breakaway Congressmen have the largest representation with 19 members, the Jana Sangh, the largest constituent bloc, has seven and the Krantikari Vidhayak Dal, Rajmata Vijayaraje Scindia's party, has five seats. The ruling SVD claims a strength of 167 in the 296-member state assembly.

MORARJI TO VISIT JAPAN

Mr Morarji Desai, Deputy Prime Minister and Minister for Finance, is reaching Tokyo on August 14, for talks on various subjects with the Japanese officials and individuals of importance. He is likely to discuss among other things, issues such as the proposed nuclear non-proliferation treaty and mutual economic relations. It may be added that this will be the first visit of a top leader of our government after Mr Nehru's visit nearly a decade ago.

TAX CREDIT FOR SHIFTING OF UNITS

The union Ministry of Finance has announced a scheme for the grant of tax credit certificates to public companies owning industrial undertakings situated in urban areas which shift their undertakings to other areas with the prior approval of the Central Board of Direct Taxes. Under the scheme, which has been notified in a Gazette of India Extraordinary, the amount of the tax credit certificate will be calculated with reference to the income-tax which the company becomes liable to pay on the capital gains derived by it from the sale or transfer of its buildings or lands used for the purpose of the business of the industrial undertaking in the urban area in which the undertaking is situated. The amount for which the tax credit certificate is granted will be proportionate to the amount of expenditure incurred by the company, during a period of three years from the date of approval, in acquiring lands and constructing buildings for the purpose of the business in the area to which the undertaking is shifted and in shifting its machinery and plant and other effects and transferring its establishment to the latter area. In deserving cases, the Board has the power to extend the period of three years suitably.

A.C. EXPANSION PLANS

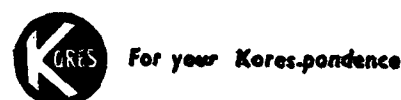
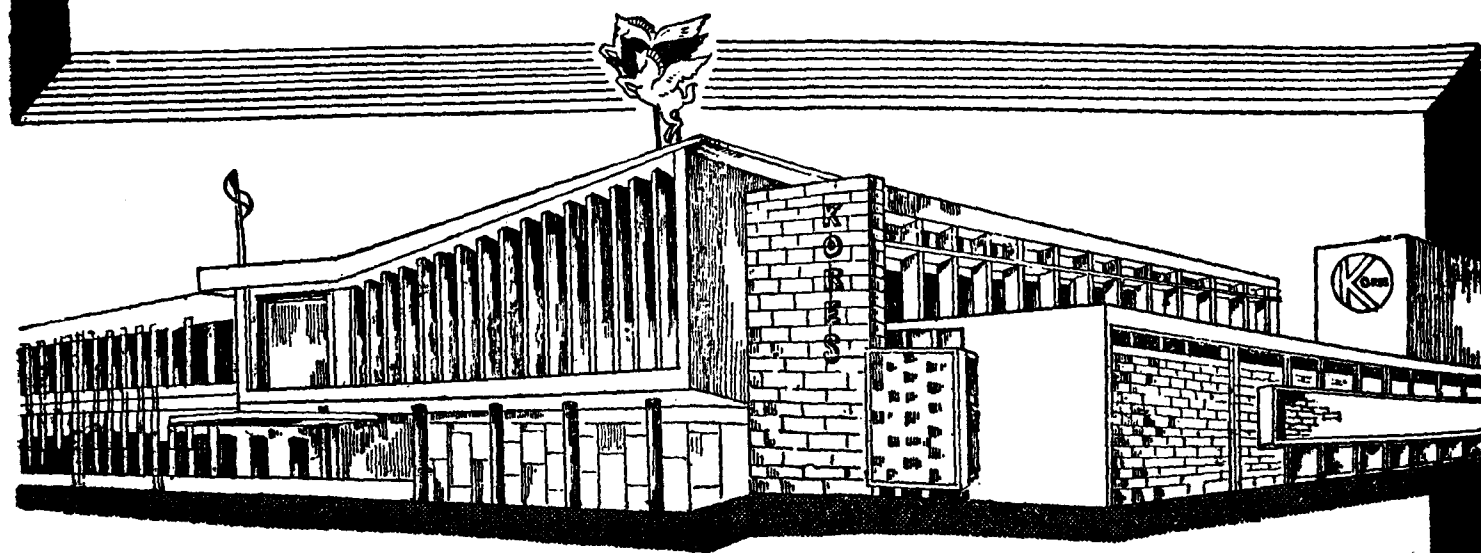
The Indian Airlines Corporation will have an additional seating capacity to the extent of 600 seats daily from next winter as a result of several new services. This was disclosed recently by Mr K. T. Satarawala, General Manager of IAC, who announced that by next winter the Corporation would have added one more Caravelle, two HS 748 and two F27 (Combi-type) aircraft to its fleet. The first HS 748 is being employed since August 8 on the Hyderabad/Vijayawada/Visakhapatnam sector replacing the dakota service. From August 17, Trivandrum would be connected to Colombo by an HS 748 service once a week. From January next, there will be an HS 748 service on the Bombay/Mangalore and Hyderabad/Bombay sectors. The latter will be in addition to the present Viscount service. As a result of the addition of one more Caravelle to its present fleet of six, the IAC will start a second Caravelle service on the Bombay/Bangalore/Madras sector. From October 8, IAC will start a Caravelle service between Delhi and Srinagar. Mr Satarawala felt that a jet larger than the Car-

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velle seemed inescapable on the golden triangle—Delhi/Bombay/Calcutta/Delhi.

LAND ACQUISITION ACT TO BE EXAMINED

The Government of India has set up a 25-member committee consisting of Members of Parliament and representatives of state governments to examine the entire framework of the Land Acquisition Act, 1894. Mr Anand Narain Mulla, MP, will be the chairman of the committee. It will examine the scheme of acquisition of land for public purposes and for companies in the public and private sectors under the Land Acquisition Act, 1894, with particular reference to: (i) principles which should govern acquisition of land for a public purpose; (ii) principles for determining compensation; (iii) reasons for administrative delays and remedial measures; (iv) extent of government responsibility for rehabilitation of evicted families and recommendations about discharge of this responsibility; and (v) feasibility of enacting a uniform central law on 'land acquisition' which may be applicable to the whole country although 'land acquisition' is in the Concurrent List. The committee will submit its report to the government before March 31, 1968.

PARTICIPATION IN INTERNATIONAL FAIRS

It has been planned that this country will participate in a number of international trade fairs during the period, September 1967 to March 1968. The list of fairs includes Algerian International Trade Fair, Algiers, Algeria (September 1 to 17, 1967); Zagreb International Autumn Fair, Zagreb, Yugoslavia (September 7 to 17, 1967); Brno International Trade Fair, Brno, Czechoslovakia (September 10 to 19, 1967); Sydney International Trade Fair, Sydney, Australia (October 19 to 28, 1967); Tripoli International Trade Fair, Tripoli, Libya (February-March, 1968); Frankfurt International Spring Fair, Frankfurt, West Germany (February 26 to March 2, 1968); Leipzig Spring Fair, Leipzig, German Democratic Republic (March 3 to 12, 1968). The importance of participation in these fairs need not be overemphasised as they would afford India an opportunity to expand her exports of both traditional and non-traditional products. The State Trading Corporation of India, the Minerals and Metals Trading Corporation, export promotion councils and commodity boards, public sector enterprises and state government export corporations and industrial organisations will be taking part in the fairs. Besides, leading private export houses and industrial units will also participate.

REDUCTION IN VANASPATI PRICES

The Government of India has further reduced the prices of vanaspati by 10 paise per kg. in the north zone, 30 paise per kg. in the south zone, 25 paise per kg. in the east zone and 15 paise per kg. in west zone from August 1, 1967, following the fall in oil prices during June and July. This is the third successive reduction in vanaspati prices since June, when the prices were reduced by 10 paise per kg. in all zones, followed by a reduction of 20 paise per kg. in all zones in July. The maximum retail prices of vanaspati in the different pack-sizes, and when sold loose, exclusive of local taxes, with effect from August 1, 1967, will be as under:—

	16.5 kg. (Rs.)	4.0 kg. (Rs.)	2.0 kg. (Rs.)	Loose per kg. (Rs.)
North Zone	81.00	21.42	11.05	4.91
South Zone	76.28	20.28	10.48	4.62
East Zone	81.14	21.46	11.07	4.92
West Zone	79.69	21.10	10.89	4.83

PLOUGH-BACK OF PROFITS

A sum of Rs 1,357 crores of profits is estimated to have been ploughed-back into the economy by the private sector during the first, second and third Plan periods (1951-66). The estimated plough-back of profits in the first Plan was Rs 255

crores, in the second Plan Rs 342 crores and in the third Plan Rs 760 crores. In the fourth Plan, it is estimated that Rs 1300 crores of profits will be ploughed-back by the private sector into the economy. These official estimates include retained earnings of branches and subsidiaries of foreign companies. The total investment in the public sector in the fourth Plan period is estimated at Rs 13,600 crores inclusive of the amount made available from central and state budgets to aid capital formation in the private sector. This amount includes a provision of Rs 3,936 crores under organised industry and mining. The total investment in the private sector in the fourth Plan period, exclusive of the amount to be made available from central and state budgets, was envisaged at Rs 7,750 crores, inclusive of Rs 2,350 crores under organised industry and mining.

DEPUTY DIRECTOR OF I.F.C.

The appointment of Mr P. M. Mathew as Deputy Director of the Development Finance Companies Department of IFC was announced recently by Mr George D. Woods, President of the World Bank and its affiliate the International Finance Corporation (IFC). Mr Mathew, an Indian national, joined the Development Advisory Service of the Bank in February, 1962, and in May, 1962, was transferred to IFC as an operations officer in the Department of Development Bank Services. He served from July, 1966, as an adviser to the Nigerian Industrial Development Bank on behalf of IFC. Mr Mathew joined the World Bank after a career in the Indian Administrative Service in Kerala state and in the central government. He held the post of Officer on Special Duty, Plan Co-ordination in the Planning Commission, until joining the World Bank.

FOREIGN TRADE IN MAY

The provisional figures of our foreign trade in merchandise by all routes, i.e., sea, air and land during May, 1967, are: exports (including re-exports) Rs 80.93 lakhs, imports Rs 191.00 lakhs, according to the Department of Commercial Intelligence and Statistics, Calcutta. The above figures do not include trade with Bhutan and Sikkim. The figure for imports is incomplete due to partial coverage of imports on government account, particularly of foodgrains.

REVISION OF POSTAL RATES

Certain postal services like express delivery and registration costs two to five paise more from August 1, 1967. The express delivery fee has been raised from 13 to 15 paise and registration fee from 55 to 60 paise. There is an increase of one paise in air surcharge on packets, two paise in the postage for packets which contain periodicals registered with the Press Registrar of India. There is to be a uniform rate of five paise for every 50 grams for packets containing printed books. The new rate means a reduction for book packets weighing 200 grams or more. The posts and telegraphs department will earn an additional revenue of about Rs 98 lakhs in a 12-month operation following the introduction of new rates. The present deficit on the working of the postal branch is estimated to be of the order of about Rs. 9.7 crores.

CONFERENCE OF STATE EXCISE MINISTERS

The question of setting up a central Molasses Board to assess production and demand of molasses in various states and decide inter-state allocations was discussed at a conference of the state Excise Ministers held on August 5 in New Delhi. Mr Asoka Mehta, Minister of Planning, Petroleum & Chemicals and Social Welfare, presided. The conference reviewed the availability of molasses and alcohol in 1966-67 and 1967-68 and discussed priorities for their distribution in the present context of their acute shortage. Steps to maximise production of molasses during the coming sugar season, 1967-68, was also considered.

Company Affairs

TISCO

IN THE annual statement circulated to the shareholders of Tata Iron and Steel Company Ltd, the Chairman, Mr J. R. D. Tata, urged the government to relax its rigid posture and adopt imaginative and progressive policies which would lift the economy out of the present critical situation. The miseries heaped on the masses, the stagnation in the economy and the debasement of the currency, according to the chairman, could have been avoided if the government had taken recourse to prudent and pragmatic policies at the right time. The chairman hoped that the government would be sensible to recognise the wind of change sweeping even the communist countries of Europe and be quick enough to realise that efficiency in industry and low costs of production could not be achieved by bureaucratic means and controls. Competition and the play of market forces alone could provide vital stimuli for dynamic growth and change and punitive levels of individual and corporate taxation prevailing in the country were self-defeating in their purpose. If all these lessons were learned and the government's policies and decisions were adjusted accordingly, the chairman was confident that the economy would emerge rapidly not only from its present crisis but would start moving forward at a very fast rate.

The chairman welcomed the government's decision to withdraw control over the distribution and pricing of steel with effect from May 1967. The company, along with other producers, had repeatedly and consistently represented to government the unfairness of the imposition of heavy cost increases on the one hand and the maintenance of prices on the other. But it took three years for the government to come to a decision with the result the industry is now placed in a paradoxical situation. The position is that while the government had accepted the principle of decontrol and effected increases in the prices of the various categories of steel, which in the case of the company would average Rs 50 to Rs 55 per tonne, amounting to about half the increases in its costs since the previous prices were fixed, the demand for most categories of steel had sharply declined as a result of the economic recession. But as long as the economy is in the grip of inflation, the costs are bound to go up further, the chairman asserted.

All possible efforts are, however, being made by the company to keep costs under check. Apart from general cost control measures, steps are also being taken by the company to implement cost reduction programmes which are of a long-term nature. For instance, the company is now undertaking a scheme for setting up a plant to pelletise the blue dust and fines produced at its Noamundi mine. The completion of long-range programme of development and improvement of its ore mines early next year and the commissioning of the pelletising plant a couple of years later, would result in a marked improvement in the quality, consistency and cost of the iron produced in the blast furnaces, which would have a beneficial impact on the output and cost of finished steel. Similarly, the long-term programme of development and modernisation of its coal mines in the Jharia and Bokaro fields are now being finalised and its completion would make the company not only self-sufficient in its requirements of coal but it would also be assured of regular supplies of better quality coal at a substantially lower price.

The alloy and tool steel project to be established with Japanese collaborators at Adityapur had made little progress since last year. The rising capital costs, principally due to the devaluation of the rupee, have compelled the company to have a careful review of the project from a financial and economic point of view. Apart from this, some of the recent developments such as the sharply reduced profitability of the com-

pany, economic recession and the strange attitude and policies of the Bihar government in general and the steady deterioration in the labour situation in particular, have forced the company to adopt a go-slow policy in the execution of this project.

More details are now available about the company's plans for setting up a roll foundry project. A new company is to be formed in collaboration with two Japanese firms—Yodogawa Steel Works Ltd and Nissho Company Ltd—to manufacture various types of steel mill rolls with an annual capacity of 7,800 tonnes, the bulk of which will be taken up by Tisco for its own requirements. The capital cost of the project is estimated at Rs 6 crores. The equity capital of the new company is proposed at Rs. 2.20 crores out of which the Japanese firms will take up Rs 0.66 crore. Tisco will take up the whole or a substantial part of the capital reserved for private subscription in this company which at the maximum will amount to Rs 1.2 crores and the balance of the share capital will be offered for public subscription. The government has approved the terms of collaborations with the two Japanese firms. The government has also cleared the proposals for the import of equipment and the project will be taken up for implementation as soon as the necessary yen credit is allocated.

Further progress has been made by the company in the implementation of its balancing schemes. At Joda, the secondary crusher and associated conveyors and other equipments have been installed. The construction of a new battery of 54 coke ovens is progressing satisfactorily and is expected to be completed in the first half of next year.

A start has been made with other schemes especially with those for the manufacture of self-fluxing sinter, increased shop capacity for maintenance jobs and higher production of dynamo-grade sheets. The completion of the schemes has, however, been delayed as the company has not so far received the government's clearance for a World Bank loan to cover the foreign exchange required for these schemes as well as for the colliery expansion project and related schemes.

As the cost of the colliery expansion project had gone up following devaluation, the whole project was reviewed and its scope reduced particularly in regard to the foreign exchange content. The project, as revised, will now cost Rs 28 crores with a foreign exchange component of Rs 4.9 crores to be covered by a loan from the World Bank.

POLYCHEM

Polychem Ltd has reported highly encouraging working results during the year ended March 31, 1967. Sales have gone up by 18 per cent to Rs 3.79 crores from Rs 3.21 crores in 1965-66 while the gross profit was significantly higher at Rs 107.34 lakhs as against Rs 78.77 lakhs in the preceding year. The directors have, however, decided to maintain the equity dividend at Rs 8 per share or 16 per cent for 1966-67. A portion of the proposed dividend is likely to be exempt from tax cut at source. The company recently issued bonus shares in the ratio of one share for every four shares held. These bonus shares will rank for dividend from the current financial year.

Out of the gross profit, the directors have allocated Rs 36.69 lakhs for depreciation as compared with Rs 33.95 lakhs in 1965-66 while the allotment to development rebate reserve was raised substantially by Rs 10.96 lakhs to Rs 11.25 lakhs. Taxation claimed Rs 30.00 lakhs as against Rs 19.75 lakhs in the previous year. This leaves a higher net profit of Rs 29.41 lakhs as compared with Rs. 22.77 lakhs a year ago. The directors have set apart a sum of Rs 12.50 lakhs to general reserve as compared with Rs 7.48 lakhs provided in 1965-66. The pro-

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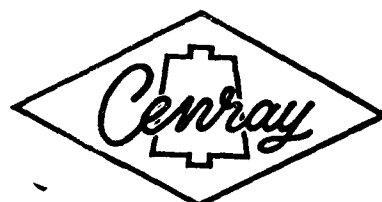
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posed dividends, equity and preference, will absorb Rs 16.13 lakhs, the same as last year.

ESTRELA BATTERIES

Despite a sharp rise in manufacturing costs and acute shortage of raw materials, Estrela Batteries Ltd has reported encouraging working results during the year ended March 31, 1967. The gross profit was substantially higher at Rs. 23.45 lakhs as compared with Rs. 19.40 lakhs in 1965-66. The directors have, however, decided to maintain the equity dividend at 10 per cent. Out of the gross profit, a sum of Rs 4.24 lakhs was allocated to depreciation as against Rs. 3.41 lakhs in the preceding year while the amount set aside to taxation reserve was raised by Rs 5.33 lakhs to Rs 13.63 lakhs. Managing agents' remuneration claimed Rs 1.74 lakhs as compared with Rs 1.51 lakhs in the preceding year while the amount earmarked for development rebate reserve was reduced by Rs 2.21 lakhs to Rs 0.38 lakh. This leaves a net profit of Rs 3.46 lakhs as against Rs 3.59 lakhs in the previous year. An amount of Rs 3 lakhs was transferred to general reserve out of which the proposed dividend amounting to Rs 2.83 lakhs will be paid. After making adjustments, the surplus of Rs 15,236 was carried forward as against Rs. 18,980 brought in.

LARSEN & TOUBRO

Larsen & Toubro Ltd has reported higher output and sales during the first quarter of the current financial year. Sales in the first three months of 1967-68 increased by as much as 20 per cent and stood at Rs 178 lakhs as against Rs 148 lakhs in the corresponding quarter of last year. The value of output at the company's workshops at Powai went up by 25 per cent during the three-month period ended June 30, 1967, as compared with the similar period of 1966-67.

EMCO TRANSFORMERS

To raise a part of the resources required for the implementation of its expansion and diversification schemes, Emco Transformers Ltd entered the capital market on August 9, 1967, with a public issue of Rs 12 lakhs. The subscription list will close on August 21 or earlier at the discretion of the directors but not earlier than August 12, 1967. The company has an authorised capital of Rs 50 lakhs and an issued capital of Rs 30 lakhs. The subscribed and fully paid-up capital amounts to Rs 11.83 lakhs. The present issue is for Rs 18.17 lakhs consisting of 18,166 equity shares of Rs 100 each. Out of the present issue, equity shares worth Rs 117,400 and Rs 499,200 will be allotted to Emco Electricals Ltd and the foreign collaborators respectively for considerations other than cash. The remaining 12,000 equity shares of Rs 100 each are offered for public subscription for cash at par. A sum of Rs 50 per share is payable on application and an amount of Rs 25 per share on allotment. The balance of Rs 25 per share will be payable as may be determined by the directors but not earlier than three months from the date of allotment. The public issue is underwritten to the extent of Rs 11 lakhs.

The company is presently engaged in the manufacture of power and distribution transformers and it has received recently an industrial licence for expanding the capacity of these transformers up to voltages of 132 kv. The present manufacturing activities will be shortly shifted to the company's new factory at Thana which is equipped with all the latest and most modern manufacturing, processing and testing equipments to turn out transformers of finest quality and highest standards. In the first phase, transformers up to a capacity of 15 mva and voltages up to 132 kv will be manufactured while in the second stage the capacity will be raised up to 25 mva. The company has entered into financial and technical collaboration with Messrs S. A. Des Ateliers De Secheron of Switzerland for the supply of machinery as well as technical know-how. The company intends to diversify its activities by undertaking the manufacture of special types of transformers with the help of

its collaborators. It has already on hand orders for transformers worth about Rs 1 crore.

The company has paid dividends since its inception and it hopes to pay reasonably good dividends in future barring unforeseen circumstances. Considering its past record and its brilliant future and the fast growing demand for transformers in the coming years, a good response to the issue is assured.

ORIENTAL FIRE

The working results of the Oriental Fire and General Insurance Company Ltd were highlighted by the Chairman, Mr M. R. Bhide, in the course of his annual address to the shareholders of the company. The working of the company during 1966 has resulted in a higher gross profit of Rs 111.86 lakhs as compared with Rs 108.45 lakhs in the previous year. After taking into account the balance of Rs 25,598 from the last year's account, there was a surplus of Rs 112.12 lakhs out of which a sum of Rs 2.50 lakhs was appropriated for reserve for doubtful debts, Rs 75.00 lakhs for taxation reserve, Rs 15.50 lakhs for general reserve, Rs 13.20 lakhs for dividend reserve and Rs. 5.20 lakhs for dividend equalisation reserve.

The net premium of the company for 1966 amounted to Rs 732.91 lakhs as against Rs 638.18 lakhs in the preceding year. The overall position of net claims to net premiums was a shade higher at 50.80 per cent as compared with 49.73 per cent in 1965. In the fire section, claims have gone up to 33.43 per cent from 26.44 per cent in the previous year. The claims experience in the marine section increased from 63.11 per cent to 63.99 per cent while in the miscellaneous section it rose to 56.35 per cent as compared with 56.24 per cent in 1965. The overall ratio of commission and expenses of management to net premiums worked out at 39.28 per cent as against 35.04 per cent a year ago. Departmental reserves improved by 7.17 per cent as compared with 9.06 per cent in 1965. Investments, as on December 31, 1966, aggregated to Rs 692 lakhs. Encouraged by working results the directors have recommended a gross dividend at the enhanced rate of 12 per cent. The reserves were further strengthened by Rs 20.70 lakhs by transferring a sum of Rs 15.50 lakhs to general reserve and Rs 5.20 lakhs to dividend equalisation reserve.

UNIT TRUST

The sale price of the units of the UTI, which were offered at a special price of Rs 10 per unit from July 1 to 31, was raised to Rs 10.05 on August 1 and it remained stationary at this level till August 4, 1967.

The repurchase operations, which were suspended during the special offer period, have also been started from the beginning of this month. The repurchase price per unit was fixed at Rs 10.00 on August 1, and it remained unchanged till August 4, 1967.

NEW REGISTRATIONS

In the northern region comprising Delhi, Uttar Pradesh, Punjab, Himachal Pradesh, Haryana, Rajasthan and Chandigarh, 44 new companies involving an authorised capital of Rs. 273.70 lakhs were registered during the quarter ended June 30, 1967. Of these, three were public, 39 private companies and two associations not for profit. Eight companies with a paid-up capital of Rs. 10.48 lakhs went into liquidation and names of 25 companies with a paid-up capital of Rs. 4.08 lakhs were struck off the Register of Companies. Out of 44 newly registered companies one with an authorised capital of over Rs. 50 lakhs was registered in Delhi. As on June 30, 1967, 5151 companies—798 public, 4154 private limited companies and 199 associations not for profit—were at work. The authorised capital of these was Rs. 387.47 and Rs. 890.47 crores and the paid-up capital amounted to Rs 94.88 and Rs. 205.08 crores, respectively.

In the union territory of Delhi, three public companies in-

cluding one giant public company and 25 private companies with an authorised capital of Rs. 135.00 lakhs and Rs. 107.40 lakhs respectively and one association not for profit were registered. Two companies with paid-up capital of Rs. 0.42 lakh went into liquidation and names of 12 companies with paid-up capital of Rs. 1.69 lakhs were struck off under section 560 of the Companies Act, 1956.

In Uttar Pradesh six private companies with an authorised capital of Rs. 10.60 lakhs were registered. Three companies with a paid-up capital of Rs. 1.41 lakhs went into liquidation and names of five companies with a paid-up capital of Rs. 0.21 lakh were struck off the Register. Seven private limited companies with an authorised capital of Rs. 20.50 lakhs were registered during the period in Punjab, Himachal Pradesh, Haryana and Chandigarh. Three companies with a paid-up capital of Rs. 8.65 lakhs went into liquidation and names of six companies with paid-up capital of Rs. 2.16 lakhs were struck off under section 560 of the Companies Act, 1956. In Rajasthan one private limited company with an authorised capital of Rs. 0.20 lakh and one association not for profit were registered. Names of two companies with a paid-up capital of Rs. 0.02 lakh were struck off the Register.

CAPITAL AND BONUS ISSUES

Consent has been accorded to nine companies to raise capital amounting to more than Rs. 2.61 crores. Seven of them are to issue bonus shares exceeding Rs. 1.51 crores. The amount of bonus shares ranges between Rs. 38,000 and Rs. 1.25 crores. The consents are valid for 12 months. The details are as follows:

Tube Investments of India Ltd, Madras, has been accorded consent to capitalise Rs. 1.25 crores out of general reserves and issue fully-paid equity shares of Rs. 100 each as bonus shares in the ratio of one for two shares held.

Nellimarla Jute Mills Co. Ltd, Calcutta, has been given consent to capitalise Rs. 10.50 lakhs from free revenue reserve and issue bonus shares in the ratio of four new shares for every 10 existing equity shares.

Sri Venkatesa Mills Ltd, Udumalpat (Madras), is permitted to capitalise Rs. 6,75,150 out of general reserves and issue fully-paid equity shares of Rs. 50 each as bonus shares in the ratio of one for every five held.

Hooghly Ink Co., (Bombay) Ltd, Calcutta, has been granted permission to capitalise Rs. 3,53,200 from general reserves and issue bonus shares in the ratio of one for one held.

D. Macropolo & Co., Ltd, Bombay, has been granted consent to capitalise Rs. 3,03,600 out of general reserves and issue fully-paid equity shares of Rs. 100 each as bonus shares in the ratio of two for nine held.

Cowcoody Estates Ltd, Mangalore, has been accorded consent to capitalise Rs. 2,04,280 out of general reserves and issue fully-paid equity shares of Rs. 10 each as bonus shares in the ratio of one for two held.

Modern Motor Service of Mysore Private Ltd, Mangalore, is permitted to capitalise Rs. 38,000 out of general reserves and issue fully-paid equity shares of Rs. 1,000 each as bonus shares in the ratio of one for one held.

Ferro Alloys Corporation Ltd, Tumsar, (Maharashtra), has been accorded consent to issue further capital of Rs. 80 lakhs divided into Rs. 35 lakhs in equity, Rs. 25 lakhs in 9.5 per cent cumulative redeemable preference shares and Rs. 20 lakhs in 7.75 per cent unsecured convertible debentures, for cash at par. The proceeds will be utilised for financing the company's expansion programme. The company, which has a paid-up capital of Rs. 1 crore, is engaged in the manufacture of standard grade high carbon ferro-manganese.

Tata Mills Ltd, Bombay is permitted to issue capital of Rs.

30 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs. 100 each, for cash at par, to the public through a prospectus. The proceeds will be utilised to meet increase in the cost of committed capital expenditure and replacement of machinery.

LICENCES AND LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the fortnight ended May 13, 1967. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (N.U.): Substantial Expansion (S.E.); New Article (N.A.); Carry on business (C.O.B.); Shifting—and annual installed capacity.

During the Week ended May 6, 1967

LICENCES ISSUED

Equipment for Generation of Electricity

M/s. Simens Engineering & Manufacturing Co. of India Ltd., 130, Worli, Bombay-18. (Kidderpore, Calcutta, West Bengal): H.T. Switch—50 Nos Board; L. T. Switch Board—200 Nos. (N.U.).

Electrical Cables & Wires

M/s. Universal Cables Ltd., UCO Bank Building, Parliament Street, New Delhi. (Satna, Madhya Pradesh) Mining & Quarry Trailing Cables—300 kilometres. (N.A.).

Tractors & Harvestors

M/s. J. K. Cotton Spinning & Weaving Mills Ltd., Agricultural Tiller Division, Kamla Tower, Kanpur. (Kanpur, Uttar Pradesh): 7.5 HP 'Satoh' Model LB-17 Hand Tractor fitted with Diesel Engine, Model KB-II, Fulperland—6000 Nos. (N.A.).

Textiles

M/s. J.K. Synthetics Limited, Kamla Tower, Kanpur. (Kota, Rajasthan): Woollen yarn (Other than worsted and shoddy yarn)—10,000 spindles. (N.A.); M/s. Oswal Spinning & Weaving Mills Limited, Oswal Road, Industrial Area 'A', Ludhiana. (Ludhiana, Punjab): Worsted yarn (other than woollen and shoddy yarn)—523 spindles. (S.E.).

CHANGE IN NAMES (Owners or Undertakings)

(Information pertains to particular licences only)

From M/s. MacNeill & Barry Ltd., Calcutta to M/s. Rivers Steam Navigation Company Ltd., Calcutta; From M/s. Kishanchand Waste Yarn Mill, Thana to M/s. Kishanchand Spinning Mills, Thana; From M/s. Shree Ram Oil Industries, Bombay to M/s. Shree Ram Cottonseed Industries Private Ltd., Bombay.

During the Week ended May 13, 1967

LICENCES ISSUED

Textile Machinery

M/s. Indequip Engineering Limited, Reid Road, Railway-pura, Ahmedabad-2. (Naroda—Gujarat): High Efficiency Warping Machines with Creel, with components and spare parts—60 units. (N.A.).

Chemicals

M/s. Indian Cork Mills, Thakerse House, Group Floor, Ballard Estate, Bombay-1. (Bombay, Maharashtra): Compound for Crown Corks and P. P. Caps for Lining—2,00,000 Cases Crown Corks & 1200 million P.P. Caps. (N.A.).

LETTERS OF INTENT

Rubber Goods

M/s. Dunlop Rubber Co. (India) Ltd., 9 & 10/3, Asaf Ali Rd., New Delhi-1. (Madras): Bicycle Tubes—2 million Nos. (N.A.).

LICENCES REVOKED OR SURRENDERED

(Information pertains to particular licences only)

M/s. Southern Tubes Ltd., Madras—Seamless Steel Tubes; M/s. Binani Metal Works Limited, Calcutta—Die Chaser bits, Reamers, Milling Cutters, etc.

BOOKS BRIEFLY

US Aid for War on Poverty

American Aid and India's Economic Development: Dr S. Chandrasekhar; Published by Frederick A. Praeger, New York-Washington and Pall Mall Press, London; Pp. 205; Price \$6.50.

Reviewed by VINATHA

THE UNITED States government has been assisting our country in its economic development effort since 1951. This government-to-government assistance has assumed many forms—money, men, material, machinery and equipment and technical know-how. Of the total aid given by all the foreign countries since Independence, the share of the United States alone accounted for more than 50 per cent. The United States growing involvement in Indian economic affairs has been viewed with serious concern by many and consequently there has been a lot of criticism and controversy on the acceptance of American aid. In this book, Dr Chandrasekhar attempts to silence such critics by boldly asserting that the impact of American aid "has been one of considerable and unqualified benefit to India."

The author, who is Minister for Health and Family Planning in the Government of India, is well known for his generous enthusiasm and for espousing causes with verve and vigour. These qualities are abundantly reflected in his discussion of US development assistance. In 205 pages, Dr Chandrasekhar admirably combines economics with common sense to produce a lively and informative study. He begins by analysing the problems facing our economy. He sees the problem as one of poverty, low level of productivity and low levels of living which is aggravated further by population pressures. He outlines the need for planning and makes out a case for foreign aid.

Underlying Objectives

Dr Chandrasekhar criticizes the thesis of "bootstraps" development and he argues that, judging from historical experience, it is apparent that almost all countries have received external assistance of some kind or another at some stage or another. This is true even of the Soviet Union where a large number of industrial enterprises had the benefit of investments by such US corporations as Ford, Du Pont, General Electric, R.C.A. and others. The author then proceeds to examine the underlying objectives of the US aid programme. He effectively sums up the whole question thus: "Foreign aid is an economic problem; it may well be a political problem; it is ultimately a moral problem. It may aid the fight for freedom against tyranny; it may take sides in the fight between freedom and communism; but in the long run it is a positive factor in the struggle of millions of human beings against the age-old enemies of hunger, poverty, disease and ignorance." (Page 53).

Chapter 3 of the book traces the origin and growth of American aid to this country. American aid policy, Dr Chandrasekhar is at pains to explain, has been influenced chiefly by our domestic economic policy of a mixed economy and our foreign policy of neutrality and non-alignment. Dr Chandrasekhar proceeds to study Indo-American aid relations in the years between 1951-64. Although the first stage of Indo-American aid relations got off to a bad start, as the US was still upset by our government's neutrality in the Korean war, the situation improved when the US foreign aid programme itself entered a new phase in the late 'fifties with the slogan "aid for aid's sake". Thus the Indo-American aid relationship during the closing years of the second Plan proved to be far healthier and happier than it appeared a few years earlier. In this chapter the author shows how the United States, through the Technical Co-operation Mission, the Point Four Programme, the Development Loan Fund, and now the Agency for International

Development, has been assisting this country in its developmental plans. This is easily the best chapter in the book for the wealth of information it offers.

Chapters 4 to 8 evaluate the role of American aid in improving agriculture, industry, public health, education and transport and communications. The chief merit of these chapters is that they give us detailed statistics which are not otherwise readily available. However, there is far too much description and too little discussion in these chapters. Facts and figures no doubt speak for themselves but sometimes a little interpretation is also necessary if the discussion is to gain in depth.

The final chapter assesses the impact of American aid on our economy as a whole. The author argues that American aid has promoted economic stability and added to the nation's productive capacity. His other claim that PL 480 imports and the funds they create have had a disinflationary effect on the economy can be entertained only with reservations. He reproduces John P. Lewis' familiar argument that there are two reasons why PL 480 imports and their sale have a disinflationary effect. One is the supply effect; by adding to local supplies the aid goods lower the food prices that a given volume of food demand will call forth. Second, there is the demand effect. The government sells the foodgrains to the consumer and thus withdraws a certain amount of purchasing power which is tantamount to collection of extra taxes. The first objection is that there is a time lag between the sale of PL 480 commodities and the spending of such funds. Second, development expenditure is always inflationary to some extent whether it

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist," this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organises its material in a convenient form and illustrates it with diagrams, graphs and charts. Its special features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs. 4 per copy. The annual subscription is Rs. 16.

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is out of PL 480 funds or not. The point is even if we want to do away with such funds, where will we find the alternative source of finance needed for development programmes? What is the guarantee that this will not be equally inflationary?

The author could have also discussed the question of untied aid in greater detail instead of disposing it of in a few sentences. The same criticism applies to the controversial question of counterpart funds. Here he makes a useful suggestion that such funds could be devoted to family planning programmes.

It is interesting to note that the author strikes a note of warning that "this book is addressed to the intelligent layman and not to fellow economists". The caveat makes things easy for various people, including reviewers—and perhaps the author himself.

TRAMP SHIPPING

Tramp Shipping in India: S. N. Sanklecha; Published by University of Bombay; Pp. 320; Rs. 28.75.

Reviewed by C. L. DHAWAN

THE BOOK under review is a valuable addition to the so far scant literature on Indian shipping and a comprehensive pioneering work on tramp shipping in our country. Submitted as a doctoral thesis to the University of Bombay, under whose auspices it has been published, the study is in the nature of an empirical evaluation and analytical diagnosis of the ailments of India's tramp shipping. Dr S. N. Sanklecha, who is currently associated with the shipping industry in an executive capacity, deserves commendation for a thorough job painstakingly accomplished in view of the dearth of information on the subject and the secretiveness of the shipping companies, not only in India but also in other countries, in making available data pertaining particularly to their cost structures and voyage accounts.

The study assumes added importance since tramping, as distinct from liner shipping, has come to play a significant role in international shipping. Tramp ships being essentially "bulk" carriers, the growth in tramping during the 1954-64 decade was as high as 150 per cent as against the overall growth in world shipping of about 50 per cent; seven most important bulk cargoes, viz., iron ore, coal, foodgrains, phosphate rock, sugar, bauxite and alumina and softwoods (timber), account for more than 50 per cent of the total world sea-borne trade in dry cargoes. Latterly, with the introduction of ships of enormously large sizes, the cost of ocean transportation per unit of cargo has been drastically reduced with the result that the freight per ton/kilometre for a modern tanker and dry-cargo bulk carrier is in many cases 20 per cent lower than what it was 15 years ago.

It is a pity that in the face of the phenomenal growth in world tramping, this wing of our shipping industry has had a relatively stunted growth. Dr Sanklecha lays the blame for this on the government's unhelpful policies. Although tramping has received some favourable attention from the government recently, it will be some time before the authorities will

realise the importance of time-chartering of Indian ships and bulk carriers to foreigners. India's trade, in the main, being in bulk cargoes, such as ores and foodgrains, there is a great scope for the expansion of tramping in this country. This expansion cannot be possible, argues Dr Sanklecha, unless freedom of operation is allowed as a basic pre-condition.

Dr Sanklecha has, in a systematic manner, and obviously for the benefit of his readers, delineated the general structure of our shipping industry, the inter-relationship between the three wings of shipping, viz., liner shipping, tramp shipping and tanker shipping, and their respective spheres of operation. He has further dwelt upon the growth of Indian shipping in the post-war years; analysed our overseas trade in various bulk cargoes which can be carried by tramps; studied the fixation of freight rates in liner shipping and the determination of freight rates in tramp shipping; and worked out a comparative picture of cost structure of our tramp shipping vis-a-vis tramp shipping in countries such as the UK and Japan. Finally, he has, offered suggestions for modification of government policies in regard to control and licensing of tramp shipping in this country. He has also recommended the formation of an organisation of tramp shipping companies in this country within the framework of the Indian National Steamship Owners' Association.

DRUG LAWS

The Hand Book of Drug Laws: M. L. Mehra, Advocate, Allahabad High Court; Published by the University Book Agency, Elgin Road, Allahabad; Pages 356; Price Rs. 15.

Reviewed by A. P. AGARWAL

THE BOOK under review is a collection of various Acts, Rules, Regulations and Notifications regarding manufacture, import, sale and use of drugs and cosmetics, including Ayurvedic and Unani drugs covering the period 1930 to 1966. The earliest Act dealing with drugs was the Dangerous Drugs Act of 1930 while the latest one is the Drugs Prices (Display and Control) Order 1966. Unfortunately the collection of all these Acts has been made in an unsystematic manner. The volume under review begins with the Drugs and Cosmetics Act 1940 and passes on to the Dangerous Drugs Act of 1930. It then takes up the Drugs Control Act 1950, but again passes on to the Pharmacists Act 1948. It is suggested that all these Acts, Rules, Regulations and Notifications should be re-arranged in the new edition in a chronological order.

Mr Mehra has collected the various Acts without providing any commentary, except for some notes here and there in the case of Drugs and Cosmetics Act 1940. An attempt has, however, been made to provide a few references of some decisions by courts in the Drugs and Cosmetics Act 1940.

Manufacturers of drugs and medicines, druggists, chemists and pharmacutists will find this collection handy. Since the book is no more than a collection of various Acts, Rules and Regulations and Notifications whose combined price as and when issued by the government could not be more than a couple of rupees, it seems that the price of the book at Rs. 15 is high.

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RECORDS AND STATISTICS

PRODUCTION OF INDUSTRIES IN 1965 AND 1966

(Continued from the issue dated July 28)

Name of the industry	Accounting unit	1965			1966		
		No. of units	Installed capacity	Actual production	No. of units	Installed capacity	Estimated production
PAPER INDUSTRIES							
Paper and paper board	Tonnes	55	6,65,920	5,38,667	56	7,11,220	5,85,000
Newsprint	"	1	30,000	30,498	1	30,000	29,312
Rayon grade pulp	Tonnes	1	54,000	42,726	1	54,000	51,211
Carbon paper industry							
(i) Carbon paper	Th. boxes of 100 sheets each	6	5,000	4,684	6	5,000	5,012
(ii) Duplicating stencils	Reams	3	80,000	80,913	3	80,000	80,956
(iii) Typewriter ribbons	Lakh nos.	6	35	26.7	6	35	28.12
TIMBER INDUSTRY							
Plywood	Lakh sq. metres	65	130.4	104	65	130.4	96.4
(a) Teacheat	"		on single shift	123.7		on single shift	124.3
(b) Commercial	"	3	85.79	45.3	3	85.79	44.3
Fibre board	Lakh sq. metres	1	16.70	6.4	1	16.7	2.57
Insulation board	"	5	21.4	7.5	6	22.98	6.44
Particle board	Lakh boxes of 50 sticks	6	43,000	42,670	6	43,000	42,912
Match							
Cork products	Lakh nos.	2	1,990	3,700	2	1,990	2,678.4
(a) Stoppers	"	2	6,480	13,040	2	6,480	9,622.08
(b) Discs	Lakh sq. metres	2	10	10.96	3	10	10.62
(c) Sheets							
LEATHER INDUSTRY							
Vegetable tanning of hides	Cow hides	32	46,78,320	33,82,808	33	48,28,320	33,50,000
Chromt tanning of hides	Hides	12	15,79,800	8,78,166	12	15,79,800	8,90,000
Western type of leather footwear	Pairs	12	85,23,600	90,47,523	12	85,23,600	1,00,00,000
Indsigenous type of leather footwear	Pairs	12	Depends upon demand	66,07,993	12	Depends upon demand	65,00,000
Glue	Kgs.	6	24,71,880	23,31,364	7	31,68,000	24,80,000
Pickers	Nos.	5	42,85,440	18,61,647	5	42,85,440	15,00,000
Myrobalan extracts	Tonnes	3	10,140	2,055	3	10,140	2,300
RUBBER MANUFACTURES							
Giant tyres	Nos	8	1,480,000	1,365,182	8	1,534,000	1,403,921
Giant tubes	"	7	1,425,000	1,289,317	7	1,425,000	1,225,945
Motor tyres	"	7	997,000*	762,368	7	1,074,000*	723,025
Motorcycle tyres	"	4	*	227,120	5	*	223,605
Motor tubes	"	7	1,035,000**	784,533	7	1,194,000**	703,407
Motorcycle tubes	"	4	**	291,709	5	**	277,589
Bicycle tyres	"	12	16,530,000	18,131,954	12	19,410,000	19,639,429
Bicycle tubes	"	12	16,350,000	17,923,667	13	20,960,000	20,449,303
Aero tyres	"	1	15,000	10,438	1	12,000	12,478
Aero tubes	"	1	5,000	2,178	1	5,000	1,490
A.D.V. tyres	"	3	94,000	117,010	5	145,000	118,861
A.D.V. tubes	"	3	157,000	157,282	5	193,000	133,447
Tractor tyres	"	3	77,000	94,027	5	108,000	90,223
Tractor tubes	"	3	76,000	97,028	5	110,000	80,876
Off the road tyres	Nos.	3	10,200	7,941	3	10,200	8,440
Off the road tubes	"	3	10,000	10,710	3	11,000	8,002
Cab tyres	Metres	2	45,000	27,437	2	45,000	9,328
Ebonite	Kgs.	10	174,500	146,780	10	169,900	108,712
Water proof fabrics	Metres	12	6,110,000	3,907,050	12	3,340,000	3,797,725
Latex foam sponge	Kgs.	7	1,080,000	1,111,038	7	1,115,000	1,050,774
Rubber footwear	Pairs	17	53,120,000	53,085,473	17	56,650,000	52,224,743
Dipped rubber goods	Nos.	5	356,450,000	284,132,994	5	346,650,000	220,674,496
Radiator hoses	"	8	317,000	446,650	8	507,000	524,475
Vacuum brake hoses	"	7	1,475,000	561,704	8	1,520,000	565,959
Other types of hoses	Metres	16	6,680,000	6,848,056	16	7,431,000	6,708,097
Fan belts	Nos.	6	3,200,500†	1,490,509	6	3,600,000†	1,706,977
Industrial "V" belts	"	5	†	2,035,482	5	†	2,127,923

* Combined capacity for motor tyres and motorcycle tyres.

** Combined capacity for motor tubes and motorcycle tubes.

† Combined capacity for fan belts and "V" belts.

PRODUCTION OF INDUSTRIES IN 1965 AND 1966 (Contd.)

Name of the industry	Accounting unit	1965			1966		
		No. of units	Installed capacity	Actual production	No. of units	Installed capacity	Estimated production
Rubber Manufactures (Contd.)							
Rubber components of rly. fittings (springs)	Nos.	5	1,320,000	963,960	6	1,400,000	523,091
Camel back	Kgs.	8	7,950,000	8,267,797	9	8,870,000	8,757,978
Contraceptives	Nos.	1	The production capacity was included in dipped rubber goods in 1965.		1	74,440,000	24,226,560
Rubberply transmission beltings	Tonnes	8	2,256.00	2,648.07	8	2,910	3,436.99
Rubber conveyor beltings	"	"	2,403.00	2,491.34	5	3,287	2,651.88
PAINTS AND SURFACE COATING MATERIAL							
Paints	Tonnes	50	1,06,000	70,666	50	1,06,000	66,200
Titanium dioxide (antase & rutile)	"	1	6,600	4,776	1	6,600	4,017
Aluminium paste	"	1	700	607	2	940	786
Zinc oxide*	"	6	18,280	9,420	"	18,280	5,857
Red lead*	"	4	10,800	2,320	4	10,800	1,812
White lead*	"	1	1,040	643	1	1,040	481
Synthetic resins	"	18	12,134	9,616	22	17,133	11,957
Chrome colours	"	9	2,160	1,468	9	2,160	1,271
N.C. lacquers	Litres in lakhs	8††	34.5	21.4	8††	34.5	20.7
FOOD PROCESSING INDUSTRIES							
Biscuits	Tonnes	29	27,347	44,049	29	27,347	51,653
Confectionery	"	29	42,303	26,214	29	42,303	28,580
Liquid glucose	"	3	19,650	13,941	4	21,450	15,800
Dextrose powder	"	2	7,200	5,827	2	7,200	7,000
Flour milling	"	89	27,58,570	16,72,159	94	28,50,000	18,75,000
Cigarettes	Lakh pieces	13	4,52,280	5,41,340	13	4,52,280	5,82,300
Breakfast foods:							
(i) Corn and wheat flakes	Tonnes	1	900	422	1	900	500
(ii) Processed rolled oats	"	1	2,100	320	1	2,100	750
(iii) Processed pearl barley	"	3	5,328	2,029	3	5,328	2,500
Chocolates and cocoa:							
(i) Chocolates including drinking chocolates	"	3	1,608	1,039	3	1,608	1,095
(ii) Cocoa powder	"	3	642	257	3	642	270
Sweetened condensed milk	"	4	11,280	5,887	4	11,280	7,500
Infant milk food	"	4	6,898	5,281	5	7,500	7,000
Milk powder	"	6	9,953	5,743	8	12,950	6,500
Malted milk food	"	6	3,859	5,128	10	7,500	6,325
Malt extract	"	4	3,735	1,951	4	3,735	2,500
Guar gum	"	4	23,300	14,651	5	25,000	15,600
Starch	"	7	1,46,000	64,161	8	1,51,400	70,000
Vegetable and fruit preservation	"	36	74,000	54,500	36	74,000	56,250
COSMETICS AND TOILET PREPARATIONS							
Glycerine	Tonnes	12	13,237	8,435	14	13,237	7,974
Fatty acids	"	8	18,200	9,640	8	18,200	11,174
Metalic stearates	"	5	525	189	5	525	184
Tooth pastes (single shift basis)	Kgs.	10	22,31,904	31,24,200	10	22,31,904	33,20,098
Tooth powder	"	7	8,04,176	3,02,600	7	8,04,176	3,39,877
Toilet powder and talcum powder (single shift basis)	"	16	24,61,860	44,54,970	16	24,61,860	44,71,750
Face powder	"	12	7,25,500	2,76,850	12	7,25,500	3,60,388
Face cream and snow	"	16	14,81,880	8,94,500	16	14,81,880	8,55,429
Textile auxiliaries	Tonnes	10	44,350	10,545	10	22,668	10,874
Soap	"	61	2,36,662	1,69,300	61	2,36,662	1,81,000
ACIDS, ALKALIES AND ALLIED CHEMICALS							
Sulphuric acid	Tonnes	58	1,082,000	687,000	61	1,330,000	621,000
Caustic soda	"	25	270,000	215,000	25	296,000	226,000
Liquid chlorine	"	13	79,840	51,000	13	79,840	61,000
Stable bleaching powder	"	1	10,800	7,400	2	16,300	10,800
Soda ash	"	4	350,000	322,000	4	362,800	350,000

* Linked with availability of virgin metals.

†† Linked with demand.

PRODUCTION OF INDUSTRIES IN 1965 AND 1966 (Contd.)

Name of the industry	Accounting unit	1965			1966		
		No. of units	Installed capacity	Actual production	No. of units	Installed capacity	Estimated production
SOAPS AND SYNTHETIC DETERGENTS							
Soaps	Tonnes	61	236,700	166,300	61	236,700	181,000
Synthetic detergents	"	3	19,000	8,300	4	18,800	11,100
ALCOHOL							
Ethyl alcohol	K.L.	62	296,063	188,600	62	296,255	195,000
SYNTHETIC FIBRE							
Nylon yarn	Tonnes	3	1,140	1,479	3	1,600	1,916
Polyester fibre	"	1	2,000	1,173	1	2,000	2,550
SYNTHETIC RUBBER							
Synthetic rubber	"	1	30,000	14,313	1	30,000	15,590
PLASTICS (INCLUDING PLASTIC FABRICATION)							
P. F. moulding powder	Tonnes	5	4,512	3,360	5	4,512	3,823
U. F. moulding powder	"	3	1,080	1,228	3	1,080	1,127
Polystyrene	"	1	5,443	5,643	1	5,443	5,791
Polyethylene	"	2	11,500	13,508	2	11,500	14,129
P.V.C. resins	"	2	9,600	12,179	2	9,600	10,796
Polythene films, lay-flat tubing & pipings	"	8	4,470	2,741	8	4,470	2,269
PVC (unsupported sheets)	"	2	4,716	3,706	2	4,716	3,980
Phenolic laminates	"	3	2,710	2,317	3	2,710	2,242
Leather cloth	Km.	6	11,355	9,196	7	12,555	11,800
Moulded goods	Million	40	...	966	30	...	747
PESTICIDES							
Pesticides industry							
B.H.C. (technical)	Tonnes	3	7,200	7,441	3	7,700	8,277
Copper oxychloride	"	4	2,284	1,310	4	2,284	1,680
D.D.T. (technical)	Tonnes	2	2,800	2,745	2	2,800	2,728
Ethylene dichloride	"	1	300	18	1	300	...
Ethylene dibromide	"	1	...	...	1	...	20.6
Malathion	"	2	582	242	2	780	386
Methyl bromide	"	1	...	...	1	...	2.7
Organo mercurials	"	1	86	43.5	1	86	23
Sulphur colloidal	"	1	...	52	1	...	...
Thiocarbamates	"	1	2,500	56	1	2,500	569
Thiram	"	1	...	...	1	...	2
Weedicides	"	1	50	...	1	50	120
Zinc phosphide	"	3	350	268	3	250	239
Pesticidal formulations							
(i) Solid	")	18	...	42,418	24	...	40,390
(ii) Liquid	K.L.)	...	...	4,081	...	...	9,804
DYESTUFF							
Azo dyes (acids and direct)	Tonnes	9	1,685	1,310	9	3,000	1,150
Basic dyes	"	4	440	303	4	648	300
Napthols	"	3	1,273	1,028	3	1,286	957
Fast color bases	"	3	863	524	3	934	456
Vat dyes	"	4	882	825	4	958	998
Sulphur black	Tonnes	2	2,290	1,640	2	2,290	2,182
Optical bleaching agent	"	6	330	381	6	380	439
Stabilised azoics	"	3	335	150	3	618	138
Solubilised vats	"	3	169	119	3	305	109
Organic pigments	"	7	950	619	7	1,006	805
Reactive dyes	"	1	60	54	2	350	93
Coke-oven by-product							
Crude coal tar	'000 tonnes	13	380	344	10	380	341
Benzene	K. Litre	7	35,513	23,958	7	35,513	21,680
Toluene	"	6	2,448	2,360	7	2,448	2,503
Motor benzol	"	5	...	3,923	4	...	4,309
Solvent naphtha	"	6	...	1,429	7	...	1,695
Creosote oil	"	7	...	13,924	7	...	4,104
Napthalene	Tonnes	4	2,600	95	6	...	3,447
Road tar	"	4	...	14,295	...	...	8,638
Pitch	"	4	...	27,714	6	...	36,546

PRODUCTION OF INDUSTRIES IN 1965 AND 1966 (Contd.)

Name of the industry	Accounting unit	1965			1966		
		No. of units	Installed capacity	Actual production	No. of units	Installed capacity	Estimated production
DRUGS AND PHARMACEUTICALS							
Antibiotics							
(i) Penicillin	MMU	3	115	102.7	3	125	134.62
(ii) Streptomycin	Tonnes	2	105	100.7	2	105	104.39
(iii) Tetracycline	"	3	23	21.79	3	23	18.97
(iv) Chloramphenicol and its esters	"	3	30	29.38	3	30	28.88
Anti-diabetic drugs							
(i) Tolbutamide	Tonnes	3	42.6	16.76	3	42.6	21.94
(ii) Chlorpropamide	"	3	3.1	1.79	3	3.1	9.49
(iii) Insulin	M.U.	1	1500	513.75	1	1500	458.37
Anti-dysentery drugs							
(Halogenated oxyquinolines)	Tonnes	14	77.9	69.8	15	83.9	89.73
Anti-leprosy drugs							
(D.D.S. and its derivatives)	"	4	18.3	3.56	4	18.3	4.27
Anti-pyretics/ana-lgesics							
Aspirin	"	3	560	413.4	3	560	442.18
Anti-T.B. drugs							
(i) I.N.H.	Tonnes	8	71.58	57.05	9	71.58	58.53
(ii) P.A.S. and its salts	"	4	330	326.7	4	330	324.43
(iii) Thiacetazone	"	2	6.3	5.56	4	10	8.68
Anaesthetic							
(i) Procaine	"	2	90	49.17	2	90	3.662
(ii) Xylocaine	Kgs.	1	500	448.1	1	500	640.9
Synthetic hormones	"	6	6,720	813.0	6	6,720	1,203.7
			(including intermediate)	(only Bulk hormones)		(Including intermediates)	(Only bulk hormones)
Liver extracts							
(i) Injections	M.ccs.	16	67.42	36.70	16	67.42	45.46
(ii) Orals	Kgs.	17	652,000	171,900	17	652,000	178,411
Alkaloids and allied drugs							
(i) Caffeine and its salts	Kgs.	7	25,780	15,233	7	25,780	19,937.7
(ii) Emetine hydrochloride	"	2	590	278.2	2	590	363.4
Ephedrine and its salts	Kgs.	1	1,800	3,228.2	1	1,800	140.5
Opium alkaloids	"	1	1500-2000	3,065	1	1500-2000	3,281
Quinine	"	2	60,000	47,795	2	60,000	53,388
Strychnine and brucine	"	3	36,000	21,300	3	36,000	22,310
Sulpha drugs							
Sulphadiazine	Tonnes	2	107.4	107.7	2	107.4	77.60
Sulphapyridine	"	1	18.2	19.06	1	18.2	9.66
Sulphasomidine	"	2	72	62.56	2	72	55.73
Sulphathiazole	"	2	182	45.27	2	182	27.25
Vitamins							
Vitamin 'A'	M.M.U.	2	25	23.5	2	25	20.44
Vitamins of B-12 groups	Kgs.	3	44.2	43.7	3	44.2	54.59
Vitamin B-6	"	1	1,000	1,351	1	1,000	692
Vitamin 'C'	Tonnes	1	90	93.79	1	120	132
Nicotinic acid/amide	"	4	89	57.47	4	89	49.93
New items							
Pyrrolidinomethyl tetracycline	Kgs.	...	...	...	1	600	151.5
Hydroxy progesterone caproate/acetate	Gms.	...	...	...	1	Within the overall capacity for hormones.	6,220
Paracetamol	Kgs.	...	...	...	1	...	110
FERTILIZERS							
Ammonium sulphate	Tonnes	9	536,250	438,585	9	536,250	426,036
Ammonium phosphate	"	2	87,830	53,860	2	87,830	58,693
Calcium am. nitrate	"	2	982,780	557,164	2	982,780	482,841
Double salt	"	1	121,920	52,074	1	121,920	59,352
Nitrophosphate	"	1	330,000	1,939	1	330,000	53,265
Superphosphate	"	25	884,902	674,025	26	951,340	712,288
Urea	"	2	122,470	22,264	3	276,470	106,137
Ammonium chloride	"	2	49,020	27,060	2	65,520	23,814

(Concluded)

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Hopes Were Dupes

TWENTY YEARS ago, we took our rightful place among the free nations of the world. Having thrown away the foreign yoke, we fondly cherished the hope of improving quickly the level of living of our millions who had silently suffered from poverty and disease for centuries together. What have we achieved during the last two decades? How far have we been successful in wiping the tears of the suffering masses?

The official sources have listed an array of statistics to prove that our achievements in various directions have not been mean by any standard. The expectation of life, for instance, is said to have improved from 32 years to 50 years. Food production has gone up by more than 60 per cent. The number of school-going children has trebled. The production of steel has multiplied four times from 1.4 million to 5.5 million tonnes. Likewise, electric power, consumer and producer goods industries, transport and communications have all made rapid progress. The overall increase in industrial production is said to be of the order of 150 per cent. Whereas on the eve of Independence, we had no petroleum refining capacity, we have at present capacity to refine nearly 15 million tonnes of crude oil. The official statistics, thus, paint a rosy picture.

But let us look at the other side of the coin. Per capita income has risen hardly by 20 per cent since Independence. The increase in prices by more than 100 per cent has eaten into the purchasing power of the rupee and has hurt considerably the fixed income groups as well as the less privileged sections of society. There is great discontentment in the country because of the non-availability of essential commodities. The hopes which were raised in 1947 have not been fulfilled. Granted that the drought in the past two years is the villain in this case, but the man in the street is slowly losing his faith in the official promises that his hardships would be over soon. Some of the hardships which the people are today called upon to bear are man-made; they could be avoided to a great extent.

Faulty planning in the last 17 years has produced distortions in the economy which will take a long time to be corrected. The government is slowly realising that its dogmatic approach has brought about complications which can be resolved only by taking a pragmatic view of things. The fall in the popular vote of the Congress party and the formation of non-Congress governments in many states after the fourth general election are the obvious indicators of the discontent amongst the people against the policies pursued by the Congress. Only recently, there has been some change in its approach in tackling various problems. The new policies relating to cotton and sugar indicate that the government has at long last felt that controls and rigid planning tend to perpetuate shortages which can be avoided only by a realistic approach to all economic issues.

How long will it take for the present gloomy atmosphere to clear? It is, perhaps, difficult to answer this question, though some economic pundits believe that the bumper harvest following the current plentiful rains will bring about a cheerful atmosphere in the country. To believe that only the monsoons can save and sustain our economy is a defeatist attitude. Unless the government learns a lesson from its past failures and adopts policies whereby the innate energies of the people are allowed to have a free play in increasing output in every sector of the economy, the difficulties which we are experiencing today may not disappear.

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Labour Laws Against Labour!

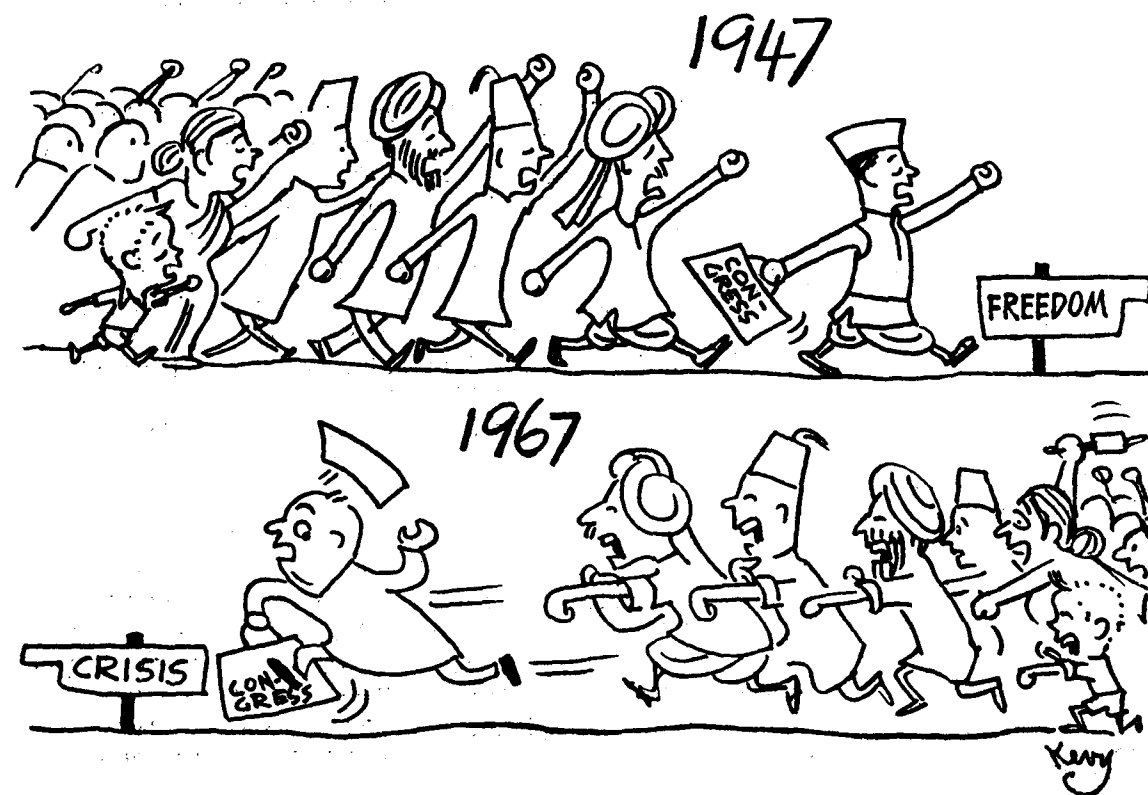
THE GOVERNMENT of Bihar has announced its intention to convene early in September a conference in Patna of industrialists from all over the country to consider measures to speed up the state's development. How far the government will succeed in evoking the enthusiastic co-operation from industrialists remains to be seen. Mr J. R. D. Tata in a recent speech strongly criticised the Bihar government for its unfriendly policy to the private sector. Perhaps, the government still hopes that it will be able to persuade entrepreneurs from other parts of the country to invest in Bihar. Whether it succeeds or not, credit must be given to the government for taking the initiative to accelerate Bihar's industrial growth.

Other states such as Orissa, Gujarat, Mysore and Maharashtra are also vying with one another in attracting entrepreneurs to their areas. But, surprisingly, the Government of West Bengal does not seem keen to stimulate industrial expansion in the state. It is true that the state's Minister for Industry has made some representations to the centre urging for more orders from the railways and for certain other facilities for industries, but the government as such has not formulated a definite policy for development. On the other hand, some of its policies have had, and will continue to have, a disincentive effect. For example, its precipitate action in taking over the tramways has shaken the confidence of businessmen. Some of its proposals to amend the labour laws are so conceived as to embarrass and even humiliate the employers. For instance, the government has decided to detain employers under the Preventive Detention Act when, in its opinion, such a course is necessary. Industrial associations in Calcutta have represented to the government that resort to the Preventive

Detention Act to deal with recalcitrant employers is an extraordinary procedure. The purpose of the Act is to meet abnormal situations and to detain such persons as are considered dangerous to the country's security. To proceed against the employers who violate labour or other laws, legislation is already there which empowers the government to award deterrent punishment. It would seem that the government's objective is not so much to improve industrial relations as to harass employers and hurt their prestige.

Another proposal of the Government of West Bengal, which is causing concern to employers, relates to the appointment of labour welfare officers in factories. The terms of service of these officers are already governed by the West Bengal Factories (Welfare Officers) Rules, 1950. Under the rules, factories employing 500 or more workers have to employ welfare officers; and their duties, qualifications, and conditions of service have been clearly laid down. The appointment of a labour welfare officer in a factory has to be notified to the government and the latter should also be informed about the termination of his services together with the reasons for it. The government, not satisfied with these powers, now wants to take over the right to appoint and dismiss the labour welfare officers. This would mean that these officers, though on the pay-roll of the management, will be under the control of the government. They will not be easily amenable to the discipline of the management. In the present situation in West Bengal the new procedure is likely to create more complications and strained relations between labour and management.

Yet another measure that the Government of West



Bengal is bringing forward is to entrust industrial adjudication to persons employed in the higher labour service of the state government. At present the Industrial Disputes Act provides that only judges or persons with experience of judicial office can act as presiding officers of labour courts. The state government says that since an adequate number of judges is not available, it is necessary to amend the Act so that the personnel of the higher labour service of the state government can be appointed as presiding officers of labour courts. This proposal also understandably worries employers. Labour courts have to deal with complicated matters and only persons with vast judicial and legal experience can tackle them. If therefore the proposed amendment is implemented, it is likely to undermine industry's confidence in the impartiality of labour courts. The government's argument about the paucity of judges is unconvincing. Industry rightly points out that though there may be a shortage of judges, there is no scarcity of persons with suitable qualifications for judicial posts.

The state government's new proposal in regard to casual labour is also in keeping with its policy of creating a difficult situation for employers. It is reported that a bill has been forwarded to the central government to regulate the

Remedies to Counter Recession

THE RECESSIONARY trends noticeable in the economy since the middle of last year have been causing serious concern in industrial circles and it is being asked whether the recession would turn into a depression if remedial measures were not adopted urgently. Only two years back and even immediately before devaluation, the general talk was about containing inflation and discouraging demand for various goods and services. While the official sources claim that the recession was not entirely unexpected and that the effect of the drought in the last two seasons and reduced outlay on Plan schemes since 1965-66 are making themselves felt, it cannot be denied that the recent developments have taken many unawares and that there is the danger of a chaotic situation developing if the authorities do not wake up in time and adopt corrective measures.

Whatever may be the findings of an expert study of the factors that brought about the present state of affairs, it can be stated forcefully, without fear of being contradicted, that the inflationary pressures felt in the past two years have been mainly due to the serious decline in agricultural production and that planning since 1951 has not resulted in that creation of demand for goods and services which would sustain a fairly high level of industrial production even if there was a reduced outlay on development schemes in the public sector. New trends may probably emerge after there has been a recovery in agricultural production. It has been clearly brought home by the present crisis that a high level of development expenditure can continuously be incurred with a strong agricultural base and the neglect of agriculture in the last two plan periods has been mainly responsible for the calculations of the planners going seriously wrong.

That the inflationary situation in this country cannot in any sense be likened to the inflationary pressures exist-

employment of casual labour. Under the bill, every casual worker has to be registered even if employed for a day; he has to be informed in advance if there is no work for him; and failure to provide such previous intimation will make the employer liable to pay 50 per cent of the worker's wages.

The state government claims that these measures are being proposed in order to give a new deal to labour. But it is obvious that they will have an adverse impact on labour itself. Since the United Front government was formed in March, industrial production in West Bengal has suffered seriously and there have been reports of flight of capital as well as management. Perhaps there is an element of exaggeration in these reports. It is clear, however, that the climate for industrial activity and expansion in West Bengal is far from congenial. While Bihar and other states are keen to attract entrepreneurs, the United Front government in West Bengal seems anxious to get rid of them. Such a policy may well suit the ideology of the communists but to the people of West Bengal, faced with the acute problem of unemployment and steady decline in purchasing power, the United Front government is doing a definite disservice by its new labour policy.

ing in the developed countries has been amply borne out by the break in prices of some commodities in the past few weeks with the indication that there may be a sharp increase in the output of cash crops and even foodgrains. It is too early to say whether there will be an improvement in agricultural production to the level of 1964-65 as a definite view of crop prospects can be taken only after the monsoon has behaved satisfactorily and consistently in all the important growing areas in the country. There is reason to believe that even the record output of 1964-65 will be exceeded in some directions as for the first time in the plan era there will be massive application of chemical fertilisers and the huge expenditure of over Rs. 400 crores in the current year should be reflected in an increase in production, if all goes well, to the extent of at least Rs. 1,000 crores in terms of 1964-65 prices.

Apart from the fact that the opportunity will be provided for determining clearly the benefits that will accrue from the increasing use of nitrogenous and complex fertilisers, the authorities will have to be alert and be ready with measures which can be introduced at short notice if a slump in prices took place as it happened in the last year of the first Plan when there were two good crops in succession. A decline in prices for essential commodities should be allowed to take place for some time but, before the government decides to institute support operations, adjustments will have to be made in regard to imports of foodgrains and cash crops. It may be argued that there cannot be a distinct improvement in the availability of agricultural commodities until the effects of the severe drought of the last two years had been overcome and new trends in agricultural production had been established. This view will be correct in a sense but market operations are guided more by anticipations rather than actual developments. It will

not, therefore, be surprising if the difficult agricultural situation is got under control even with one normal season and there is a recovery in production to the level of 1964-65.

In the situation that is expected to develop in the coming months the authorities would have to decide how they should reorientate Plan schemes and liberalise credit facilities with a view to making the best use of the newly created facilities in the industrial sector. There is a talk of a lack of demand for many types of engineering goods and even electrical equipment because of a severe pruning of Plan expenditure. As new industrial undertakings are not being promoted in large numbers in the private sector and capital expenditure prompted by the boom of 1958-62 has been nearly fully incurred, there can be a revival of demand for engineering goods only if there was an increase in expenditure immediately in the public sector and a conscious effort was made to revive the capital market. Also, since there is excess capacity in many industries, the import policy should be refashioned in such a way that unnecessary expenditure in foreign exchange can be avoided and indigenous production boosted. The new schemes should aim at filling the gaps in the economy by maximising the output of crude oil, implementing vigorously rural electrification projects, augmenting the output of non-ferrous metals and developing intensively areas under the command of the various irrigation projects and exploiting to the maximum extent the potentiality for agricultural development. Again, on the basis of the new demands that will emerge later in the year, it will also have to be determined how the heavy industries should be developed.

The immediate problem will relate, of course, to the

Better Seed Calls for Better Effort

THE UNION Ministry of Food and Agriculture has set before itself the target of achieving self-sufficiency in foodgrains by 1970-71 so that no further concessional imports on this account are to be made after 1971. It is in the light of this target that the programme to popularise high-yielding varieties of foodgrains was drawn up to achieve a breakthrough in agricultural production. During the period of the fourth Plan it is proposed to cover 32.5 million acres of land by high-yielding strains of paddy, wheat, jowar, bajra and maize. In the kharif season of 1966-67, the first year of this programme, an area of 1.82 million acres with assured water supply was brought under these varieties and such area was proposed to be extended progressively during subsequent years. The target fixed for the kharif of 1967-68 was 7.85 million acres.

In its annual report for 1966-67, the Ministry of Agriculture has given the impression that all went well with this programme and the extension of area under high-yielding varieties from 1.82 million acres in 1966 to 7.85 million acres in 1967 would be a routine affair. It stated: "Reports received from the states generally indicate satisfactory performance of H. V. P. during the last kharif season. Among the paddy varieties, Taichung Native-I has shown a decidedly superior performance in terms of increased yields as compared to the traditional varieties. It has stood well even

mobilisation of resources required for implementing a larger Plan and to the rationalisation of the tax structure. It is needless to say that any reduction in taxation will be reflected immediately in lower revenues and the Finance Minister will not be prepared to grant concessions which will be costly for the Exchequer. A refusal to adopt new policies in a complicated situation will, however, create new problems and make it difficult for the Finance Minister to gather large revenues over the period. If it can be judged in the next few weeks to what extent the kharif season will be a success, there need not be any hesitation in resorting to regulated doses of deficit financing and stimulating activity in the industrial sector. The consumer goods industries will not need any active help as there will be a revival of demand with an increase in the purchasing power of the rural population while costs can be brought under control with a decline in the cost of living indices. In short, what happens between now and October will determine the course of events for the remaining years of the fourth Plan.

If Mr Morarji Desai can have an open mind and present a supplementary budget during the winter session of Parliament containing imaginative tax concessions, a new push can be given to the economy which could help it overcome many mistakes of earlier planning. So long as the concept of mixed economy is being pursued, there will have to be parallel growth in both the public and private sectors and there should be no obsession with the idea of developing only the public sector. It will not, therefore, be correct to take too panicky a view of the present situation and fight shy of remedial measures which might call for a reversal of earlier policies.

under drought conditions experienced in some areas. The yield of Taichung Native-I ranged between 3,000 lbs and 6,500 lbs per acre." The report added: "In the case of maize and millets, the results reported by the states were equally encouraging and the highest yields registered were 5,330 lbs for bajra and 5,000 lbs for maize".

The report has conveniently omitted any reference to the set-backs suffered by the programme during its implementation. Reports from various states revealed that this programme met with poor response at many places due to various reasons. A detailed evaluation of the programme based on the survey of over 100,000 households using high-yielding varieties revealed that the overall target fixed for paddy was achieved only to the extent of 56 per cent, the achievement being as low as 38.3 per cent in West Bengal, 46.8 per cent in Orissa, 48.3 per cent in Mysore and 48.8 per cent in Andhra Pradesh. If the pace of the programme, as assessed by this evaluation, is any indication, it will not be wise to be guided by the enthusiasm of the Ministry of Agriculture. The rather modest success of the present programme would lead us to the conclusion that unless corrective measures are taken promptly, its extended pursuit may not lead to the expected results.

The evaluation reports gave the general impression that the programme, though well planned on paper, was hustled

through at the stages of execution without adequate arrangements. Broad conclusions that could be drawn from these reports were that the programme suffered set-backs due to unpreparedness of the extension personnel for reasons of inadequate training facilities, shortage or late delivery of required quality of seeds, bottlenecks in the distribution of fertilizers and insufficient credit facilities for the cultivators. The programme was also handicapped by unfavourable weather conditions prevailing in many areas, but this could not have been of much significance because the selected areas generally had assured irrigation facilities.

There were complaints from various states about inadequate or delayed supply of seed. In Rajasthan, seeds of new varieties were supplied late so that sowings had to be completed with the locally available seed. Both in Madras and Kerala, inadequacies in supply of seed were reported to a considerable extent. In many other states too this was the main hurdle. The supply of seed of required varieties seemed to depend mainly on the organisational efficiency in procurement from breeder's stock or multiplication of these at the state seed farms.

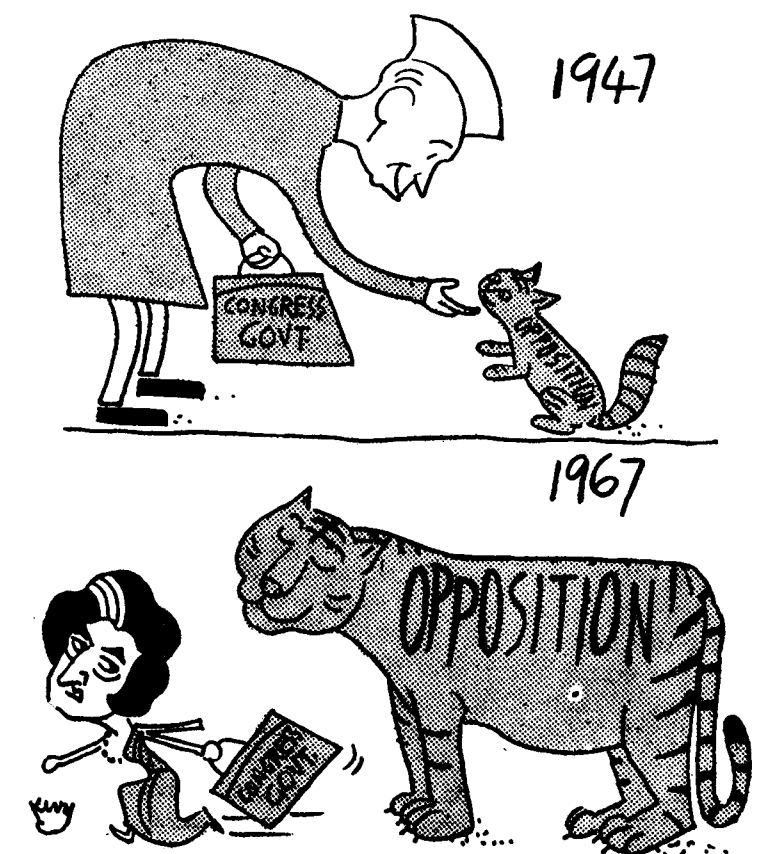
Moreover, the selection of certain new varieties of seed was not always determined by the results of trials and demonstrations in the areas where they were to be popularised. This led to serious failures which generated misgivings about the new varieties among the farming community. In one of the districts of Andhra Pradesh, it was reported that the Taichung Native-I variety of paddy did not suit the seasonal conditions. This variety could thrive better in rabi rather than in kharif season when the paddy fields would be heavily water-logged. Paddy variety Tainan-3 popularised in Kerala could not be sown in fields with poor drainage. During the first season (known as Virpu) its performance under the heavy rainfall conditions of Kerala was not good. The future programming of new varieties therefore needs a thorough knowledge of local agricultural situations in their totality.

The evaluation report revealed that, in the event of complications or unforeseen difficulties, the extension staff was not always able to give a lead to the agriculturists. There were instances in the states of Bihar and Uttar Pradesh where the problems of premature flowering of seedlings and pest attacks found the local extension staff helpless. At certain places there was panic among cultivators following similar complications and they ploughed back their fields sown under the high-yielding varieties. For want of guidance many cultivators were not following the recommended practices which adversely affected their results. The successful explanation of methods of cultivation associated with high-yielding varieties and speedy solution of the complications that might follow depend greatly on the practical knowledge and confidence of the extension personnel. In order to achieve a speedy extension of the programme, added attention has to be paid to improving the technical skill of the extension staff who should be enabled to gain sufficient practical knowledge.

High-yielding varieties of paddy as well as hybrid

varieties of other foodgrains are responsive to large doses of fertilizers. In fact, this was a significant facet of this programme. Although top priority was given to the supply of fertilizers on a special quota basis to the cultivators of high-yielding varieties, it was observed that the supply of phosphatic and potash fertilizers was in serious shortage in various places. This was observed specifically in the states of Assam, Bihar, Madhya Pradesh and Mysore. Late supplies of fertilizers also resulted in their non-utilization in some areas. In many other cases the outstanding loans against the cultivators deprived them of the facilities of fertilizer loans. It may be suggested that the utilization of local manures should be encouraged and composting and green manuring should be popularised where chemical fertilizers are not available readily or sufficiently.

The availability of funds with cultivators for buying costly inputs was also found to be of considerable importance in the successful implementation of this programme. Additional finances were allocated for certain crucial inputs in a large number of states and an important decision taken by most of the state governments related to the increase in the maximum credit limits permissible to cultivators. There were, however, complaints from various states of delays in the granting of loans. In Maharashtra, the overdue position for many cultivators stood in the way of utilizing increased credit facilities. Whatever might have been the explanation, the non-availability of resources for inputs was bound to impede the programme. Much more needs to be done to eliminate such bottlenecks and this should properly form an integral part of further thinking on the programme.



Automation or Glorified Mechanisation?

SHOUTING OF slogans and staging of token strikes with or without provocation have become so common lately that many have well-nigh decided—and rightly so—to ignore them. Until recently, people used to evince some interest and even make inquiries as to what any furore was all about, but today one can see them, in particular in cities like Bombay, pass by without even batting an eyelid. Possibly this is the outcome of carrying anything too far and indulging in something indefinitely, whether justified or not justified. One such futile essay was the call for a day's token strike by the All-India Insurance Employees' Union (AIIEU) to protest against automation, when the Life Insurance Corporation of India (LIC) commissioned an electronic computer in its Bombay office on July 17, 1967. All that this computer will do is to service just 50,000 policies, and all that the so-called automation, which is being resisted by the AIIEU, is expected to achieve over the next four years is to raise the number of policies served to one million, that is just the policies in force in only one region—the Bombay region. With this meagre record, if we were to claim that we have adopted automation, people in countries which have gone in for automation in a big way are sure to feel amused. What the LIC has achieved is hardly automation in the real sense of the term; it is only glorified mechanisation and if the LIC employees think that this is automation and go about resisting it, one would be really sorry for them.

All the automation introduced by the LIC is summed up in the four words "Electronic Data Processing Project", which only seeks to consolidate some one million policies and store the information on 30 tape reels—magnetic tape—so as to have one single policy master record for each policy. This will save time, ensure fool-proof accuracy and improve the service to policy-holders which, as it is, is not much to boast about in all conscience.

Let us examine how far we have advanced from the old manual records with which our life insurance companies began. Small as they were when they started, many of them found it possible to keep their records with only one record for one policy on a ledger sheet or a "visual card". This served the needs of their small volume of business all right. But, as the size of their business expanded, manual records could not meet the situation and by 1924 life insurance companies had begun to use such mechanical aids as punching card machine, Adrema machine and so on. The change-over to the punching card machine resulted in replacing the one-card-for-one-policy practice by one of many records for one policy, but several files were still required to store all the records. The steady and sharp rise in these files and the lakhs of records in each file gave rise to problems of checking and counter-checking in order to maintain and ensure accuracy. The considerable loss of time involved naturally led to an examination of how to consolidate all these files into one master file and compress all the relevant information into such a file. The answer was provided by the electronic computer system. Under the new system, master records giving full information of all policies are built up on magnetic tapes and records are brought

up-to-date daily by giving effect to them on the computer. Briefly, this is how it is operated.

Every change, age admission, revival, nomination, death, etc., will be recorded in a form called "Input Form" by an assistant. From the input forms, cards will be punched. The data on punched cards will then be written on to a magnetic tape through the computer and the transactions will be matched with the master record through a computer programme and the master record and transaction information will be written out on another tape. Through a series of runs, the master records are brought up-to-date.

As a result of this innovation, it will now be possible for the LIC to provide at a moment's notice or indicate on the premium notice practically all details relating to a given policy, such as current premium, arrears, if any, and interest thereon, deposit, if any, and adjustment thereof and loan taken, if any, and interest accrued thereon—in short a complete status report. Similarly, it should be possible, eventually, to provide on the bonus intimation card details of past bonus accruals, together with the latest, a plea that several policy-holders are known to be making to the authorities for a number of years past. Although the listing of the different data thus may appear like a long catalogue, these are the minimum details which policy-holders are entitled to have on demand, something that has been seldom happening with the LIC though! It is the least by way of "servicing" a life policy, a euphemistic expression when the LIC employs it today.

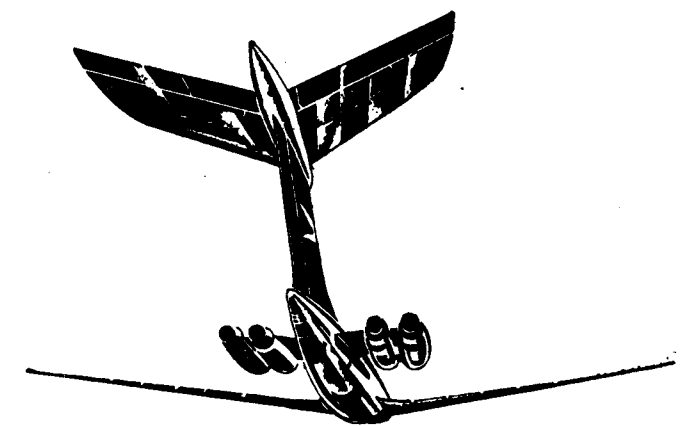
To make the public believe that this is automation and that it will lead to large-scale retrenchment is the greatest deceit that can be perpetrated on any gullible public. How many employees have had to be retrenched, for example, as a result of the introduction of the first electric computer in the Bombay office of the LIC? Information elicited from Mr Ranadive, Manager of the EDP division, shows that the number of employees connected with the work under the old punch card system in the Bombay region was 23. Of these, only three assistants had to be redeployed, two to the new activity of control work arising out of computerisation and one to conversion work. Thus, not a single employee has been retrenched or even asked to go out of Bombay. On the other hand, as computerisation makes progress, new employment opportunities will emerge and more people will be absorbed in an excitingly new line. It is learnt that all this has been fully explained to the AIIEU, which has also been invited repeatedly to come forward for joint discussions on all problems arising out of automation. Instead of responding to this invitation, whenever it feels so impelled, the AIIEU raises the bogey of large-scale retrenchment and calls on its members to stage token strikes. The LIC chairmen and now the Deputy Prime Minister have given solemn assurances—the latter on the floor of Parliament—that there will be no retrenchment as a result of automation in the LIC. These assurances should be accepted in good faith by all employees of the LIC and they should recorientate their thinking, at least for a change, in terms of better service to the policy-holders, who, after all, are their paymasters.

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Cotton Textile Industry—Problems and Remedies—III

MANUBHAI SHAH

AN IMPORTANT feature of modernisation and diversification will be to permit freely the conversion of ordinary looms into automatic looms in the composite cotton textile mills. If the quality of our cloth has to be improved to international standards, it is essential that at least 50 per cent of our looms, i.e., 100,000 looms in the composite mills, should be converted from ordinary looms to automatic looms. The fear of unemployment by such conversion is highly exaggerated. Even if conversion is freely allowed, only a small number of mills will be able to afford the expenditure involved. As a matter of fact, some tax incentive would need to be provided so as to induce every composite mill to convert at least half of the ordinary looms into automatic ones; with the best of incentives, it would not take less than 10 years to bring about such a change. If necessary, both for indigenous manufacture of automatic looms by textile machinery manufacturers and their installations by the mills, a special enhanced development rebate and depreciation allowance should be permitted under the Income Tax Act for a decade or so till the objective is achieved. There is no possibility of increasing our exports of cloth (or garments made therefrom) unless flawless cloth is produced, for which installation of automatic looms is a "must". The change-over is not likely to bring about any reduction in cost of production. Also, a small redundancy in labour on conversion can be easily absorbed through expansion or diversification.

New Mills

New mills should be freely allowed to be established so that normal expansion and development can continue on the basis of the normal laws of demand and supply. A stage has now been reached in our cotton textile industry when the increased investment costs themselves will force the entrepreneurs to undertake the minimum desirable additional development and expansion. No one can afford to invest funds on unnecessary new units or for the expansion of existing capacity unless it is economical. Shortage of cotton or any other temporary factor should not inhibit the expansion of existing units or establishment of new ones. If the decision-making by each entrepreneur is interfered with in such a basic, well-established and big industry, recurring periods of shortage and glut of cloth stocks will continue to appear. The expansion of mills' loomage is also a slow and expensive process and will not at all hit the well-protected powerloom sector. By alternate restrictions and liberalisation, we cannot get any tangible results as no push-button process is possible in this industry where a new unit or expansion of an old one takes at least two to four years to complete under present-day circumstances. Also the minimum economic size of a textile mill should be between 25,000 to 50,000 spindles and a matching number of looms leaving about half the spindle capacity for free yarn for sale to powerlooms and handlooms.

As exports of yarn and cloth can be accelerated by mass production of good quality yarn and cloth, it was felt that the central government should set up some cotton textile mills in the public sector for purposes of export at the most suitable and economic locations in the country. The attainment of locational economies and economies of scale was to be the only criterion for determining the size and the sites for these mills proposed to be set up by the textile corporation operating under the auspices of the central government. The Government of India and the Planning Commission approved, two years ago, the proposal of the Ministry of Commerce to establish a Central Textile Corporation during the fourth Plan on a priority basis. All the broad decisions for the establishment of this corporation were tentatively approved. The project envisaged setting up of a million spindles in five units of about 200,000 spindles

each, starting with each unit of 50,000 spindles with the latest and the most modern automatic machinery, both indigenous and imported. The planning and lay-out of the units was so designed as to convert, in due course, half the yarn to exportable varieties of some specific qualities of cloth by installation of 2,500 suitable automatic and other looms in each unit. The yarn from about 100,000 spindles from each of the five mills could be available for export while yarn from 100,000 spindles could be made into exportable varieties of cloth. The primary objective of this proposal was to boost exports because our cotton yarn and cloth have continuously been priced out in the foreign markets and exporters were not readily getting good quality yarn and cloth for export. This project was to fill the gap and to supplement the efforts of the textile industry for expanding our exports. This central corporation should not be saddled (and was not to be saddled) with the task of running old, dilapidated mills nor was it to act as a finance corporation for the textile industry. The specific task of increasing exports is a challenging one in which the government would have to deploy all its administrative and managerial skills which are already too meagre to run the public sector. Also, if the corporation is made to run sick and old mills with their numerous built-in handicaps, it would discredit the Central Textile Corporation which has to face one of its severest tasks in exporting yarn and cloth, and marketing a part of its production in the internal market. No unit can ever manufacture cloth or yarn completely for export. Therefore, it will be a wrong step if this corporation which has to be established immediately, to set up five latest and most up-to-date textile mills in the public sector for promoting export of yarn and cloth, is burdened with the impracticable task of running old and sick mills. If the public sector is to be expanded in our country for advancement on socialist lines, the image of this sector should be greatly improved through efficient management and profitable performance.

Exclusive Charge

It will not be prudent to utilise a manufacturing enterprise such as the Central Textile Corporation as a finance and credit institution, as in that case it will be called upon to advance huge sums of money to private cotton textile mills for modernisation and rehabilitation. The National Industrial Development Corporation (NIDC) is a promotional body making feasibility studies and preparatory work for projects related to heavy industries. It hands over such projects after completion and approval by the central government to new public sector corporations for implementation. Because of the specific nature of its work, the NIDC is authorised to operate as a credit and finance corporation for advancing loans for the specific objectives of modernisation and rehabilitation of the jute and cotton textile mills. This fact has to be borne in mind while saddling a manufacturing and competitive export oriented corporation such as the Central Textile Corporation with the task of advancing credits. The Central Textile Corporation, the first major export-oriented project of the central government with its very compelling, complex and challenging task should be exclusively involved in the task of manufacturing good quality yarn and diversified varieties of cloth predominantly for export purposes.

The present policies relating to handlooms are working very well and should be continued with such modifications as periodical reviews may indicate. The establishment of co-operative spinning mills is the best form of assistance to the handloom sector and more encouragement should be given to the co-operative spinning units with continuous efforts at improving the management of these mills. Training classes must

be started for training different managerial cadres for the co-operative spinning mills. Improved management and homogeneity in the Board of Directors are the most urgent requirements of these co-operative spinning mills if they are to be successful.

The co-operatives in the handloom and the powerloom sectors will need to be strengthened. An intensive programme of training the management cadres in running the co-operatives will have to be undertaken. Suitable financial and credit assistance has to be accorded to them. It will not be good to give up the expansion of the co-operative sector because of some disabilities which the co-operative sector has so far exhibited in this country. In the ultimate analysis, the best way to encourage the decentralised sector of industry, agriculture and other economic activities in all developing countries is through the co-operative sector. Therefore, we must strengthen the co-operative sector in all its aspects so that the handloom industry is put on a firm foundation.

Powerloom Sector

The powerloom sector and the decentralised printing and processing sector should be given all assistance and should be allowed to expand according to the existing policies of regional allotment of powerlooms in each state on the basis of decisions which the central government took on the report of the Asoka Mehta committee on powerlooms. Excise duties on yarn to be sold to powerlooms must not be heavy and should be so adjusted as to leave a fair margin of profit to powerlooms in the decentralised sector so that they can develop in the face of competition from the composite mills. There is room enough for all sectors, by necessary adjustments, in this vast consumer industry. The composite mills are unnecessarily afraid of the powerlooms and the handlooms. In Japan, nine million spin-

dles with 90,000 looms (of which more than half are automatic) in composite mills co-exist with about 400,000 powerlooms.

Our textiles both handloom and mill-made, have been appreciated for centuries in all parts of the world. From a purely economic angle, it is very essential that an industry which earns about Rs 115 crores (post-devaluation rate of foreign exchange) every year requires to be properly looked after. The scope for textile exports, even though not very elastic, will continue to be large for a long time because of rising world consumption of cotton textiles for apparel wear and numerous other purposes. It is one of the most versatile fabrics. The annual average exports of cotton textiles of this country for the last six years have been as follows:—

EXPORT OF COTTON TEXTILES

(Rs. lakhs)					
Year	Piecegoods	Yarn	Garments	Other Mfrs	Total
1961	5034.7		840.3		5875.0
1962	4603.0	528.8	16.5	462.9	5611.2
1963	5371.0	619.1	253.8	577.0	6820.9
1964	5813.0	587.5	217.1	596.3	7213.9
1965	5689.0	602.5	328.1	716.7	7336.3
1966	5602.0	869.2	255.3	1022.8	7749.3

It would be seen from the above that we have been able to maintain our export earnings in this consumer industry in spite of increasing world competition and fast development of this industry in the developing countries. However, after devaluation, our textile exports to many countries (and in many varieties) have fallen partially or substantially except for a few

countries and in a few varieties. It is, therefore, necessary that the cotton textile industry should be assisted in working out a cash assistance scheme to make up for the price disparity which continues to prevail between the local costs and the prices in different countries of the world. Such a scheme was in operation for the past many years but was discontinued after devaluation. It should be immediately revived in so far as cash assistance is concerned. Some modest assistance (in cash) is necessary in order to maintain and expand textile exports. The Indian Cotton Mills Federation (ICMF), the apex body of the cotton textile industry, has high reputation and competence. The ICMF can levy a small cess on the cotton mills—both composite and spinning—on their actual consumption of indigenous cotton and a somewhat increased cess on their actual consumption of imported cotton. The estimated assistance required for this purpose would be around Rs 12 to 15 crores a year which can be easily raised by a small cess per bale on the 6 to 6.5 million bales of indigenous and imported cotton consumed every year by the industry. It will be wrong to go on waiting and losing time in delaying the introduction of such a scheme because foreign markets once lost and captured by other countries will be very difficult to regain. As a matter of fact the central government, the ICMF and the Cotton Textiles Export Promotion Council should work in close co-operation for market research, sales promotion, exhibitions, im-

proved methods of packaging and presentation and some cash assistance. Special allotment of foreign exchange should be made for the import of machinery and equipment for those exporting mills which need them to supplement the indigenous textile machinery and equipment so that a vigorous tempo of export can be maintained.

Out of the 613 units operating in this country, about 200 mills should be specially selected for vigorous application of all export techniques and each of these mills should be encouraged to export at least 25 to 33 per cent of its production. Some mills in fact are in a position to export even higher proportion of their production if adequately and selectively assisted. Therefore, the country needs to look into this aspect without delay. These suggestions if accepted and put into practice will raise our export of cloth and yarn from Rs 115 crores a year to Rs 200 crores and more.

In this series of articles I have tried to deal with most of the aspects of our cotton textile industry. It is such an important industry that a high-powered commission or committee of experts should be set up by the government to study all its problems so that, with remedial measures taken in time, its healthy growth may contribute to our national prosperity.

Selectively Cheap or Cheaply Selective?

R. V. MURTHY

THE RESERVE Bank of India (RBI) has evidently not made up its mind as to whether it should plump in for cheaper credit generally even as an anti-recession measure but it does seem it is not averse to feeling its way in that direction. Even before Mr L. K. Jha, the new Governor of the RBI, announced his package measures to provide cheaper credit on a selective basis to counter recession, the RBI had marked up its support prices in respect of several government securities. True, Mr Jha has sought to make out that this slant in the RBI's open market policy is aimed only at stimulating the market for government securities, but, whatever the aim, the outcome of this policy has been to alter the yield or interest rate pattern. And this, in its turn, has followed the flotation of the Government of India loans which too had a similar slant, so that what is being done now is but the continuation of a considered approach, although still halting. The trend, however, is unmistakable and, to this extent, it is gratifying.

RBI Reasoning

The new package measures of the RBI have stemmed from its own diagnosis of the recession. Indeed, it is no secret that the RBI authorities do not regard the prevailing state of affairs as a recession proper. Their reasoning is that one of the main ingredients of a recession is still absent, namely a fall in prices, despite a fall in demand and, in some cases a fall in output as well. There is nothing basically wrong with this reasoning except that it is applicable only to conditions where there is a free play of the inexorable law of demand and supply, other conditions (such as money supply) remaining the same.

The new package measures aim at making credit liberal as well as cheap not to all sectors which would have been the case had the Bank rate been lowered but only to certain preferred ones. Even among these preferred sectors, the rate of interest to be charged is not uniform. Thus the maximum lending rate of commercial banks in respect of advances against engineering and metallurgical exports is to be only six per cent., i.e., the same as the Bank rate, the RBI undertaking to refinance these credits at 4½ per cent. With regard to package credits to exporters of other products, post-shipment export bills and hire purchase for deferred payments, on the other hand, the maximum lending rate of commercial banks will be eight per cent., the RBI providing refinance in such cases at six per cent. In

other words, even within the category of the preferred sectors there will be dual rates of lending by commercial banks and dual rates of refinancing by the RBI, and wherever and to the extent that the latter is lower than the Bank rate, there is a de facto reduction in the Bank rate.

The other important features of the new package measures relate to the modification of the Industrial Development Bank of India's (IDBI) industrial bills scheme and the widening of the range of assistance for financing equipment capital in agricultural and small industries as well as for financing capital needs where major capital goods requirements of an industry can be had from indigenous sources. This has been done by abolishing the present minimum limit of Rs. 15,000 for agricultural machinery and lowering it in other cases, on the one hand, and by raising the maximum limit to Rs. 50 lakhs and extending the maturity period to seven years, on the other. Small-scale industries also stand to benefit from the package measures; in this case, it is not via the rate of interest but by excluding refinance guaranteed by the Credit Guarantee Organisation in respect of any increase in the level of advances to these industries from the total of borrowings of commercial banks from the RBI for purposes of arriving at the net liquidity ratio. The agricultural sector is yet another beneficiary but here it is more a gesture, inasmuch as it takes the form of just an advice to commercial banks to increase their involvement, either directly or indirectly, in agricultural finance for production, marketing and development. This is one more reminder to commercial banks that the days of garnering deposits from the rural areas and disposing them of in the urban areas are well nigh over. While they are urged to intensify mobilisation of resources from the rural areas, they are also advised to deploy more of such resources there.

One has to view these measures more as the beginning of a studied approach than as an all-pervasive one to counter recession. To the extent that liberalisation of credit, even if it be cheaply or rather niggardly selective, can grease the clogged machinery, some results are bound to follow, but to make an impact, these must be accompanied by follow-up measures to implement the other suggestions of Mr Morarji Desai such as placing of orders by the railways, electricity boards and others promptly



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and by extending the scope and range of credit liberalisation to other sectors, especially those that have contributed to the present structural imbalance in the economy.

A far more important, nay urgent, task is to start preparing to meet the situation which a good monsoon is certain to bring about—higher production of agricultural commodities,

International Banking Developments

PAUL EINZIG

I DOUBT if there has ever been a period of ten years in international banking history which witnessed so many institutional innovations as the period between 1957 and 1967. While official representatives of the countries principally concerned with international finance have been engaged in endless discussions to elaborate a monetary reform scheme, the bankers of these countries have embarked on a number of actual changes which have between them changed the international financial system to a higher degree than any government-sponsored reform could possibly do.

To take the changes in chronological order, there was first of all the evolution of the Euro-currency system—the creation of international markets in short-term deposits in dollars or other foreign currencies. The importance of this development is too well-known to require recapitulation. Let it be sufficient to point out that according to the latest annual report of the Bank for International Settlements the outstanding total of Euro-dollar deposits alone increased from \$ 10 billion to \$ 13 billion during 1966. Even though central banks have played an active part in this market the initiative came from the private sector of the banking community.

During the 'sixties an increasingly active market has developed in "Euro-bonds"—issues by governments or public utility undertakings or private firms mostly in terms of dollars in the various European capital markets. Even American borrowers have frequently availed themselves of these new facilities. The Euro-bonds are usually issued by international syndicates consisting of scores of banks and financial houses belonging to ten or more different countries—as degree of international collaboration between banks which far exceeds anything achieved before the war.

International arbitrage has developed very considerably during the 'sixties. Apart from the new arbitrage facilities provided by the Euro-currency markets, new types of short-term investment facilities useful for arbitrage have developed in London, New York and in other centres. The inter-bank sterling market and the markets in loans to local authorities and to hire-purchase finance houses in London, and the Federal Funds market in New York attract a great deal of new types of arbitrage.

Immense Possibilities

During 1966 a market developed in London in Dollar Certificates of Deposits on lines similar to the gigantic domestic market in such deposits in the USA. Although up to the time of writing its turnover has remained modest, it carries immense possibilities, especially now that both the US and the UK governments have removed the handicap previously imposed on such certificates for periods in excess of 12 months. The possibility of issuing such deposits for longer periods provides banks with opportunities for granting medium-term credits. The absence of such facilities has long been regarded as one of the major weak spots of the banking system in Britain and other countries where it is easy to obtain short-term credits up to 12 months or long-term bonds for 15 years or more, but it is extremely difficult to borrow for intermediate periods.

The fact that medium-term deposits against the issue of certificates are expected to be raised mainly internationally is indicated by the latest movement in international banking—the

their proper storage and distribution, transportation etc. It is to be hoped that the credit plans for the busy season that the RBI has asked commercial banks to prepare will take note of all these and that the RBI will not hesitate to bridge the gap between the resources of commercial banks and the vastly increased credit requirements imposed by a dynamic revival of the economy.

creation of some half a dozen international banks for that purpose. Highly conservative British clearing banks, such as the Midland Bank, the Westminster Bank and Lloyds Bank, joined forces with London merchant banks and various leading American, French, German, Italian, Belgian, Dutch banks to form such banks. The capital of the new banks varies between £500,000 and £5 million, but in view of the immense prestige and resources of the banking groups behind each the potential magnitude of their operations may reasonably be expected to run into a multiple of their capital which could be increased in any case as the turnover grows.

The emergence of credit cards is yet another institutional change in the international financial sphere. Its international application is as yet at its initial stages but its expected development will contribute considerably towards the internationalisation of finance.

Inactive Authorities

Needless to say, the authorities of various countries have not been inactive. Even though progress towards the creation of new reserve units is very slow owing to the highly controversial character of the proposed reform, the establishment of close co-operation between central banks during the 'sixties has created international links far in excess of the most optimistic expectations during pre-war days when the first attempt at systematic co-operation through the Bank for International Settlements was gravely handicapped by the growing political tension. In addition to the increase in the drawing facilities of the International Monetary Fund and the expansion of the scope of the International Bank, the Bank for International Settlements has now succeeded in justifying its existence by acting as an intermediary for credits by central banks to central banks.

The reciprocal swap facilities established on the initiative of the Federal Reserve have created yet another sphere for closer international collaboration. Reciprocal technical arrangements between central banks to support each other's currencies have attained a remarkably advanced stage and have been largely responsible for the mitigation of foreign exchange crises during the 'sixties.

To a very high degree this progress towards internationalisation of finance has made it possible for the banking system to finance the growing volume of international trade at higher and higher prices, in spite of the inadequate increase in the world's monetary stock of gold. This progress does not, however, obviate the necessity for provisions for additional liquid resources. In normal conditions Euro-currency and other new facilities satisfy requirements for short-term facilities to a reasonable degree. But should a crisis arise the increased volume of international financing would tend to aggravate its extent as a result of sudden withdrawals of such increased credit facilities.

What is needed is not an immediate increase of liquid reserves but the elaboration and acceptance of a formula that could be applied immediately in a crisis. What is equally important, the facilities of international long-term capital markets should be improved. The progress in medium-term credit facilities may prove to be an intermediate stage in that direction.

To the New India—Happy Birthday

CHESTER BOWLES

I HAD hoped to return to India in time for the twentieth anniversary of Indian Independence. Unfortunately, instead of listening to Mrs Gandhi speak at the Red Fort on the morning of August 15, I shall be in an airplane flying eastward over Europe.

For both individuals and nations, the first two decades are particularly important years. The first 20 years is a period of learning, of adjustment, of sorting out realities and visions, a period of preparation for an evolving state of manhood or nationhood.

America's twentieth birthday as a nation coincided with the election of Thomas Jefferson as President of the United States. Our visions then were not so different from those we aspire to today.

In early-19th-century America, as in India of the 1960's, a central question was posed in the context of newly acquired freedom: does man exist to serve the state or does the state exist to serve man?

In 1776, the American colonies had declared their independence of Great Britain. This bold decision was followed by a costly war to make independence a reality.

Then came the task of creating a constitutional base for a democratic society, of electing our first president, and of working out the practical operational problems of a new government.

The Nagging Question

But the central nagging question remained unanswered: who was to control the new nation? The people of "substance", as Alexander Hamilton proposed, or the common men and women who tilled the fields and manned the early factories, for whom Thomas Jefferson was the spokesman. In the election of 1800 the issue was clearly joined.

The conservative Alexander Hamilton had told the Constitutional Convention: "All communities divide themselves into the few and the many. The first are rich and well born, the other the mass of the people..... The people are turbulent and changing; they seldom judge or determine right..... Give, therefore, to the first class a distinct permanent share in the government. They will check the unsteadiness of the second."

Thomas Jefferson took the opposite view. He said: "Men are naturally divided into two parties—(1) Those who fear and distrust the people, and wish to draw all powers from them into the hands of the higher classes; (2) Those who identify themselves with the people, have confidence in them, cherish and consider them as the most honest and safe, although not the most wise depository of the public interest."

When the political fury of the campaign of 1800 subsided, it was evident that the revolutionary democratic forces of Thomas Jefferson had won. America had chosen the road she was to follow.

Jefferson's election as President was a watershed. From then on America's political development was largely a matter of adjusting the basic democratic principles of Jefferson to changing economic and social conditions.

On her twentieth birthday India faces a similar challenge.

Much internal progress has been made in modernizing Indian railways, expanding steel and power production, building new schools and universities, in largely ridding India of malaria, in promoting family planning, and in laying the foundation for a revolution in agriculture.

In the last two tragic years, these economic accomplishments have been obscured by droughts which cut food produc-

tion more than 20 per cent below expectations. Now I understand that the monsoon rains are providing grounds for cautious optimism for the 1967 harvest.

On her twentieth birthday, the new India as the world's largest democracy looks ahead to further development. And, as in Jefferson's America, several key questions present themselves:

—Will India continue to put the welfare of the many before the welfare of the few?

—Will divisive forces be contained and the brotherly concept of one people, one nation, become an ever-increasing reality?

—Will India be able to achieve peaceful relations with her neighbours, not simply absence of war, but a peace of many dimensions that allows for economic and political cooperation and the lessening of tensions?

As was true in Jefferson's early America, India can look back with satisfaction on 20 years of building, of many trials with some inevitable errors. Also, as in the case of Jefferson's America, India can look forward to expanded horizons for growth with a society firmly based on the democratic foundation created by post-independence dedication and sacrifice.

As an old friend of India, I offer my heartfelt congratulations on her twentieth birthday. May it be the opening of an era of increasing prosperity and opportunity, domestic tranquillity and peace for the Indian people.

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FROM THE CAPITAL'S CUPBOARD

Joint Venture in Uganda Faces Frustration

THE MUCH publicised joint venture between our country and Uganda for setting up sugar factories in the latter is in the doldrums. The project has made no headway although three years have passed since an agreement was signed by representatives of the governments of the two countries for our collaboration in the venture. It was agreed that in the Sugar Development Corporation that will be set up for the purpose, the governments of India and Uganda will each hold 45 per cent of the equity capital, the balance being subscribed by private investors in Uganda. It was also agreed that initially one factory, with a capacity of 50,000 tons, would be set up and on the basis of the experience gained in running this a second factory with an equal capacity would be established. Our investment would be in the form of sugar machinery and building and other materials. Such investment expenses as would have to be incurred outside India would be taken care of by the government and the private investors of Uganda.

Last year, i.e., nearly two years after the agreement was signed, the Government of Uganda sent a "Pre-Investment Study" report on the project to our government. To its surprise, the Government of India found that this report made significant changes in the basic heads of agreement reached in 1964. What has further complicated matters is the reported suggestion of the Government of Uganda that even the local costs amounting to £1.25 million should be met by us. This constitutes a complete departure from the original agreement, which makes the prospect of the joint venture very dim.

DROP IN EXPORTS OF COTTON TEXTILES

While the government does not think it would be proper to revive the scheme of export subsidies for cotton textiles, it is willing to provide some financial support to the industry for a relatively short period to enable it to improve its competitiveness in the markets abroad.

The government is worried that despite devaluation earnings from the export of cotton textiles have appreciably declined. During the first four months of this year, exports were down by over 25 per cent as compared with exports during the corresponding period in 1966.

The Commerce Ministry has, therefore, tried to identify the difficult markets as well as the textile goods in respect of which some assistance may be necessary to push up exports. It has on the basis of its study worked out a preliminary scheme involving a minimum assistance of nine crores of rupees for effecting exports worth Rs. 61 crores.

The ministry has considered the export assistance scheme submitted by the Indian Cotton Mills Federation (ICMF) but finds that there are some practical difficulties in implementing it. The scheme which is to be run and financed voluntarily by the industry envisages the grant of a cotton entitlement to exporting mills at the uniform rate of 15 per cent of the f.o.b. value of exports to destinations other than the UK, the USA and Canada. In the case of the latter countries, the entitlement will be 10 per cent.

The scheme also provides for cash assistance to the extent of Rs. 8.5 crores. For paying this cash assistance for exports, the ICMF has proposed the collection of a premium on all imports of global cotton at the rate of Rs. 200 per bale; this will help in raising the required funds.

The ministry feels that the ICMF proposal to collect a pre-

mium on all imports of global cotton will attract the same adverse comments from the Public Accounts Committee as the earlier scheme of the ICMF did.

The ICMF also wants a ways and means advance of Rs 5 crores without any interest for launching its export promotion scheme. The ministry is not prepared to entertain any proposal for waiving the interest on loans, whatever the purpose for which they are required.

If the ICMF scheme is suitably modified, the Commerce Ministry may prefer it to its own because of its voluntary character. Whatever be the scheme that is eventually adopted, it is certain that the textile industry will soon be provided with some assistance to increase its exports.

STRENGTH IN UNITY

The representatives of 77 developing countries in Geneva and New York are now making preparations for a meeting of their commerce ministers to work out a joint programme of action for the development of their trade. This programme will be presented to the second UNCTAD which is meeting in New Delhi next February. The meeting of the '77' which was suggested by us, is likely to be held in Algiers in September or October this year. The common programme that they might evolve will form the basis for a constructive dialogue with the advanced countries on matters affecting their trade. After the meeting of the '77' it is proposed to send a small ministerial mission of the developing countries to some of the advanced countries to persuade the heads of states or governments of the latter to accept their common programme of action.

New Delhi is not very certain if an effective programme can be formulated. While all developing countries consider it essential to put up a common front before the advanced countries, there are differences in emphasis which they put on the problems facing them as also on the techniques to be adopted for solving them. For instance, those countries which lean heavily on the export of a few primary products—in some cases there are hardly two—are inclined to lay greater emphasis on the solution of problems affecting these commodities than on securing greater access for manufactured and semi-manufactured goods.

Besides, there are some countries mostly in Africa which want that special measures in favour of the least developed among the developing countries should be adopted. While there is need for such measures, it is felt that an overemphasis on this aspect might encourage divisive tendencies among the developing countries themselves and frustrate the efforts to chalk out a common programme. Further it is felt that it would be administratively difficult to operate a scheme of trade concessions to developing countries based on the level of their economic development.

There is also a tendency among some of the developing countries either individually or in groups to enter into exclusive preferential arrangements with developed countries. The agreements between certain African states and the EEC are examples. These arrangements result in discrimination against other developing countries and come in the way of the evolution of a global trading policy in the interest of the developing countries as a whole.

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FROM THE PRESS GALLERY

Acrimonious Debate on Education Policy

Our Parliamentary Correspondent

NEW DELHI, Monday.

THE DEFEAT of the government in a snap vote in the Lower House and the discussion on the reports of the Education Commission and the Parliamentary Committee on Education in the Upper House were the main features of the proceedings in Parliament this week. The Lok Sabha adjourned sine die on August 13. The Rajya Sabha will conclude its present session on August 18.

The government faced the discomfiture of being defeated in a snap vote during the discussion on the 1964-65 and 1965-66 reports of the Commissioner for Scheduled Castes and Tribes when an opposition amendment to the official resolution urging the Lok Sabha to take note of the two reports was carried by 91 to 89 votes. The opposition's amendment, moved by Mr Kansari Halder (Com.), sought to stress that the government had failed to fully implement the safeguards provided in the Constitution for scheduled castes and tribes. The treasury benches, however, retrieved the position soon by resorting to the embarrassing expedient of voting down their own motion on the issue as amended by Mr Haldar's amendment. But the voting this time also showed a very narrow margin—of only eight votes (115 to 107)—in favour of the government. This shows that the treasury benches will have to be very alert in future if the unseemly spectacle of the government being voted out of power is to be obviated. The voting down of the official resolution as amended by the communist member's move incidentally made the entire discussion on the two reports of the Commissioner for Scheduled Castes and Tribes infructuous; the time spent on it, therefore, went waste.

Persisting Evils

To take note of the discussion from an academic point of view, however, it may be mentioned that the entire opposition as well as several members from the treasury benches, vehemently criticised the slow pace of government's efforts to improve the lot of the scheduled castes and tribes. Although it was recognised that some improvement had been effected since independence in the standard of living of these backward sections of our society and many a disability from which they had been suffering had been removed, it was alleged that such social evils as untouchability still persisted in some parts of the country. The measures taken to impart higher education to the scheduled castes and tribes, it was pointed out, also left much to be desired. The representation of these castes and tribes in the central and state services as well as in public sector enterprises, it was felt, was not adequate.

The Minister for Planning and Social Welfare, Mr Asoka Mehta, tried to meet the criticism of the opposition with an array of facts and figures, but he apparently did not succeed fully and had to accept in principle the demand for setting up a parliamentary committee to advise the Department of Social Welfare in the implementation of the recommendations of the Commissioner for Scheduled Castes and Tribes. The proposed committee, he promised, would be a compact body; its personnel would be announced in the near future, after consultations with the interests concerned on its shape, nature and character. Mr Mehta also announced that he and the Home Minister would work in consultation with the proposed committee to fulfil the legitimate aspirations of scheduled castes and tribes. He assured the House that sufficient representation would be ensured to scheduled castes and tribes in government services and public sector undertakings.

The Rajya Sabha also had its say on the two reports of the

Commissioner for Scheduled Castes and Tribes. The course of this debate was not much different from that of the discussion in the Lower House. Intervening in this debate, the Prime Minister, Mrs Indira Gandhi, assured the House that the government firmly intended to achieve something positive in promoting the welfare of scheduled castes and other backward sections of our society by 1969, Mahatma Gandhi's birth centenary. She pledged her "unceasing attention" to the subject and agreed that these backward sections had to be given education, employment and land ownership. Referring to the criticism of the opposition that the allocation for the welfare of scheduled castes and tribes had been recently reduced, she pointed out that allocations for everything had been cut due to lack of resources. She hoped that increasing amounts would be made available for the welfare of backward classes in the years to come.

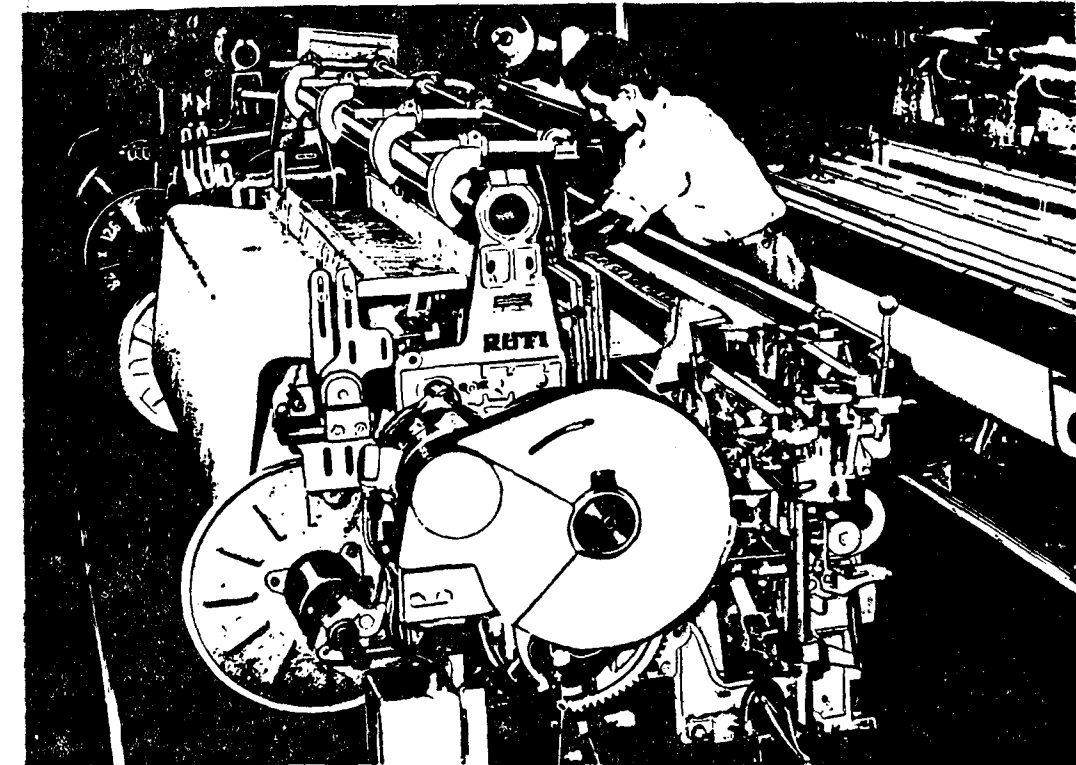
Divergent Opinion

The debate on the reports of the Education Commission and the Parliamentary Committee on Education was an acrimonious affair. Opinion on the continuation of English as a link language of the country differed widely. While several members, mostly belonging to the Hindi-speaking areas, called for more energetic efforts than have been made hitherto for making Hindi the only link language, several others, mostly from the southern states, wanted English to be continued as the second link language. There was, however, near-unanimity on encouraging the teaching of Hindi. Stress was laid on the learning of three languages—the regional language, Hindi and English.

The opinion on the neighbourhood school idea was also divided. While it received powerful support from the members belonging to the SSP, the PSP and the two factions of the communist party as well as from several others, some members expressed the view that its implementation would be detrimental to the larger interests of the country. The government, it was stressed by the latter members, should not be dogmatic about this idea. These members also felt that public schools, the abolition of which was demanded by the supporters of the neighbourhood school idea, should be retained. The need to improve the emoluments of teachers was emphasised by almost all the members who participated in the debate.

Winding up the debate, the Minister for Education, Dr Triguna Sen, indicated the thinking of the government on the matter. Whatever the details of the language policy might be, the policy, Dr Sen felt, should rest on three solid foundations: (i) adoption of regional languages as media of education at university stage; (ii) development of one link language which could only be Hindi ("we should carry the non-Hindi people with us," said Dr Sen); and (iii) English should be done away with as medium of education, but it should be learnt intensively along with other foreign languages as a "library language". Dr Sen also outlined a few other basic issues about education. These included: (1) responsibility of schools to inculcate the love of the motherland in the hearts of the rising generation (social and national service, Dr Sen said, should be made an integral part of education at all stages); (ii) the need to take vigorous steps to improve the status, remuneration and professional training of teachers; (iii) making of work experience an integral part of education at the school level, vocationalisation of secondary education and development of professional education generally and that for agriculture and industry in particular at the university level; (iv) provision of adequate "student services" such as scholarships, library facilities,

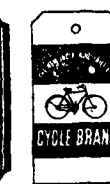
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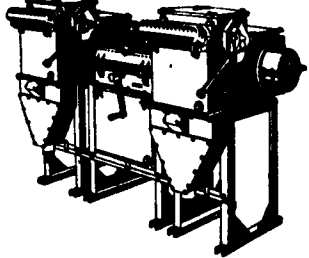
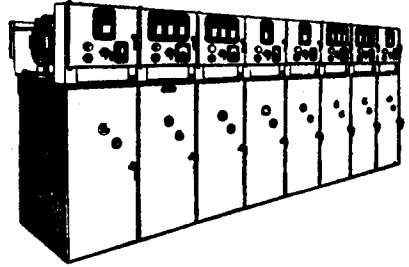
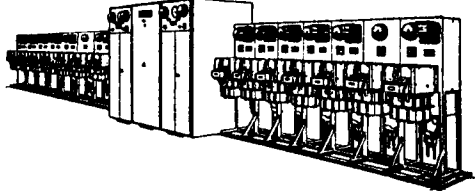
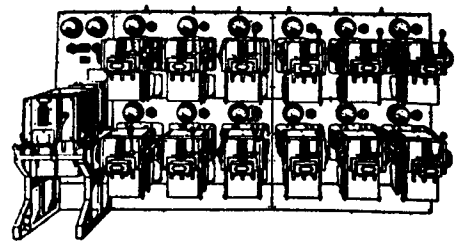
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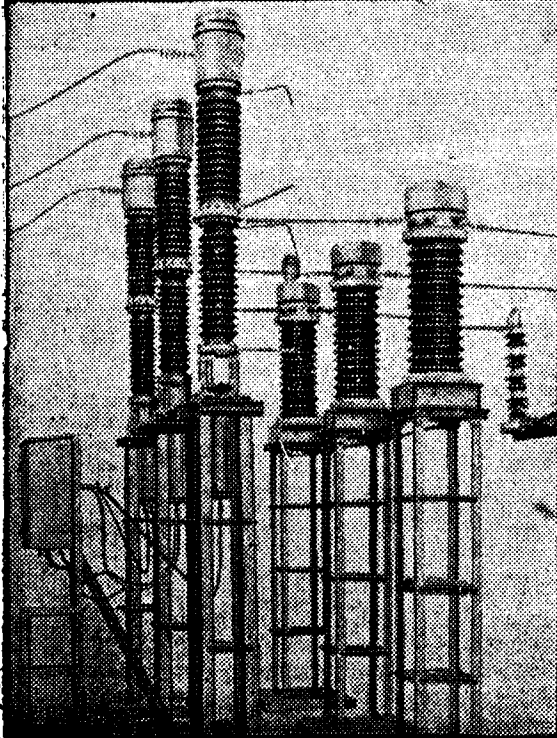
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games and sports, etc.; and (v) provision of research at the higher stages of education.

Intervening in the debate earlier, the Minister of State for Education, Prof. Sher Singh, informed the House that the government had a scheme to publish text-books in Indian languages, written by eminent writers, to facilitate the change-over from English to Indian languages. Where the publication of an original work on any subject was not possible, translation would be permissible, said Prof. Sher Singh. He disclosed that a sum of Rs. 18 crores had been set apart for the scheme. The scheme is expected to be implemented within five years.

Dearness Allowance

Among the important subjects discussed in the Lok Sabha was the payment of dearness allowance to central government employees in terms of the Gajendragadkar Commission's report. The move of the Finance Minister, Mr. Morarji Desai, that the additional DA that is to be paid to the central government employees should be credited to their provident fund accounts, instead of paying in cash, came in for severe criticism not only at the hands of the opposition but also from the treasury benches. Mr. Desai's critics saw in this move an attempt at freezing of wages which in their opinion, was unwarranted. The Finance Minister, however, stood firmly by his move and expressed the fear that pumping of nearly Rs. 175 crores into the economy—this was the sum which he thought was needed to implement the Gajendragadkar Commission's report—would accentuate inflationary pressures to the detriment of the entire population of the country. Mr. Desai expressed the view that the report of the Gajendragadkar Commission was only a set of recommendations and not an award. While the government, therefore, respected the report, it was not bound to accept it in toto. Mr. Desai expressed his inability, in the circumstances prevailing at present, to accept the Commission's recommendation that a new pay commission should be appointed after two years. He also did not agree that DA should be paid in cash only and further that the employers' capacity to pay should not be taken into account regarding payment of additional DA. Mr. Desai as well pointed out that in the matter of increasing DA, the central government had to act in consonance with the states. He reiterated that the question of DA for central government employees was connected with the imperative necessity to hold the priceline for which the government was considering measures in the form of freezing wages, profits, dividends and prices for some time.

Two bills were adopted by the Lok Sabha this week. These were: (i) the Public Wakfs (Extension of Limitation) Amendment Bill; and (ii) the Official Secrets (Amendment) Bill. The Public Wakfs (Extension of Limitation) Amendment Bill sought to extend the time-limit under the parent act by a year and a half to enable completion of civil proceedings for recovering wakfs property which had gone into unauthorised possession after the partition of the country. It was generally welcomed by the House and so its passage was an easy affair. The Minister for Industrial Development, Mr. Fakhruddin Ali Ahmed, who piloted this bill, informed the House that the government was contemplating a comprehensive legislation to deal with the properties of all trusts and charitable and religious institutions, whether they belonged to Hindus, Muslims or Sikhs. This legislation, he hoped, would be brought before the House by the end of next year.

The Official Secrets (Amendment) Bill sought to remove certain shortcomings in the parent act so as to make it more effective. It provided for the widening of the scope of sections 3 and 5 of the Act by bringing in their ambit cases of secret official codes the disclosure of which may affect the sovereignty and integrity of the country, the security of the state and friendly relations with foreign countries. The bill also sought to make all the offences under the act cognizable and non-bailable. It further provided for the enhancement of

penalties for certain offences and for making applicable a special rule of evidence to all offences of spying. The debate on this bill more or less followed the same course as the discussion on it in the Upper House last week.

The Lok Sabha also approved after a brief discussion the recent government notification regarding levy of export duty on iron ore. The Tea Cess (Amendment) Bill which provided for the levy of a cess of four paise per kg. on all teas produced in the country and for the collection of this cess in the same manner as the excise duty on tea was adopted by the Rajya Sabha.

Two bills—(i) the Unlawful Activities (Prevention) Bill, and (ii) the Central Industrial Security Force Bill—were referred by the Lok Sabha to joint select committees of the two Houses. The official attempt to hustle the former bill through was thwarted by the opposition. The opposition threatened to adopt all measures to prevent the passage of this bill without adequate discussion which it felt could not be completed in the short time at its disposal before the Lower House adjourned sine die. A compromise was, therefore, reached to send the bill to a joint select committee. The bill sought to confer powers on the central government to adequately deal with the secessionist tendencies threatening the integrity of the country. The controversial Central Industrial Security Force Bill, which sought to create a new central force to safeguard the security of public sector enterprises, also came in for scathing criticism. It could be referred to a joint select committee only after all the opposition members, except a few Jana Sangh and independent members, had staged a walkout in protest against the government going ahead with the bill.

Among the important bills introduced in Parliament this week was a bill to revise the Patents Law. This bill as a matter of fact has been reintroduced; it was reported upon by a joint select committee of the third Lok Sabha before the last general election, but it had lapsed because it could not be adopted during the life of the third Lok Sabha. The bill, generally on the lines of the third Lok Sabha select committee's report, seeks to cut down the validity of the future patents generally to 14 years from the present 16 years. The time limit for food, medicine and drug process patents is sought to be restricted only to 10 years. Inventions in some fields such as atomic energy are sought to be made non-patentable. The validity of the existing process patents for food, medicines and drugs is sought to be restricted to the remaining period of their life or for a period

Eastern Economist 20 Years Ago

AUGUST 15, 1947

Today is a great moment in the history of India. After over 1,000 years of successive subjugation and foreign rule, India becomes free and independent. British conquest and power was more complete and effective than any previous subjection and was also more alien, but India had ceased to be independent centuries before. The capacity for absorbing foreigners so often referred to by historians has not been as great and real as was often supposed, as Pakistan which has cut itself away proves to the hilt. The British brought about political unification under common subjection for nearly two hundred years but destroyed it in the process of withdrawal. The independence that India and Pakistan enjoy is unique and has had no counterpart in India's history. The period of Asoka and Sumundra Gupta was the nearest approach to an independent India but the quality of independence then was very different from that achieved at the present time.

of 10 years from the commencement of the new act, whichever is less. Another important provision of this bill is that the issue of patents in the case of foods, medicines and drugs would be limited only to processes; the substances produced would be excluded.

Two scandals—(i) the below-standard tyre imports scandal and (ii) the road-rollers scandal—brought to light recently by the Public Accounts Committee, rocked the Lok Sabha. There was a general clamour for taking stern action against the guilty. The Estimates Committee, in a report on the utilisation of external assistance, cautioned the government against rushing in for foreign loans merely to finance what it thought was a minimum need-based Plan.

Question Hour

Jute Goods : The Minister for Commerce, Mr Dinesh Singh, opined in the Lok Sabha on August 12 that the success of the Indian jute industry in future would depend on the development of new lines of production and exports and not on sticking to the old lines such as manufacture of sacking. Some measures to make the industry go into the production and export of new items, he said, were contemplated. But the Minister did not disclose them. Mr Dinesh Singh rejected the plea for any reduction in export duties in order to compete with Pakistan. We were still the "price setters" in jute goods trade, he said. It should, therefore, be possible for our industry to sell its products at proper unit prices.

Suez Closure : Mr Dinesh Singh told the Lok Sabha on August 11 that in spite of the closure of the Suez canal, import and export traders had so far managed to keep their commitments and no reports of cancellation of orders of any magnitude had come to the government's knowledge. It was, however, not possible, he said, to assess precisely the total effect of the closure of the Suez canal on our foreign trade. The government feared that the increase in shipping freight and the delay caused by the longer alternative route might have adverse effects on the country's trade in the long run.

Cotton Imports : Mr Dinesh Singh revealed in the Lok Sabha on August 11 that it had been planned to import 1.1 million bales of cotton during the current agricultural year from December onwards. He hoped that the country would become self-sufficient in cotton by 1970-71.

Export of Coal : The Deputy Minister for Commerce, Mr M. S. Qureshi, informed the Lok Sabha on August 11 that the possibilities of exporting coal to Hong Kong, Japan and some other countries were being explored. Exports of coal and coke to foreign countries had increased from 0.207 million tonnes in 1964-65 to 0.368 million tonnes in 1966-67. Measures to increase exports of coal to Burma and Ceylon were being taken.

Newsprint Production : The Minister for Industrial Development, Mr Fakhruddin Ali Ahmed, told the Lok Sabha on August 11 that the capacity of the NEPA newsprint factory would be doubled by the end of 1969. The present capacity of the factory was 30,000 tonnes per annum, against the total newsprint requirements of 0.17 million tonnes. Two other proposals for the manufacture of newsprint, Mr Ahmed said, were under the consideration of the government. One of these envisaged setting up of a 60,000 tonnes capacity plant in Uttar Pradesh by using bagasse as raw material. The other unit of a similar capacity was proposed to be set up in Himachal Pradesh by Messrs. Karamchand Thapar and Sons with Canadian collaboration. Mr Ahmed further revealed that four other proposals for newsprint production had also been received some time ago but the parties concerned had shown no interest after letters of intent had been issued to them.

Industrial Policy : Mr Ahmed told the Rajya Sabha on August 10 that the government's future policy towards industry was going to be of increased decontrol. Replying to questions on the causes of rise in prices, Mr Ahmed stated that one of

the main reasons for the phenomenon was the shortage of raw materials. If agricultural production went up this year, the government should be able to check the rise in prices. Mr Ahmed further disclosed that the government was taking steps to prevent restrictive trade practices which had been discovered in certain areas of the country. Referring to the import licences granted to priority industries which had remained unutilised, Mr Ahmed said that the government would consider whether these licences could be given to non-priority sectors.

Vizag Shipyard : The Minister for Transport and Shipping, Dr V. K. R. V. Rao, admitted in the Lok Sabha on August 8 that the performance of the state-owned Hindustan Shipyard was not satisfactory. Nearly 50 per cent of its machinery was more than 20 years old. Its output of ships had not come up to expectation and its losses worth Rs 10 crores had to be made good by government subsidies. The government, Dr Rao said, was, however, taking steps to improve the working of the shipyard. These steps included modernisation of equipment and streamlining of top administration. As a result of this re-organisation, the shipyard, Dr Rao hoped, would turn out four ships annually from next year, as against two to three at present. If the financial situation improved, the shipyard would be expanded so as to produce six ships a year. Then the shipyard could be run economically.

Rural Credit : The Minister of State for Community Development and Co-operation, Mr M. S. Gurupadaswamy, informed the Rajya Sabha on August 7 that the question of rationalising the rates of interest for rural credit was under the examination of the government. The government hoped to arrive at some conclusions very soon. The present rates on short-term and medium-term loans advanced by co-operative credit institutions, Mr Gurupadaswamy said, averaged 9.5 per cent. In some cases, the rate exceeded 10 per cent. "It is our intention to see that the all-India average percentages are brought down to a reasonable level, may be nine per cent", he added.

Sugar Exports : The Minister of State for Food and Agriculture, Mr A. P. Shinde, stated in the Rajya Sabha on August 7 that exports of sugar had come down from 310,624 tonnes during the first seven months of 1966 to 133,535 tonnes during the corresponding period this year. The total quantity of sugar to be exported during the current calendar year was estimated at about 0.22 million tonnes, as against 0.441 million tonnes in 1966.

Commercial Advertising : The Minister for Information and Broadcasting, Mr K. K. Shah, told the Lok Sabha on August 7 that the introduction of commercial advertising, which was to be done on August 15, has been postponed to November 1 in deference to the wishes of publishers.

Trade with North Vietnam : The Minister for External Affairs, Mr M. C. Chagla, told the Lok Sabha on August 7 that the government saw no reason to review its policy of "no trade" with North Vietnam. The Prime Minister, Mrs Indira Gandhi, clarified that trade with North Vietnam had been stopped in 1962 on the consideration that the goods sent to that country might find their way to China. This ban on trade with North Vietnam had nothing to do with the restrictions on the carriage of cargoes financed by the US Agency for International Development imposed in January, 1966.

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Fundamental Changes in West Germany's Economy

JOSSLEYN MENNESSY

RECIPE FOR "MIRACLES"

LONDON:

WEST GERMANY'S gross national product (at 1954 prices) rose by 16 per cent from DM 279,600 million in 1962 to DM 332,000 million in 1966, while income per head rose by 14 per cent from DM 4,884 to DM 5,597. In the same years the index of all manufacturing output rose from (1958=100) 135 to 185 and of basic and producers' goods from 141 to 186.

If I now submit some reasons for believing that West Germany's growth rate is likely to be substantially slower in the years immediately ahead, it is not because I have joined the ranks of those who for some seven years past have been annually proclaiming "the end of the miracle". My submission is quite different. It is that (a) certain new factors are transforming the fundamentals of West Germany's economy, but (b) to the extent that West Germany has departed from the free market economy principles that explained the "miracle" it will find it difficult to adapt to the new factors.

What were the principles of the miracle? To what extent are they upheld or disregarded today? What fundamentals in the economy have changed?

The widespread belief that the "miracle" was based on the influx from the communist countries of 13 million refugees, who allegedly provided West Germany with a mass of cheap labour is nonsense. Far from rejoicing over these extra millions of workers, the Allied and German authorities, remembering that massive unemployment between the wars ended in Nazism, were dismayed. The refugees crowded into a country whose larger cities had lost 30 to 50 per cent of their houses. They had to be steered to wherever shelter could be found—to the rural areas—where they huddled in shacks, waiting, destitute, without hope, without retreat. Those in India who remember the refugee camps during and after partition will have some idea of conditions in West Germany.

Basic Principles

That these 13 million destitutes became productive workers was not the result of accident, still less of the sheer weight of their numbers, but of free market policies. There were those who urged (i) organised mass emigration to countries with open spaces such as Canada or Australia, (ii) that employment should be brought to the unemployed by special development area grants, (iii) that social considerations should prevail to allow the greatest possible numbers of the refugees to resume their old occupations as farmers, artisans, etc., and (iv) that expenditure on public works to create jobs should have priority over other social claims. The government did, of course, provide a minimum safety net of social security but, in the face of bitter criticism, Erhard steadfastly insisted that policies based on economic rather than social criteria would ultimately produce a prosperous and permanently stable economy. He decided, for example, to steer workers to where employment existed rather than to build up a diversified economy in "penny packets" in rural areas.

Erhard rejected the contemporary British diagnosis that Germany's economic paralysis was an "under-consumption" depression to be cured by Keynesian deficit financing. He pointed out that what was lacking was not buying power (of which, before the monetary reform of June, 1948, there was an inflationary surplus) but goods to buy, and that it was the war-time running down of plant and equipment, and the devasta-

tions of war, which rendered the production of sufficient goods impossible. In other words, West Germany was suffering from under-investment. Investment could not come from further creation of paper, but only by restoring real values and the price mechanism by means of a currency reform, and thereafter clamping down on consumption in order to divert resources to massive investment in new plant. Erhard ensured this by allowing the enterprising to make—and to keep—high profits and by maintaining high rates of interest to promote the efficient use of resources. There were extraordinary opportunities for aggressive and imaginative entrepreneurs. They had to be aggressive and imaginative because, whereas in times of inflation profits are easy to make, when the currency is stable consumers control the economy, so that profits go only to those entrepreneurs who gauge demand correctly and who keep their costs competitive.

Rationalisation Enforced

The foundation of the "miracle", the currency reform (which cut the value of money by 93.5 per cent: 100 old marks exchanged for 6.5 new marks) and the maintenance of realistic credit conditions, enforced rationalisation. This contributed in the short run to the initially high level of unemployment but in the long run, by eliminating feather-bedding and promoting the economic use of labour, gave West Germany an outstanding rate of productivity and, above all, realistic social attitudes towards efficiency and competition, which is one of the secrets of West Germany's built-in competitiveness and of her recurrent export surpluses.

Year by year the total numbers at work rose, from 15.4 million in 1956 with 1.6 million unemployed to 21.2 million and 150,000 unemployed in 1962. The total labour force (including over one million foreign workers) in June 1966, was 27.21 million with 0.7 per cent (161,000) unemployed.

Erhard's policy of boosting (1) public investment by budget surpluses derived from high taxation and (2) private investment by inducements to plough profits back got West Germany prosperously onto its feet, but as time went on some disadvantages became apparent. The government investment originally went primarily into roads, schools, hospitals, etc., but it then began to compete with the free market and the steady growth of the public sector disturbed public opinion. In the private sector, also, ploughing back was encouraging ever larger concentrations. Erhard accordingly inaugurated a second phase with his "Share-the-wealth" policy, the aim of which was not so much to re-distribute income as to spread ownership of wealth. He reduced income-tax from 95 to a maximum of 35 per cent and sought to raise revenues more and more from sales and consumption taxes.

II

NEW FACTORS

Those were halcyon days. New factors have now emerged which reduce the bases for future growth. West Germany's difficulties (outlined here on June 23 last) in 1965 when it incurred the biggest current balance of payments deficit ever recorded, and the steepest consumer price rise since the post-Korean boom in 1953, might have been easier to handle if the political parties had grasped that the possibilities of recapturing the striking growth rates of earlier years were receding and called not for new policies but for the reinforcement of the policies of the "miracle" which were being blurred by the increasing indulgences of "affluence".

The first changed factor is that by 1970 the labour force,

at an estimated 26.95 million will be 300,000 fewer than today, while the total population at 60.95 million will be 1.3 million greater, i.e. the number of gainfully employed workers will have fallen by 15 per 1,000 of population. This decrease follows the growing disproportion (noticeable also in the UK and other western nations) between the numbers of those reaching retirement age and of young people entering the labour force. Secondly, the prolongation of school education will (as in other countries) reduce the numbers gainfully employed. Thirdly, working hours are likely to be further reduced. Foreign workers cannot wholly fill these shortages, because they are mostly less skilled and almost always more expensive through extra costs in housing, food and transport.

With less labour available, more capital will have to be invested but it is likely to be less productive than before because it will no longer be possible to combine new investments with additional labour supplies. To achieve the same increase of output as before, greater capital expenditure will be needed since only total capital can be increased further but not the number of workers employed. In other words, the real return from additional capital input, and hence presumably also the rise in output per person employed, will be less in future than it still was a few years ago.

The slowing down of growth because of rising labour shortages and falling productivity could, of course, be to some extent prevented by raising the investment ratio onto an altogether higher level, i.e. by reducing the share of consumption in the GNP, but the universally rising trends of public expenditure make that unlikely. The chances in West Germany (as in other welfare democracies) are that the investment ratio will fall rather than rise.

Profound Effects

The fall in the ratio of the gainfully employed will have profound effects on West Germany's social insurance institutions. UP till 1970, the number of workers compulsorily insured will fall but the numbers of those receiving pensions will rise. By 1970, there will be 800,000 (or 10 per cent) more pensioners than in 1966. The gap between receipts and expenditure must widen if contributions are not raised. In 1967, the deficit is expected to be at least DM 1,500 million, compared with a surplus of DM 1,250 million in 1966. The trouble is that whereas West Germany's social insurance system had an unimpeachably sound anti-inflationary actuarial basis until 1957, in that year the government inaugurated a Pensions Reform, which gave the insured person, after 40 years' insurance, a pension equivalent to 60 per cent of his last wage or salary, plus rises thereafter corresponding to the percentage of annual increase in the national income, so that retired persons could share the rise of income of those who remained at work.

This took pensions out of the field of insurance and plunged them into the political arena. If present contribution rates (14 per cent of gross wage or salary) are not increased, the deficit on pensions would grow to DM 8,000 million by 1970 even if average earnings rose by four per cent each year. To prevent this deficit, the contribution rate would have to be 18 per cent. If this is not done, the pension insurance institutions will suffer reductions in their total capital funds. Further, all current political pressures are strongly towards consuming capital. In a period which, on economic grounds, would require an increase in capital formation, not only would a previously important source of capital formation be lost (DM 1,250 million were formed in 1966, when capital funds totalled DM 27,000 million), but, in addition, dissaving would start, which would reduce the size of overall capital formation, because it could not be accompanied by a corresponding rise in the private saving ratio. The sensible (non-political) solution would be either to raise contributions enough to cover the deficit or to alter the system of

pension increases so that pensions were kept at realistic levels. The political solution—to cover the pension deficits from the Federal budget—would be nonsense in the present state of Federal finances.

The 1967 budget is likely to be DM 2,000 million in the red. The government will also have to borrow a further DM 2,500 million to cover the special investment budget (explained on page 1,252 of 'Eastern Economist' of June 23). Forecasts of future deficits on the basis of existing commitments (i.e. without including the rising pensions' deficit) show gaps rising from DM 7,400 million in 1963 to DM 12,400 million in 1970.

III

THE ECONOMICS OF WELFARISM

The greater part of these Federal expenditure increases are for wages and salaries of government employees (including the armed forces) and for the social services, which together accounted for more than 80 per cent of the increase in 1966. Since independently of this, income transfers will continue to rise in the other public budgets also, especially in the social insurance funds, the obvious need seems to be to slash all items of expenditure which are merely redistributing income. Such items would include housing subsidies to individuals and concessions and subsidies to obsolescent industries (such as coal and some steel enterprises). All such transfers add to the burdens on the dwindling numbers of the gainfully employed who have to support rising numbers of pensioners.

Since it is essential (for the reasons outlined above) to expand investment, the capital market becomes more important than ever as the main source of non-inflationary investment finance, and the government had better avoid repeating what it has done several times since 1965, namely, force the Bundesbank to fight inflation by monetary measures alone which kill the capital market. This would have been avoidable if the government had helped the Bank by refraining from increasing expenditure and/or by increasing taxes.

The prospects for more institutional saving (e.g. insurance companies or works pension funds) are dim, because government old-age insurance is now so comprehensive that the mass of the people feel less and less urge to do any saving for themselves. This, again, is a factor not confined to West Germany but is increasingly to the fore in all welfare democracies. Welfare politicians should note that pensions financed by actuarially inadequate contributions and by deficits covered out of current taxation (or inflation) add nothing to the formation of a nation's wealth.

In private enterprise insurance, on the other hand, insurance institutions receiving realistic premia build up surpluses to invest, so that in an expanding economy their capital steadily grows, and not only can insured individuals share in the increased wealth by means of "with profits" policies, but the economy benefits by a rising pool of funds seeking investment.

The West German government, like many others, seeks to encourage savings by special concessions (Saving Premium Law etc.). The disadvantage of these is that a substantial flow of private savings, in favour of which the government is discriminating, does not increase the general supply of capital available to eager entrepreneurs in search of increased profits from investment in risk-taking growth industries, but is channelled into earmarked uses, irrespective of the market's demand for them. This is clearly seen in West Germany, which grants special terms for savings in building associations. In 1966, of households' total savings of DM 35,000 million (11.4 per cent of their disposable income), saving under discriminatory concessional terms through building associations accounted for 30 per cent. The use of the remaining 70 per cent of the saving is not tied but is available for the needs of trade, industry, the

public authorities, and also of house-builders (as a rule on first mortgages). In the past fifteen years, house building was certainly an urgent need, but I question whether West Germany's economy as a whole benefited by this distortion of the capital market by discriminatory concessional savings, and it is today certain that to continue to channel no less than 30 per cent of available household savings into housing at the expense of innumerable alternatives in industry, trade, and commerce, risks the misallocation of resources in increasingly short supply.

Given that the scope for growth is now diminishing, the federal and state governments have no realistic alternatives but to cut down the rate of growth of their own expenditure proportionately. If they career madly on as at present, all the sacrifices of the present Stop (for the severity of which they are to blame because they left to the Bundesbank the main burden of restrictions) will have been in vain, and the decks, instead of being cleared for economic growth, will soon be fouled anew with inflation.

IV

THE FUTURE

And here we come full circle.

The basis of the "miracle" was a stable currency, which gave consumers the controlling power of demand, which gave entrepreneurs the genuine incentives of opportunities for high profits. If the West German government remains faithful to these principles, it need not be dismayed by the new problems presented by a static labour force and the tendency of productivity to fall.

Inflation may for a time seem to quicken economic growth, but it would make no difference in real terms to the long-term flattening off of the real growth trend which now faces West Germany. It would be unfortunate if, on the grounds that the

revenues of the states and social insurance institutions were not growing enough, economic and social policy were directed to speeding up the economy's growth in purely nominal terms. When inflation expands revenues it is true that expenditure can be financed without difficulty and budgets may even appear to be balanced, but when public demands are rising faster than the national product, the real equilibrium is achieved by price rises—the most anti-social solution of all.

The grand aims of contemporary policy in industrialised economies, such as that of West Germany, are to maintain full employment, to ward off incipient recession, to maintain the balance of payments in equilibrium, to keep GNP growing (steadily rather than spectacularly, which too often means jerkily), and to maintain a steady rate of capital formation (without which there can be no economic growth). The starting point of every one of these aims is a stable currency. Inflation leads to over-full employment, to violent Stop and Go, to balance of payments deficits, to inadequate savings, to inadequate capital formation, to inadequate growth in GNP, and above all to spreading social injustice by black markets, "profiteering", and all the social discontent and envy aroused by (vain) efforts to enforce an incomes policy. The first West German "miracle" is over, but if its basic principle continues to be applied, there is nothing to prevent—indeed every reason to expect—a second.

Sources and Acknowledgements: I am grateful to the 'Economist' Intelligence Unit (27 St. James's Place, London, S.W.1.) for allowing me to extract some facts and figures from their latest Quarterly Review on West Germany; and I have also drawn on the latest reports of the Deutsche Bundesbank and of the OECD. Although none of these authorities are responsible for my interpretation of the facts, I would not be surprised if, for once, they were all in enthusiastic agreement with me.

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Bonn-Prague Trade Agreement

E. B. BROOK

VIENNA:

CONCLUSION OF a trade agreement between West Germany and Czechoslovakia is a solid and useful achievement by both parties. Its importance is, in a sense, greater than the exchange of embassies between Bonn and Bucharest since, ideologies apart, there were no marked outstanding disputes between West Germany and Rumania. But in Czechoslovakia, West Germany has an immediate neighbour with whom its relations, 22 years after the end of the war, remain distant, difficult, though economically and politically immense.

Although Prague was the least damaged of the east European capitals in the war there is no area of deeper suspicion and greater basic dislike of the Germans than Czechoslovakia. For years after the war it was not possible even to play German music in Prague. The wearing of German-style hats there is still unpopular. Today the Czechs and Germans move towards one another with caution and slowness. Czechs easily take offence at German obstinacy and aggressiveness, as many East Germans have found. Any agreement that is achieved is still liable to come apart owing to misunderstandings and suspicions.

The basic reason is that, even today, the Germans have not formally repudiated the Munich agreement of 1937 which gave Germany a pretended right to the richly fertile lands in the extreme west of Czechoslovakia on the basis that their productivity was the result of generations of hard-working, skilful German farming. Repeated post-war German statements that the agreement was invalid do not satisfy the Czechs. The Germans decline to sign any document making repudiation of this claim formal and final, in line with their general refusal to give recognition to any post-war delimitations till a formal peace treaty is signed.

The trade agreement now arrived at renews a state of relations that had existed for some years up to 1964. The trade agreement lapsed at that time because the Czechs refused to agree that Bonn had any right to include West Berlin in the area for which it negotiated. It appears that the Czechs, like the Rumanians, Poles, Hungarians and Bulgarians have accepted that West Berlin may be included—though, with the Czechs, the point is said to be covered in a secret postscript to the agreement. There is also agreement to exchange trade missions which, in West Germany, will have their seats in Bonn as well as in Frankfurt. During the period from 1964 till today Czechoslovakia's not inconsiderable trade with West Germany was conducted by a trade office, with no consular powers, in Frankfurt. Last year trade between the two countries was worth Rs. 1,500 million.

In Czechoslovak foreign trade the Soviet Union, which takes much heavy industrial machinery from the Czechs, accounts for nearly half Czech exports. Since 1964 this proportion has been slowly declining, but not significantly. Second to the Soviet Union, but with approximately one-third of its trading volume, stands East Germany as Czechoslovakia's trading partner. In recent years Czech-East German trade exchanges have increased. Poland comes third in the Czech trading list and Hungary fourth.

Czechoslovakia's principal west European trading partner is Britain, with Italy and Austria a poor second and third. The US trade with Czechoslovakia is increasing but remains very small. India buys more from and sells more to Czechoslovakia than does the USA.

Czechoslovakia's trade with West Germany came in for

much discussion earlier this year when, on March 1, a new treaty of friendship, co-operation and mutual assistance was signed in Warsaw by the principal Czechoslovak and Polish leaders. It was signed under the new circumstances of Bonn's success in establishing diplomatic relations with Rumania.

At that time Poland and East Germany proved more intransigent towards West Germany than did Czechoslovakia which insisted, in distinction from its communist colleagues, that diplomatic relations between two countries were a subject of bilateral, not multilateral negotiation. Despite pressure by Moscow, Warsaw and East Berlin, Prague insisted quietly that it must preserve some free elbow room for itself in any negotiations with Bonn.

This attitude and the Czech party's new business programme, announced late in March, of seeking deliberately to improve trade with west Europe generally, of repaying speedily short-term credits, and of importing licences and foreign experience on a much larger scale denoted a more open mind in Prague than had formerly been the case.

One of Bonn's best commercial negotiators was in Prague for over ten days before the new agreement was signed. He was frequently in personal touch with Herr Willy Brandt, the West German Foreign Minister, and, even at the last moment, reportedly obtained his telephonic sanction to the West Berlin position being dealt with separately in a confidential clause. The delicacy of the new agreement is emphasized by the fact that no details were disclosed till the West German delegation was back in Bonn and that West Berlin is referred to slightly and obliquely in the text as revealed.

The agreement is, however, no small triumph for both sides. Czechoslovakia, which is easily east Europe's most technically advanced industrial country, needs western foreign exchange. West Germany is her most natural market. West Germany has achieved a better prospect in its most useful and most easily accessible east European market—a much needed help in relief of its current economic problems.

West Germany has also achieved a shrewd second step into east Europe. Had she negotiated, possibly more easily, with Yugoslavia after succeeding with Rumania, West Germany would have risked arousing Moscow's suspicions that she was trying to split and sabotage communist east Europe.

As it is, West Germany has made a cautious advance with Prague, Moscow's staunchest and most reliable ally in Europe. The first result will probably be an increase in West German-Czech trade, even in this year, by at least one-fifth in volume.

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Trade Winds

JUTE PRICE POLICY

TO STABILISE the price of jute goods, the establishment of a Jute Goods Buffer Stock Association was announced on August 10 by the Commerce Minister, Mr Dinesh Singh, in the Lok Sabha. The association would be on the lines of the Jute Buffer Stock Association. With the expectation of a bumper jute crop this year, the price of raw jute had fallen and the decline in the prices of jute manufactures had been disproportionately steep. Mr Dinesh Singh also announced that the suspension of futures trading in jute goods for one week would be extended from time to time so long as necessary. He said the government did not consider it advisable to curtail production in the present circumstances. Instead, he wanted the production pattern to be adjusted to the changes in the demand pattern.

The prospects of a bumper crop, he added, had unduly depressed the market for both raw jute and jute goods. The decline in prices of jute manufactures had been disproportionately steep and the foreign buyers who had been holding off from the market in expectation of a further fall had helped to accentuate the bearish sentiment. "If remedial steps are not taken, further downward pressure will be exerted on the prices of raw jute, production of jute manufactures may be dislocated and our export earnings may be adversely affected." The Minister said that the government was committed to providing minimum support for raw jute at the support price of Rs. 40 per maund for Assam Bottom delivered at Calcutta. "I would like to assure the House that steps have been taken to ensure that this commitment is fulfilled," he added.

The Minister assured Parliament that the Jute Buffer Stock Association and the State Trading Corporation, if necessary, would enter the market and buy any amount of raw jute at the minimum support prices. This would prevent a further fall in the price of raw jute. To prevent a fall in jute prices below the minimum level, the State Trading Corporation would enter the market and buy any amount of raw jute to build a buffer stock.

Regarding the question of providing stability to jute products, the Minister announced that the government would create a buffer stock for jute goods of standard constructions. Purchases for and sales from such a stock would help to absorb shocks stemming from fluctuations in demand and to impart steadiness to both production and trade in this important item. The government had accordingly decided to give assistance and support for bringing into being, without loss of time, a Jute Goods Buffer Stock Association. The Minister said that the government did not consider the fixation of a minimum price for jute goods on a statutory basis was called for. "We expect that the existence of the Jute Goods Buffer Stock Association will make it easier for the industry to take such reasonable steps, by way of voluntary discipline, as may be found to be necessary to stabilise the price level in the long interests of producers, sellers and buyers". He rejected the plea for curtailing production. On the other hand, he preferred to see the production pattern "adjusted to the changes in the demand pattern, to stimulate government purchases, to revive foreign demand and to advise banks to reinforce the industry's holding power."

COTTON POLICY

Announcing the cotton policy for the year, the Commerce Minister, Mr Dinesh Singh, told Parliament on August 10 that the statutory price control would be lifted, but the control on distribution might be intensified to avoid hoarding and profiteering. In place of the statutory floor price, he announced

a minimum support price, which has been pegged five to 10 per cent higher than the present floor level.

He also announced that credit curbs would be intensified further till the new crop arrived in the market "in substantial volume." The new policy takes effect from September 1.

Mr Dinesh Singh said the control on cloth would remain unchanged because it was his firm belief that cotton prices in the coming season would rule at a level below that attained in the latter half of 1966-67. "I am, therefore, of the view that the industry should find it possible to discharge its obligations to the consumer".

Announcing the support price, he said he would assure the grower that the government would be prepared to buy whatever quantities were offered for sale at this price. The support price for the 1967-68 season for the standard variety, namely Vidharbha MP Virnar 27/32" fine has been fixed at five per cent above the present level (the revised price being Rs. 279 per quintal or Rs. 990 per candy). For other important varieties, including ISC-67 (but excluding Bengal Deshi) the minimum price is being pegged at levels ranging between five and 10 per cent, according to quantities, over the corresponding floor price for the current year. In order that the legitimate interests of growers, trade and mills are safeguarded and the price movement is stabilised, the Textile Commissioner would be assisted in overseeing the operation of control measures by a standing committee of the Cotton Advisory Board.

Referring to the need to strengthen distribution control on cotton, Mr Dinesh Singh said the government expected that with the improvement in the supply position, prices in the forthcoming cotton year would rule at reasonable levels and thus facilitate the sale of cotton by farmers and its purchase by co-operative marketing societies, trade and mills in an orderly manner. With a view to maintaining stable price and trading conditions, thus avoiding hoarding and profiteering, the government proposes to strengthen and wherever necessary intensify measures for control over the sale, purchase, stocking and movement of raw cotton. "The details of these measures will be worked out in consultation with the Cotton Advisory Board on which all concerned interests are represented. Further curbs on credit are proposed to be intensified until the new crop starts arriving in market in substantial volume."

He explained that in formulating this year's cotton policy, the government had kept in view two principal objectives—first, to assure the grower a fair remuneration for his produce and secondly, to assure to the consumer supplies of controlled varieties of cloth at current prices.

IRON ORE EXPORTS

The exports of iron ore by the Minerals & Metals Trading Corporation continued to maintain their upward trend during July this year when 539,000 tonnes of the commodity were exported to various destinations. These exports related only to the direct contracts entered into by the Corporation. Its exports of iron ore during the corresponding month last year totalled 497,000 tonnes.

COKING COAL COMMITTEE

The government has given final shape to the Coking Coal Producers and Consumers Committee consequent on the de-control of coal prices and distribution of coals other than coking coal required for metallurgical purposes. The committee will be headed by the chairman of the Coal Board. It will consist of 12 members besides the chairman—five representatives of the private sector coal industry, one represen-

tative from the National Coal Development Corporation Ltd., one representative each from the five large integrated steel plants and a representative of cokeries. The committee would function on a voluntary basis and would look into the problems relating to distribution, movement etc. of metallurgical coal for consumption by metallurgical industries. The Coal Controller would, however, continue to regulate the distribution of coking coals required by metallurgical industries as hitherto, having regard to the needs of conservation and other relevant factors and keeping in view the conclusions of the committee in this regard.

JUTE FUTURES SUSPENDED

The Government of India suspended on August 4, 1967, all business in jute goods in futures market (i.e. to suspend entering into forward contracts into jute goods other than transferable specific delivery contracts and non-transferable specific delivery contracts) for a period of seven days as the fall particularly in the prices of jute goods was not justified by the level of stocks of these goods. A press note has stated that in the interest of the trade and in the public interest it was considered necessary to extend the suspension period by a further period of seven days. Accordingly an Extraordinary Gazette Notification was issued on August 10, 1967, directing the East India Jute and Hessian Exchange Ltd, Calcutta, the only association which deals in forward trading in jute goods, to suspend entering into forward contracts in jute goods other than (i) transferable specific delivery contracts and (ii) non-transferable specific delivery contracts for a further period of seven days with effect on and from August 11, 1967.

AGRICULTURAL CREDIT CORPORATIONS

The Government of India has constituted a Working Group to draw up a model scheme for the proposed agricultural credit corporations which are shortly to be established in Assam, Bihar, Orissa, Rajasthan and West Bengal and in the union territories of Tripura and Manipur. They are intended to provide short-term loans for agricultural production. This is in pursuance of the recommendations of an informal study group of the Reserve Bank of India, which reviewed progress in the provision of co-operative credit some time ago.

The members of the Working Group are Mr A. C. Bandyopadhyay, Joint Secretary, union Department of Co-operation; Mr Saran Singh, Joint Secretary of the union Department of Agriculture; Mr D. N. Ghosh, Deputy Secretary, Ministry of Finance; Dr C. D. Datey, Chief Officer, Agricultural Credit Department, Reserve Bank of India; Mr S. K. Chakravarti, Kosi Area Development Commissioner, Bihar; and Mr M. M. K. Wali, Special Secretary, Agriculture Department, Rajasthan.

KASHMIR BUDGET

The Kashmir budget for 1967-68, presented to the state assembly on August 10 by the Finance Minister, Mr D. P. Dhar, placed revenue receipts at Rs. 46.94 crores and revenue expenditure at Rs. 52.55 crores, leaving a revenue deficit of Rs. 5.61 crores, which is proposed to be met by "a corresponding surplus likely to be available on capital account". Mr Dhar said the year was expected to close with a cash balance of Rs. 2.30 crores. The budget includes an amount of Rs. 40 lakhs as yield from additional taxation measures to be undertaken in the remaining part of the year. The fresh taxation measures are: increase in sales tax on petrol and carpets; sales tax on timber and bricks; surcharge levy on road toll on vehicles carrying fruit produced in the state; and revision in the electricity tariff. Mr Dhar announced that the government proposed to remit land revenue on holdings which are assessed to a revenue of up to nine rupees. This would result in a loss of Rs. 30 lakhs to the exchequer out of the current estimated total revenue of about Rs. 55 lakhs. Outstanding land revenue arrears up to September last year were estimated at Rs. 33 lakhs. Mr Dhar stated that public sector undertakings were expected to make

a substantial contribution to revenues. Plugging of loopholes in the collection was expected to fetch an additional Rs. 75 lakhs. Referring to the last year's budget, he said it was expected to have a revenue deficit of Rs. 2.19 crores, which had increased to Rs. 3.72 crores in revised estimates. In last year's budget, a surplus of Rs. 4.08 crores was anticipated on the capital side in the revised estimates. The net effect of transactions for 1966-67 would, therefore, be an additional cash balance of the order of Rs. 36 lakhs.

DIESELISATION AND ELECTRIFICATION

The Indian Railways propose to bring an additional 13,000 route kilometres under diesel traction during the fourth Plan. With this almost all the trunk routes of both the broad and metre gauge systems will be covered by dieselisation. At the end of the third Plan period in 1965-66, 9,500 route kilometres had been covered by diesel traction. Under the proposed electrification programme, about 3,300 route kilometres will be covered by electric traction by the end of the fourth Plan. In March 1966, about 2,500 route kilometres were under electric traction. Prior to Independence only the suburban areas of Bombay and Madras, totalling about 390 route kilometres were electrified on the Indian Railways.

Diesel and electric locomotives have been employed on a few selected long distance mail and express trains between Delhi-Howrah, Delhi-Madras-Bangalore, Delhi-Bombay and Howrah-Amritsar. This has resulted in an appreciable saving in the overall journey time, and the provision of about 25 to 30 per cent extra passenger accommodation on each train. The government's policy is to introduce more diesel and electric trains during the fourth Plan period.

During the second Plan period an electrification programme on the modern 25 kv AC system was undertaken and 362

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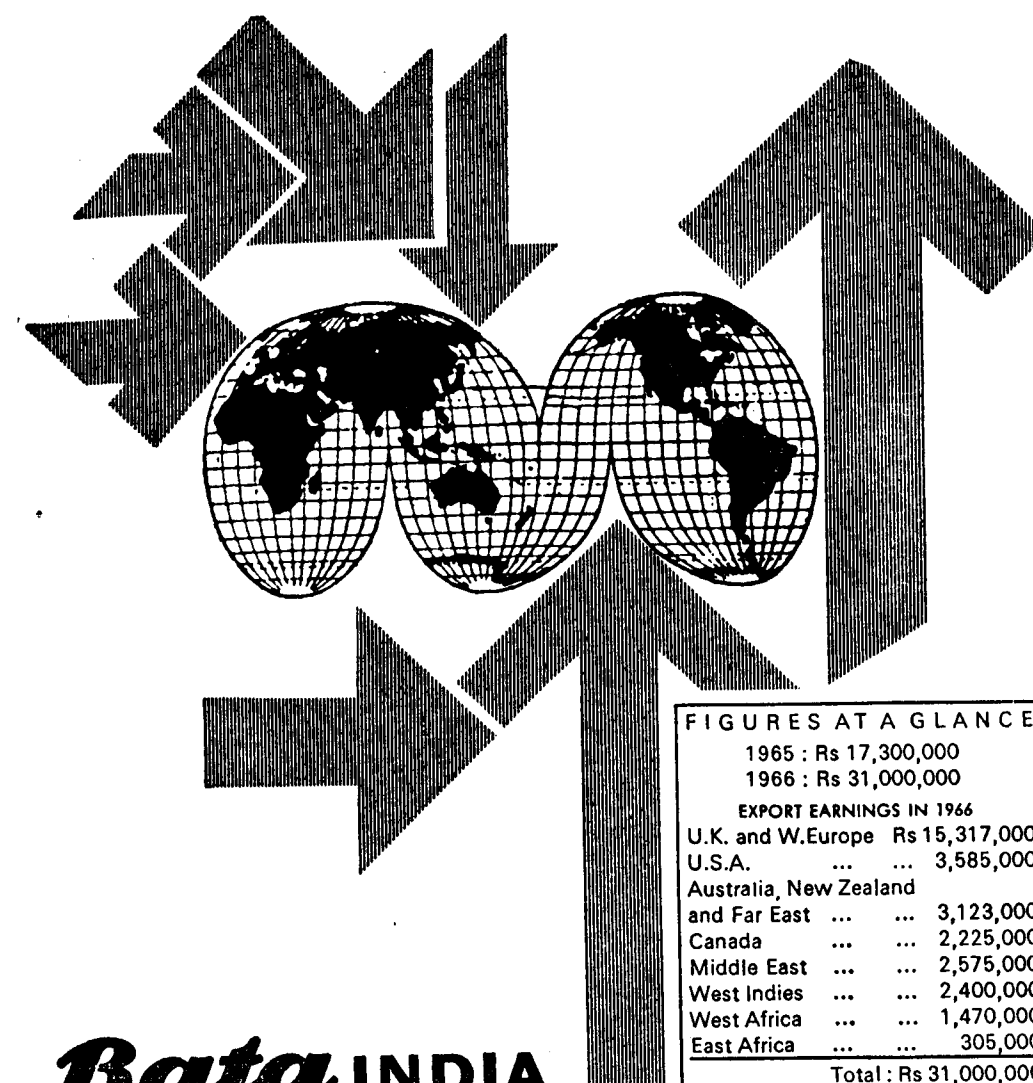
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Bata INDIA

Exports Hit New High in 1966

Rs 31 Million Earned in Foreign Exchange

Bata-India, the country's leading exporter of footwear, has hit a new high in 1966, by earning Rs 31 million in foreign exchange.

A net gain of U. S. \$ 500,000 (half a million) over what it earned in 1965.

A remarkable performance indeed : achieved at a time of general decline in exports from India, and in the face of keen competition from such major exporters as Japan, Hong Kong and others.

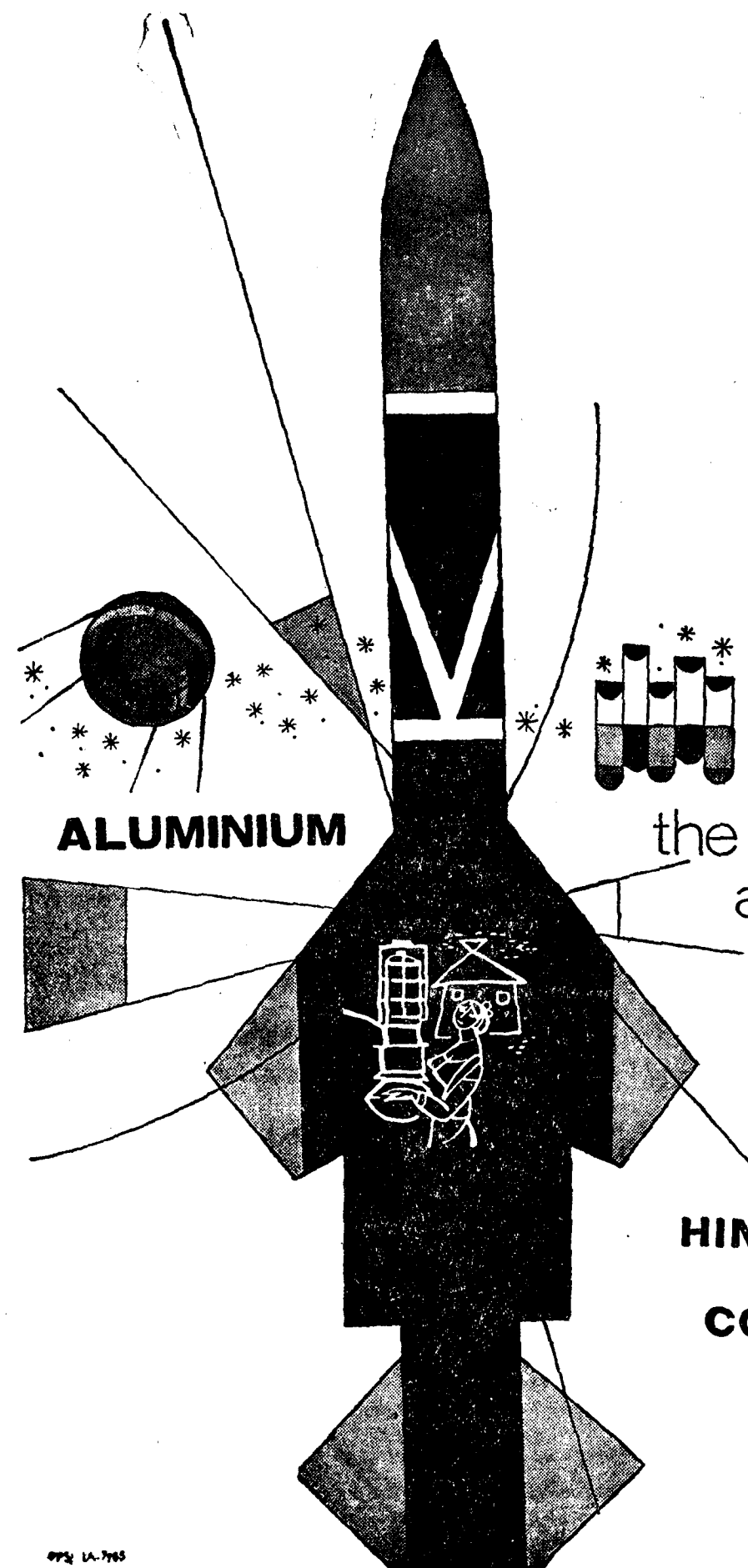
What is more, many developing countries, becoming self-sufficient in footwear production, are not only restricting imports, but are making a bid to enter the export field themselves.

Bata-India, consequently, has to build new markets and to increase exports to

such highly developed countries as the U. K., the U. S. A., Canada, and others, where quality products have to be offered at a price that must meet both international and local competitions.

Bata-India has rendered service to the country by earning valuable foreign exchange. And it has earned entitlements to import its vital raw materials which are yet scarce in the country and which it is progressively and successfully substituting with indigenous ones.

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and tomorrow...

It provides the immense thrust required to send rockets soaring into outer space. It is the substance of electronic brains and computers; the heart of nuclear reactors; the raw material for telecommunications equipment and the substance of delicate scientific instruments... ■ In the changing world of today and tomorrow, ALUMINIUM is sure to play a crucial role.

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route kilometres were brought under electric traction on the heavily worked sections of the Eastern and South Eastern Railways. During the third Plan period another 1,678 route kilometres were energised, also in the Eastern Region where there was a rapid increase in freight traffic following increased production of coal and establishment of new steel plants.

SUBSIDIZED INDUSTRIAL HOUSING

The union Deputy Minister for Works, Housing and Supply, Mr Iqbal Singh, informed the Rajya Sabha recently that 158,634 tenements had been constructed up to March 31, 1967, under the subsidized industrial housing scheme. A total amount of Rs. 59.57 crores was released by way of central assistance for the construction of the tenements under the scheme. Following is the statement giving the state-wise break-up:

Name of the state/union territory	Number of tenements constructed by			Amount of central assistance released for construction (Rs. lakhs)	
	State govt.	Employ-ers	Workers Co-operatives	Total	
Andhra Pradesh	4,434	509	—	4,943	176.61
Assam	303	—	—	303	20.21
Bihar	9,347	4,707	—	14,054	409.67
Gujarat	18,282	1,341	1,220	20,843	653.94
Jammu and Kashmir	—	—	—	—	5.50
Kerala	250	780	—	1,030	28.98
Madhya Pradesh	7,386	2,130	992	10,508	345.01
Madras	3,028	742	1,943	5,713	272.72
Maharashtra	27,955	3,790	332	32,077	1,527.01
Mysore	5,340	5,311	—	10,651	310.38
Orissa	1,174	1,742	—	2,922	105.58
Punjab and Haryana	2,514	2,118	408	5,040	165.96
Rajasthan	2,390	1,333	—	3,723	112.43
Uttar Pradesh	27,314	1,479	43	28,836	966.91
West Bengal	11,342	3,482	—	14,824	703.21
Delhi	2,664	445	58	3,167	153.22
Total	123,723	29,915	3,996	158,634	5,957.54

PLOUGH FOR MILLIONS

The "Balwan", a modern bullock-drawn plough, was praised by the Deputy Prime Minister recently when he visited the factory of Escorts in Faridabad near Delhi. The first of its kind, the plough has been developed specially to cater to the needs of our small farming families, of whom there are as many as 5.5 crores, their holdings ranging from less than an acre to 15 acres. Produced wholly indigenously, the plough is a rugged all-steel construction, with pneumatic tyres which help in reducing rolling resistance and animal fatigue and improving the work output in relation to man-hour employed. Not only does the new plough perform ploughing, levelling, harrowing, ridging and cultivating operations, but it can also, with the help of attachable trailer, meet all agricultural transportation requirements of the farmer. The "Balwan" is being offered in a package deal at a price of Rs. 2,100, which includes a tool frame, trailer of one-ton capacity, a mouldboard plough or a disc plough and a five-tine tiller. Other equipment, such as ridgers, harrows, land levellers and seeding attachments are available at extra cost. As spokesman of the Indian tractor and farm implements manufacturers, Mr H. P. Nanda, President of Escorts, assured Mr Desai that the private sector could meet the entire fourth Plan demand with only a small additional investment. Earlier, the Deputy Prime Minister had stated

that the Rs. 20-crore project to manufacture tractors in the public sector with Czech collaboration had been shelved for the time being and might be dropped altogether if the private sector could meet the demand of tractors for the fourth Plan.

CABLE INDUSTRY

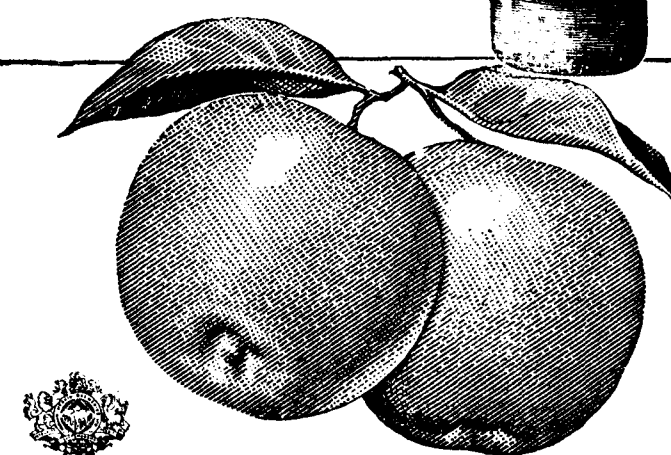
Two seminars were recently arranged in Delhi and Madras by the Asian Cables Corporation on general trends and developments in the field of wire and cable products. Mr Zoltan S. Fuchs, Director, product and sales engineering for Phelps Dodge International Corporation of New York, who was the principal speaker on both the occasions, referred to the excellent properties and the various applications of cross-linked polythelene power cables. These products, he disclosed, would be manufactured from locally available raw materials and would provide reliable service to the consumers besides effecting considerable saving in foreign exchange to the country by supplementing paper insulated cables which require considerable imported material.

Speaking on paper tape cable and extruded dielectrics for medium-high voltages, he added that recent advances in compounding technology and cable manufacturing procedures had provided a firm base for justifying their employment in distribution at voltage levels up to 35 KV and moreover had provoked some effort toward extending application into transmission voltage ranges. Paper cable had an established record of reliability and stability with a few clearly defined deficiencies which could be effectively guarded against, he stated.

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Company Affairs

GWALIOR RAYON

GWALIOR RAYON Silk Mfg. (Wvg.) Co. Ltd has reported highly encouraging working results during the year ended March 31, 1967. The striking improvements recorded in production, sales and profits have enabled the directors to recommend an equity dividend of Rs. 1.65 per share on a capital which has been doubled by the issue of bonus shares in the ratio of one share for every share held. The company paid a dividend of Rs. 3.25 per share in 1965-66 and the proposed dividend in terms of the old capital works out to Rs 3.30 per share. As in the preceding year, the company will be eligible for tax exemption on a part of its profits under section 84 of the Income-tax Act, 1961.

With a marked rise in sales from Rs. 34.98 crores to Rs. 39.58 crores, the gross profit has gone up significantly to Rs. 7.62 crores as compared with Rs. 6.64 crores in 1965-66. Out of the gross profit, the directors have allocated Rs. 166.43 lakhs for depreciation as against Rs. 135.06 lakhs in the preceding year while the appropriation to taxation reserve was enhanced by Rs. 14 lakhs to Rs. 294 lakhs. A sum of Rs. 66.99 lakhs was earmarked for development rebate reserve as compared with Rs 13.03 lakhs in the previous year. The net profit, after making these provisions, was nominally lower at Rs. 234.43 lakhs as against Rs. 236.33 lakhs in 1965-66. The appropriation to general reserve was reduced by Rs. 1.90 lakhs to Rs. 219.43 lakhs while the amount transferred to preference shares redemption reserve was maintained at Rs. 15 lakhs. The proposed equity dividend will absorb Rs. 82.50 lakhs, as against Rs 81.25 lakhs in 1965-66 and it will be paid out of the general reserve.

Production of staple fibre recorded a smart rise from 36.07 million kgs. to 43.32 million kgs. but the profitability fell sharply following a rise in prices. After maintaining the price of staple fibre at Rs. 3.72 per kg. for over a decade, the company was forced to raise it to Rs. 4.26 per kg. in 1966 to offset the increases in costs. In the pulp division, production of rayon pulp went up steeply from 49,570 tonnes to 52,000 tonnes the resulting additional saving of foreign exchange being of the order of Rs. 9.25 crores.

The company's current performance on the production front is quite satisfactory but its financial results for 1967-68 will not be as encouraging as those for 1966-67, according to Mr D. P. Mandella, its chief executive. The principal factor affecting the company's fortunes will be the recent increase in excise duty on staple fibre. The company has urged the government to drop the fresh impost or allow it to pass on the increase to the buyers as was done in the past but if it is asked to bear the entire burden it will affect the revenue annually to the tune of Rs. 1.10 crores. The additional excise duty on other man-made fibres and yarns, even after the recent marginal concessions, will also be affecting the company's finances adversely. The annual incidence in this connection is yet to be assessed.

The burden of taxes has been increasing continuously. The incidence of income-tax and excise duty in 1966-67 amounted to Rs. 5.5 crores and it will rise to about Rs. 7 crores if the company has to bear the entire additional levies.

UNIVERSAL CABLES

Despite an impressive rise in sales, the gross profit of Universal Cables Ltd has declined to Rs 91.79 lakhs during the year ended March 31, 1967, as compared with Rs 116.69 lakhs in the preceding year. The fall in profit is attributed to the rise in costs of production, sharp rise in costs of imported raw materials after devaluation, steep increase in cost of indigenous stores and rise in wages. On the other hand there has been a decline in selling prices of cables due to economic depression and increased competition in the cable industry following sur-

plus production. The cable industry's position has been further aggravated by the imposition of heavy excise duty on aluminium and PVC, as also enhanced railway freight. The directors, however, are hopeful of producing better results with the increase in power generation. Equipment for expanding production of railway signalling cables has been installed and the plant and machinery for the capacitor have been received.

The directors have enhanced the provision for depreciation by Rs 8.87 lakhs to Rs 37.23 lakhs while a sum of Rs 15 lakhs was set apart for taxation reserve as against Rs 19.75 lakhs in 1965-66. The managing agents' remuneration claimed Rs 4.27 lakhs as against Rs 6.02 lakhs in the previous year while the amount set aside to development rebate reserve was reduced by Rs. 17.94 lakhs to Rs. 7.07 lakhs. After providing Rs. 1,773 for depreciation relating to the previous year, and after bringing in Rs 90,797 from the last year's accounts, the net amount available for appropriation came to Rs 29.14 lakhs as compared with Rs 37.91 lakhs in 1965-66. Out of this, an amount of Rs 18 lakhs was transferred to general reserve as against Rs 25 lakhs a year ago while the allotment to dividend equalisation reserve was lower at Rs 11 lakhs as compared with Rs 12 lakhs a year earlier. The directors have proposed to maintain the equity dividend at 10 per cent. This will absorb Rs 10.46 lakhs and it will be paid out of the dividend equalisation reserve. An application is being made to the income-tax authorities to determine the quantum of profit exempt under section 85 of the Income-tax Act.

KIRLOSKAR OIL ENGINES

Kirloskar Oil Engines Ltd has decided to hold in abeyance all expansion plans for the next six months in view of the present recession in the engineering industry. The schemes which it had taken in hand are progressing as per schedule. The plants for the assembly of RA type engines at Faridabad and AV series engines at Madras are working satisfactorily. Considerable progress has also been made by the company in the field of exports. The operation of an office at Rotterdam has facilitated prompt supply of engines to the distant South American countries and Canada.

Following a handsome rise in sales from Rs 8.71 crores to Rs 13.43 crores, the gross profit has gone up by Rs 1.08 crores to Rs 2.33 crores during the year ended March 31, 1967. The directors have appropriated Rs 40.61 lakhs to depreciation as against Rs 24.87 lakhs in 1965-66 while the amount earmarked for development rebate reserve was stepped up by Rs 10.15 lakhs to Rs 24.62 lakhs. Managing agents' remuneration claimed Rs 9.74 lakhs as compared with Rs 6.43 lakhs in the previous year while taxation absorbed Rs 93.50 lakhs as against Rs 44.50 lakhs a year earlier. The directors have proposed to maintain the equity dividend at 16 per cent on a higher capital as raised by the bonus issue during the year. The proposed equity dividend will require a sum of Rs 21.76 lakhs for distribution as against Rs 11.27 lakhs in 1965-66.

BAJAJ ELECTRICALS

Bajaj Electricals Ltd has earned a slightly higher gross profit of Rs 20.17 lakhs during the year ended March 31, 1967, as compared with Rs 18.87 lakhs in the preceding year. Sales rose to Rs 6.16 crores, registering a handsome improvement of Rs 0.66 crore over 1965-66. The directors have, however, decided to maintain the equity dividend at 10 per cent. The dividend on Rs 10 paid-up deferred shares has also been maintained at Rs 6.39 per share.

Out of the gross profit, the directors have transferred a sum of Rs 4.86 lakhs to depreciation as against Rs 4.61 lakhs in 1965-66 while the amount allotted to taxation reserve was reduced by Rs 0.40 lakh to Rs 6.70 lakhs. The development rebate reserve was appropriated with Rs 38,000 as compared with Rs 48,000 in the preceding year. The net profit, after

making these allotments, amounted to Rs 8.22 lakhs as against Rs 6.68 lakhs. An amount of Rs 12,212 was provided for doubtful debts as against no allocation in the earlier year. The directors have drawn a sum of about Rs 2.5 lakhs from reserves to pay the dividends.

The proposed dividends on equity and deferred shares will claim Rs 8.60 lakhs, the same as last year. The dividend on preference shares will absorb Rs 1.92 lakhs, including Rs 1.45 lakhs for second preference shares issued during the year as against Rs 47,983 in 1965-66.

The company's working during the current year is so far satisfactory. Its sales have been rising although there has been a simultaneous increase in costs due to higher interest charges and prices of raw materials. Efforts are, however, being made to curb costs and improve efficiency. The production and sales of instruments have moved up although the current demand is well below the capacity. The output of lamps and tubes manufactured by Hind Lamps Ltd, a subsidiary of the company, has risen and the expansion in respect of bayonet and miniature caps has been completed. The company has received 60,000 bonus shares of Rs 25 each from Hind Lamps Ltd in the ratio of three shares for every five shares held.

PUNJAB NATIONAL BANK

Punjab National Bank Ltd. has earned a slightly higher net profit of Rs 72.01 lakhs after providing for taxes during the half-year ended June 30, 1967, as compared with Rs 71.19 lakhs in the corresponding period of last year. Adding the sum of Rs 70,000 brought in from the previous year, the total sum available for appropriation came to Rs 72.71 lakhs. The directors have decided to maintain the gross interim dividend for the current year at Rs 1.20 per share which will absorb Rs 24 lakhs. This leaves a balance of Rs 48.71 lakhs which is carried forward to the next half year's accounts.

AMERICAN EXPRESS

The American Express Co. Inc. has joined with 14 other European and American banks in forming a new company to provide capital financing in Europe, according to Howard L. Clark, President, American Express. The organisation will specialise at the beginning in loans for periods of two to five years. Such medium-term loans will be supplementing the traditional types of credit. Bankers Trust Company, New York; Banque De Suez et De L'Union Des Mines, Paris; Banque Cantonale Vaudoise, Lausanne; Banque De L'Union Parisienne, Paris; Banque Internationale a Luxembourg, Luxembourg; Banque Lambert, Brussels; Bergens Privatbank, Oslo; Christiania Bank Og Kreditkasse, Oslo; Commersbank, Dusseldorf (through its subsidiary fides); Credito Italiano, Milan; Den Norske Creditbank, Oslo; Martins Bank Limited, Liverpool; Sofis Sa, Geneva and Svensak Handelsbank, Stockholm will also be participating in the new venture.

The company which will be known as Compagnie Internationale De Credit A Moyen Terme, S.A., will have its head office in Lausanne. M. Giles Doubrere of Banque De Suez et De L'Union Des Mines, has been elected chairman. The fully paid-up capital of the company will be S.Fr. 5 million. It will also enjoy substantial credit facilities from its sponsors. The new company will function as an underwriter purchasing and placing in the international money market the notes of borrowing companies introduced by the participating banks and bearing their endorsements. In order to encourage the growth of a market for these notes, the new company will also make a trading market in issues it introduces. Initially, these notes will be denominated in US dollars, but eventually they may be in other currencies as well. The new company expects to make the same services, ultimately, available to non-shareholder banks thereby enabling them to meet the needs of their customers. The Compagnie Financiere et De Credit S.A. (Tradition) Lausanne, a leading European brokerage firm, will act

as agent for the new company in placing the notes and in making the after-issue market.

NEW ISSUE

Jyoti Electric Motors Ltd is entering the capital market on August 31, 1967, with a public issue of Rs. 11.77 lakhs. The subscription list will close on September 7, 1967, or earlier at the discretion of the directors but not before August 25, 1967. The company has an authorised capital of Rs. 50 lakhs and an issued capital of Rs. 22 lakhs. The subscribed capital amounts to Rs. 10.23 lakhs. The paid-up capital of the company is of the order of Rs. 5.23 lakhs. It is now offering for public subscription 11,770 equity shares of Rs. 100 each for cash at par. Applications must be for five or multiples of five shares. However, the applications for smaller number of shares than the minimum number of shares prescribed, may be considered by the board at its discretion. A sum of Rs. 50 per share is payable along with the application. The public issue is underwritten to the extent of Rs. 10 lakhs.

The company was incorporated on June 13, 1966, with the object of manufacturing electric motors, electrical equipments, dynamos, electric instruments, appliances and other electrical products. The factory will be located at Mogar in Gujarat.

NEW REGISTRATIONS

During the second quarter of 1967, 45 companies with an authorised capital of Rs 1666.40 lakhs have been registered in the southern region consisting of Madras, Andhra Pradesh, Mysore, Kerala and Pondicherry. Of these, four are public companies with an authorised capital of Rs 525.00 lakhs. Out of the four public companies one is a guarantee company. The remaining 41 companies are private companies with an authorised capital of Rs 1141.40 lakhs.

Two giant companies viz., Electronics Corporation of India Ltd (Govt. company)—Private—authorised capital Rs. 1000.00 lakhs—Andhra Pradesh—with the object of carrying on the business and manufacture of nuclear electronic instruments and Lakshmi Auto Cycles Limited—Public—authorised capital 100.00 lakhs—Madras—to manufacture auto cycles etc. have been registered during the quarter under report.

During the quarter under report, 52 companies with a total paid up capital of Rs 21.49 lakhs ceased to work. Of these, 39 companies with a paid up capital of Rs 8.77 lakhs were struck off under section 560 of the Companies Act, 1956, and the rest of the 13 companies with a paid up capital of Rs 12.72 lakhs went into liquidation.

One hundred thirtysix prosecutions were launched and 109 cases were disposed of during the quarter under report. Out of the 109 cases disposed of, 106 cases were convicted, 2 cases were acquitted and one case was abated.

CAPITAL AND BONUS ISSUES

Consent has been accorded to nine companies to raise capital amounting to more than Rs. 3.20 crores. Seven of them are to issue bonus shares exceeding Rs 95 lakhs. The amount of bonus shares ranges between Rs 1.19 lakhs and Rs 50 lakhs. The consents are valid for 12 months. The details are as follows:

J. Stone & Co. (India) Private Ltd., Calcutta, has been granted consent to capitalise Rs 27,43,000 from general reserves and issue fully-paid bonus shares. The company has undertaken to offer 40 per cent of the issued capital to the Indian public within two years.

Mim Tea Co. Ltd., Calcutta, is permitted to capitalise Rs 3,18,000 from general reserves and issue fully-paid bonus shares in the ratio of two new shares for every equity share held.

Standard Pottery Works Private Ltd, Alwaye, has been accorded consent to capitalise Rs 2,50,000 out of free reserves and issue fully-paid equity shares of Rs. 100 each as bonus shares in the ratio of one for three held.

Delhi Flour Mills Co. Ltd, Delhi, has been given consent to capitalise general reserves to the extent of Rs 1,19,330 and issue

11,933 bonus shares of Rs 10 each in the proportion of one for five held.

Escorts Ltd, Delhi, has been accorded permission to issue 25,000 cumulative redeemable preference shares of Rs 100 each for cash at par carrying dividend at the rate of 9.5 per cent per annum, free of company's tax but subject to deduction of taxes at source at the prescribed rates. The proceeds will be utilised for manufacturing tractors.

Godavari Sugar Mills Ltd, Bombay, has been accorded consent to capitalise Rs 50 lakhs from general reserve and issue bonus shares of Rs 100 each in the ratio of one bonus share for every two equity shares held. The company has a paid-up capital of Rs 118.51 lakhs.

Sandvik Asia Ltd, Poona, is permitted to capitalise Rs 10 lakhs out of general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one for ten held.

Indian Pin Manufacturing Co. Private Ltd, Calcutta, has been granted consent to capitalise Rs 1,41,560 from general reserve and issue fully-paid bonus shares in the ratio of four for thirteen held.

Imperial Tobacco Co. of India Ltd, Calcutta, is permitted to issue capital of Rs 2 crores in debentures of Rs 1000 each carrying interest at the rate of 7.75 per cent for cash at par. The proceeds will be utilised for financing modernisation of the company.

LICENCES AND LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the three-week period ended June 3, 1967. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (N.U.); Substantial Expansion (S.E.); New Article (N.A.); Carry on Business; Shifting—and annual installed capacity.

During the Week ended May 20, 1967

LICENCES ISSUED

Equipment for Generation of Electricity

M/s. J. B. Advani-Oerlikon Electrodes Private Ltd., Radia House, 6, Rampart Row, Bombay-1. (Bombay, Maharashtra): Automatic & Semi-Automatic Submerged Arc Welders — 100 Nos.; Automatic & Semi-Automatic Gas Shielded Welders.—150 Nos.; Modern Static Welding Sources (Rectifiers & Specialised Welding Transformers)—550 Nos.; Modern Welding Transformers—850 Nos. (N.A.).

Inorganic Heavy Chemicals

M/s. Cellulose Products of India Ltd., P. O. Kathwada Maize Products, Ahmedabad. (Gujarat, Ahmedabad): Sodium Monochloro-Acetate—1800 tonnes. (S.E.).

Drugs & Pharmaceuticals

M/s. Geoffrey Manners & Co. Ltd., Magnet House, Ballard Estate, Bombay-1.-BR. (Bombay, Maharashtra): Antacid formulations containing aluminium Hydroxide, Magnesium Hydroxide and Oxethazine Tablets—6 million tablets.; Gel.—40,000 litres. (N.A.).

Synthetic Fibres

M/s. J. K. Synthetics Limited, Kamla Tower, Kanpur. (Kota, Rajasthan): Nylon Staple Fibre—1.8 Mill. Kgs. (S.E.).

Food Processing Industries

Shri S. P. Gupta, M/s. Bedla Flour Mills & Allied Industries (P) Ltd., 2046, Bank Street, Karol Bagh, New Delhi-5. (Kota, Rajasthan): Wheat Products—15,000 tonnes. (N.U.); M/s. Kamrup Flour Mills, Paney Bazar, Gauhati. (Gauhati, Assam): Wheat Products—25,200 tonnes. (C.O.B.).

Vanaspati

M/s. Hindustan Lever Ltd., P.B. No. 409, Bombay-1. (Mankandan, Distt. Tiruchirappalli, Madras State): Vanaspati—50 tons per day. (S.E.); M/s. Swaika Vanaspati Products Ltd., 18-B, Brabourne Road, Calcutta-1. (Dillioah, West Bengal):

Vanaspati—50 tons per pay. (S.E.); M/s. Western India Vegetable Products Ltd., P.O. Box No. 12, Amalner (Maharashtra State) (Amalner, Maharashtra State): Vanaspati—50 tons per pay. (S.E.); M/s. Prag Vanaspati Products, Aligarh (U.P.). (Aligarh, U.P.): Vanaspati—50 tons per day. (S.E.); M/s. Morvi Vegetable Products Ltd., Morvi. (Bhimmore, Morvi-Gujarat State): Vanaspati—50 tons per day. (S.E.).

Rubber Goods

Shri R. K. Raman, M/s. Madras Industrial Linings Ltd., Madras. (Ambattur, Madras State): Rubber Lining of Equipment—20,000 Square Metres.

LETTERS OF INTENT

Commercial and Household Equipment

M/s. Kelvinator of India Ltd., 19-A, Alipore Road, (Haryana): Vertical and Horizontal Deep Freezers and Blood Storage Refrigerators—6,000 units. (S.E.).

Chemicals

M/s. Bombay Soap Factory, Ahmed Oomer Street, Two Tanks, Bombay-8. (Bombay, Maharashtra): Fatty Acids—2,700 tonnes; Glycerine—200 tons. (N.A.).

CHANGE IN NAMES (Owners or Undertakings)

(Information pertains to particular licences only)

From M/s. Hukamchand Mills Limited, Indore to M/s. Swastik Textile Trading Company Pvt. Ltd.; M/s. Bharat Ball Bearing Company Limited, Calcutta—To be implemented by M/s. Shriram Bearings Limited, Calcutta; From M/s. Hanuman Oil Mills, Bombay to M/s. Hanuman Cottonseed Products Private Ltd., Bombay.

LICENCES REVOKED OR SURRENDERED

(Information pertains to particular licences only)

M/s. Chase Brothers (P) Ltd., Bombay—Wire Ropes; M/s. Burn & Company Limited, Calcutta—Tool Bits, and Butt Welded Tools.

During the Week ended May 27, 1967

LICENCES ISSUED

Textile Machinery

M/s. Lakshmi Card Clothing Manufacturing Co. Private Ltd., Post Office—Sukhampalayam, Coimbatore Distt. (Palla-

NOTICE

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD

Registered Office:

BIRLAGRAM, NAGDA, M.P.

NOTICE is hereby given that the Register of Members and Transfer Books of the Equity Shares of the Company will remain closed from 9th September, 1967 to 27th September, 1967 (both days inclusive) for the purpose of payment of dividend.

The Dividend on Equity Shares, if sanctioned, will be made payable at the United Commercial Bank Ltd., and at any of its branches in India, on or after 23rd October, 1967 to those Shareholders whose names stand in the Register of Members of the Company as on 27th September, 1967.

By Order of the Board

B. N. PURANMALKA
Secretary

Registered office:
Birlagram, Nagda
Dated: 5th August 1967.

dam, Madras State)—Metallic Card Clothing—1200 sets. (N.A.).

Indicating, Recording & Regulating devices

M/s. Simco Meters Ltd., E-3/1, Jhandewalan Extension, Post Box 89, New Delhi. (Tiruchirapalli, Madras): Maximum Demand Indicators KVA and KW Types—10,000 Nos. (N.A.).

CHANGE IN NAMES (Owners or Undertakings) (Information pertains to particular licences only)

From M/s. Hindustan Transmission Products Ltd., Bombay, to M/s. Hindustan Transmission Products Proprietors: Madhusudan Ltd., Bombay; From M/s. South Madras Oxygen and Acetylene (Private) Ltd., Madras to M/s. Madras Oxygen and Acetylene Company Ltd., Madras.

During the Week ended June 3, 1967

LICENCES ISSUED

Equipment for Generation of Electricity

M/s. English Electric Co. of India Ltd., Post Box No. 2392, Madras-27. (Madras, Madras State): Medium Voltage Air Circuit Breakers—400 (Volts) (800-1600 amps)—300 Nos. (N.A.).

Textile Machinery

M/s. T. Maneklal Manufacturing Company Ltd, Vaswani Mansion, Dinshaw Wachha Road, Bombay-1. (Bombay, Maharashtra): Continuous Bleaching Plants (Rope-Type)—Three within the existing capacity of 9 machines of continuous bleaching machines; Calender: Felt Calender, 2-Bowl Hydraulic Schreindr Calender, 3-Bowl Hydraulic Friction Calender, and 7-Bowl Hydraulic Pneumatic Calender—16 of any or all types; High Efficiency Spray Tower for Fibre Purification—12; Shrinking Machines—6—(N.A.).

Machine Tools

Managing Director, Praga Tools Limited, 6-6-8/32, Kavadi-guda Road, Secunderabad-3, (Andhra Pradesh). (Secunderabad, Andhra Pradesh): Horizontal Spindle Surface Grinding Machines—300 Nos.—(N.A.).

Hand Tools & Small Tools

Shri A. K. Bhattacharya, C/o Bhattacharya A. K. & Sons Pvt. Ltd., 35, Stephen House, Dalhousie Square, Calcutta-1. (Maniktolla, Kotrung, Hooghly District, West Bengal): Taps—6,00,000 Nos., Dies—1,55,000 Nos., Chasers—38,000 Nos., Milling Cutters—60,000 Nos., Gear Cutters—10,000 Nos., Gear Hobs—2,000 Nos.—(N.U.); M/s. Hada Tools Limited, 4-A, Council House Street, Calcutta-1. (Calcutta, West Bengal): Taps—3,00,000 Nos., Dies—1,00,000 Nos., Chasers—20,000 Nos., Tool Bits—10,000 Nos., Milling Cutters (including Slitting Swas & Slotting Cutters)—50,000 Nos., Reamers—1,00,000 Nos.—(N.U.).

Cotton Textiles

M/s. J. K. Manufacturers Ltd, Kamla Tower, Kanpur. (Kanpur, Uttar Pradesh): 32 Canvas looms by way of transfer from M/s. J. K. Cotton Spinning & Weaving Mills Co. Ltd, Kanpur.—(S.E.).

LETTERS OF INTENT

Electrical Equipment

M/s. Associated Battery Makers (Eastern) Ltd, Barlow House, 59-C, Chowringhee Road, Calcutta-20. (West Bengal): Containers and hard Rubber containers—60,000 nos.—(S.E.).

Telecommunication

M/s. Hind Industrial & Mercantile Corp. (P) Ltd, 27, Queens Road, Bombay-4 (Maharashtra): Radio Receivers—40,000 nos.—(N.U.).

CHANGE IN NAMES (Owners or Undertakings) (Information pertains to particular licences only)

M/s. Meameco Ltd, Calcutta—To be implemented by M/s. Jardine Victor Ltd, Calcutta.

LICENCES REVOKED OR SURRENDERED (Information pertains to particular licences only)

M/s. Harshadray (P) Ltd, Bombay—Chemical and Fertilizer Plants; M/s. Golden Steel Corporation Private Limited, Liluah—High Speed Steel Tool Bits; M/s. Burn & Company Limited, Calcutta—Twist Drills.

modern temples in the making

We are 450 million in this country. Certainly a fabulous wealth in terms of man-power. But the task is formidable. Food and shelter and decent living are everyone's rights. More and more of industries alone can ensure it. Work for more people, better wages and more amenities, freedom from want and cares. These represent the dawn of new era. We, of J.K. Organisation, endeavour to hasten its pace. We build more and more temples in modern India where work is worshipped and justice and human dignity are preserved. Our Industries cover almost all vital aspects of life such as food, oil, soap, wood, cotton, handmade fibre and jute, paints, chemicals and plastic, metal engineering and files, typewriters and so on. Our industrial combine employs over 40,000 persons. J.K. Organisation has been for 150 years in the service of the nation.



J.K. ORGANISATION

INDIA'S GREAT INDUSTRIAL AND COMMERCIAL COMBINE
150 YEARS IN THE SERVICE OF THE NATION

Readers' Roundtable

PRICE OF MILK

Mr Robert B. Evans, Agricultural Officer in the American Consulate, has sent us the following letter addressed to Mr Srikrishna Vanjari whose article on the above subject appeared in our issue dated June 16, 1967.

Sir,—I have just read your most interesting article about the Price of Milk in Maharashtra ('Eastern Economist', June 16, 1967). It is most interesting but you fail to note that it would be difficult to hold down the price of milk while prices of practically all other commodities are rising rapidly. The inevitable result would be to dry up the supply. For political reasons a public body finds it hard to do what a private dairy would do automatically if confronted with higher costs.

The lack of balance between price and supply is seen in the fact that in Bombay today one can only get a milk card if it is personally sanctioned by the minister.

I was astonished by the statement, actually printed in your article, that "pasteurization confers no distinct or definable virtue on the consumer beyond that of what the British psychologist Mac Dougall described as white magic practised by the doctor who washes his hands in antiseptic lotion every minute and succumbs to the red colour of mercurochrome."

One can only ask why you didn't ask any bacteriologist or dairy scientist, or for that matter any first year medical student, before printing such a statement. Those responsible, such as "master-showman" Khurody, for making available clean milk in the cities of India, well deserve the biggest statues in the land

ROBERT B. EVANS

Bombay.

Mr Vanjari replies:

The history and general background of the so-called milk scheme of Maharashtra I gave in my article and the simple and single point I tried to make regarding the defects of what is claimed to be the government's milk policy should, I think, refute the argument of impact not only of increased commodity prices but also of increase in the prices of cattlefeed and wages on the price of milk.

The all-India index number of consumer prices (Base: 1949=100) rose from 134 in 1963 to 152 in 1964 and further to 166 in the January-November period of 1965. The all-India wholesale prices index number (Base: 1952-53=100) also showed an increase from 136.3 in January 1964 to 158.2 in December 1964. "In this case, the bulk of the increase was contributed", says a recent government economic review "by the food group, the index number of which increased from 137.9 to 166.0 and by industrial raw material group, the index number of which increased from 141.1 to 171.4". The retail price index number for urban Maharashtra with base at 100 in 1962 as average for 1963 was 101.53. It increased to 117.42 in 1964 and further to 127.91 in 1965. It was 133.28 in February 1965. The increase in the price of milk introduced by the state government is wholly disproportionate to the trend of increases listed above and abnormally steep to be blamed on any known or unknown economic law or phenomenon of price inflation. Why should a litre of milk of comparable quality cost 84 paise in the metropolitan area of Delhi as against 170 paise in Bombay city when surely the prices of cattlefeed and levels of wages in Delhi are not half those ruling in the capital of the highly urbanized and industrialized state of this country?

Mr Evans' suggestion that Bombay citizens are gate-crash-

ing the Sachivalaya to secure a milk card which can only be 'personally sanctioned by the minister' is undoubtedly a romantic one. But in offering it with such cocksureness, is he not exposing the poor and blameless minister to the charge of practising favouritism and nepotism?

Mr Evans is evidently playing the role of the American innocent abroad, particularly with his rather touching exhibition of ignorance of basic commonplaces of anthropology and claptrap (of what his high-spirited countrymen call head-shrinkers) to extend the specific term to cover the entire tribe of psychologists including the solid and academic Mac Dougall. One of course understands and even sympathizes with Mr Evans' anger over what he probably interprets as denigration of science and technology. Who is not for science which is supposed to promote human happiness and who, further, would not embrace the great and glamorous American way of life?

Instrument of Scarcity

When science is turned into an instrument of scarcity and modern dairy machinery worth Rs. 2.92 crores is imported, Rs. 6.40 crores are invested in land and buildings and assorted groups of vested interests, profiteers and parasites including the departmental bureaucrats are created (while clearly such capital could well have financed the kind of milk corporation with establishment of state farms that alone could have produced plentiful, cheap, and, well, certainly pasteurized milk), could one continue to admire science? An ICS officer, Mr A. D. Gorwala, at the time of the British Adviser-raj, had blue-printed the plan of such a corporation but it was not approved.

Since Mr Evans raises the question, is he rather not fetichistic over pasteurization? What, after all, is pasteurization? Does it not consist of heating of the milk according to the predetermined element of time and temperature with the aim of destroying microbes of disease, real or hypothetical, in milk? What difference does it make, particularly for those systematically starved of optimum nutrition, if the heating was done by the housewife instead of the Khurody boy handling electrical equipment imported from the United States of America? Has Mr Evans ever drunk the masala or spiced milk which is reduced quantitatively with long heating on slow fire and flavoured with saffron, almond, charoli, cardamum and other spices? And would he say whether this common and favourite drink would harbour microbes simply because the milk used was not processed in a modern pasteurization plant?

Then, Mr Evans ignores the fact that, in our country, we do not, as a rule, drink unboiled milk and we have not died

BIHAR IN DISTRESS

- SEND IMMEDIATELY:** 1) Money, clothes, foodgrains.
2) Doctors for medical relief.
3) Volunteers for minor irrigation projects.

ADOPT: a child, a family, a village.

BIHAR RELIEF COMMITTEE

SADAQUAT ASHRAM, PATNA-10

like flies from deadly microbes. Pasteurization was introduced primarily as a public health procedure towards the end of the last century in western countries. Would Mr Evans deny that, in pasteurization, the cream line is diminished by 10 to 30 per cent; five per cent of lactalbumin is coagulated; about five per cent of calcium, about 10 per cent of vitamin B and 20 per cent of vitamin C are destroyed? We are no doubt assured, on the basis of findings of experiments on mice and other laboratory animals, that there is no loss of vitamins A and D. The natural flavour of milk is also changed. But that is the price paid for the destruction of microbes.

To sum up, what is happening to milk policy is also happening to fish policy and a good many other policies as well. The craze for streamlining of productive techniques with imported machinery of the latest European or American design is building a cost structure that spells shortages and scarcity through prohibitive prices of milk and fish. While Maharashtra's minister for agriculture wants the farmer in the backward areas of the coastal Konkan to secure a loan from the government for buying milch buffaloes that cost today Rs. 3,000 a piece and set himself up as a dairy farmer, his confrere, the minister for fisheries, is asking the Gabit and Daldi fishermen to scrap the traditional sail-boat fishing and fit a marine engine to it or buy a trawler with the assistance of a government loan. He is asking them to give up their famous Rampan net hauled from the shore that involves no capital outlay or any recurring ex-

penditure and nets in five tons of assorted, edible fish in one hour's time. The net is now rendered useless as the trawlers operating in the area, instead of operating in the deep sea, catch the fish that normally swim into the Rampan. So, the poor fishermen are starving.

The government possesses valuable resources such as cattle-feed at present sold to producers selling milk at high prices to it. All fodder grass is grown in the forests of the state and the trade profits when scarcity and famine throw a shadow on some parts of the state. So, grass banks have been devised. But these resources could help the government to correct the imbalance in production of cheap milk to meet the desperate nutritional problem. The high-protein food of fish could also be brought within the reach of low-income groups who are starved of fish because of its prohibitive price. The refrigeration facilities provided by the government come in useful for the trade to regulate supply and manipulate prices—another instance of science being pressed in the service of the profiteer and apostle of scarcity. The fish biologists run the department while the powerful fish barons of Bombay's Crawford Market (who could force the British government to sell the trawler it had brought to Bombay as junk according to an admission made by Dr Sorley, former Chief Secretary to the Government of Bombay), are now enabled to secure the collaboration of fisherman's co-operatives provided with loans and subsidies out of the taxpayers' money.

Homage

To all the innumerable—known and unknown—
fighters of freedom, whose sacrifices brought
about the dawn of our National Independence,
we offer our homage this Independence Day
and renew our pledge to dedicate all our
might to the reconstruction of Mother India.

SWADESHI

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BHARAT

because...

Competition is tough in General Insurance— but we are all for it because

- it keeps us on our toes—you get prompt friendly service
- it makes us more efficient—you get low premium rates
- it makes us anxious to please—you get quick settlement of your claims

A monopoly cannot serve you as well because

- it is inflexible—passes on its high cost of inefficiency to you
- it is autocratic—"take it or leave it" becomes its attitude
- its inevitable red-tapism—leads to delay and losses to you

If General Insurance becomes a monopoly you would stand to lose the benefits you get. Those benefits spring from a competitive system.

General Insurance even to-day channelizes most of its funds into nation-building activities. Monopoly cannot do more.

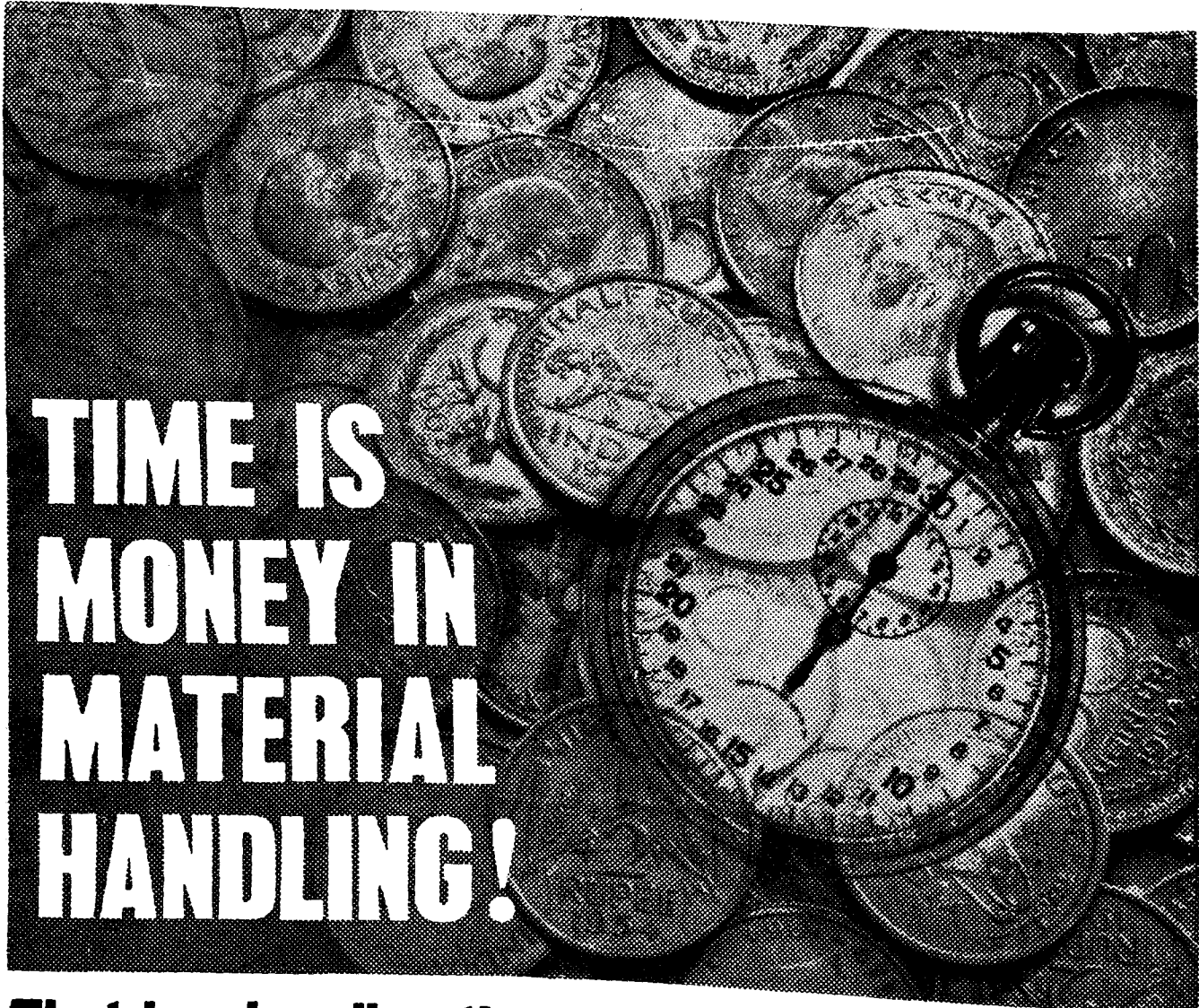
In any case, the profits are small and the resources modest.

Those are the facts... and these are the figures

- Net profits of Rs. 3 crores as against a National Income of about Rs. 20,000 crores.
- Annual additional funds of Rs. 5 crores as against plan requirements of about Rs. 4,000 crores.
- Total funds of Rs. 55 crores accumulated over the life-span of the industry as against the assets of Rs. 900 crores of one corporation like Hindustan Steel.

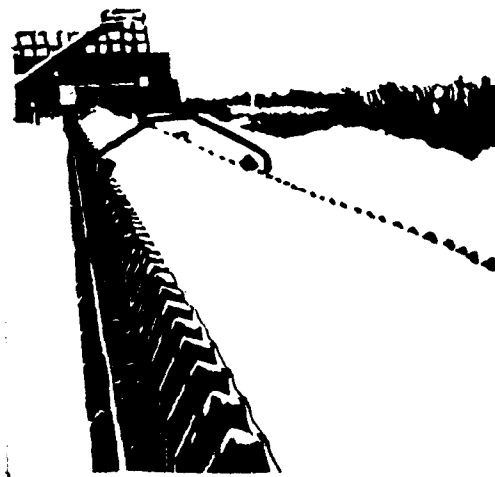
Balance monopoly against competition, the net result is a large minus.

**FOR THE GENERAL GOOD—
KEEP GENERAL INSURANCE COMPETITIVE**



**TIME IS
MONEY IN
MATERIAL
HANDLING!**

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DUNLOP LEADS THE WAY

BENSONS/DLP-33C

RECORDS AND STATISTICS

1967-68 Plan: Reduced Outlay for Industry

THE ANNUAL Plan for the current year released recently by the Planning Commission has reviewed the progress of industries and minerals in 1966-67 and has set out targets for various industries for 1967-68. The following extracts from the Plan outline in brief the progress of industries in 1966-67 and the programmes of development chalked out by the Planning Commission for 1967-68.

The period covering 1966-67 was marked by difficulties in the industrial sector. The industrial production, which for the first time after the advent of planned development received a set-back in 1965-66, did not show any appreciable improvement in 1966-67. The increase in the index of industrial production remained more or less stationary at around 3.5 per cent during the year.

This poor performance has been due to various factors. Industries which were dependent on agricultural raw materials suffered heavily due to the poor agricultural output during the year. Shortfall in the production of cotton and jute created particularly difficult problems for the textile industry. Although an attempt was made to alleviate the shortage through imports, the overall supply of raw cotton and raw jute remained substantially below the requirements. In the case of cotton textiles, there has been the added factor of steep decline in demand arising from a fall in purchasing power. The output of sugar was also exceptionally low after the peak production of 3.5 million tonnes achieved in 1965-66. In the engineering industries, slackness in demand has been a material factor preventing the growth in output. In several of these industries there has, in fact, been decline in production in 1966-67. Some of them like wagon building, steel casting, textile machinery etc. had to curtail production to a considerable extent.

Declining Tempo

The slackness in demand was a reflection of the declining tempo in capital formation and development. However, the situation was to some extent redeemed by the fact that in industries catering to agricultural requirements, production has shown a sharp increase. In view of the high priority attached to agricultural programmes, the demand for agricultural inputs was maintained at a high level leading to substantial increase in output in these industries. Thus the production of fertilisers, pumping sets, both diesel and electric, and pesticides showed a substantial increase in output over the previous year. The overall industrial production in these industries as well as in some of the consumer durables would have been higher but for the fact that the full effect of liberalised imports had not materialised during the year. It is expected that industrial production will tend to recover during the next year as a result of the larger availability of raw materials and components and improvement in demand.

The investment activity in the industrial sector was also at a low ebb during 1966-67. Rise in costs and lower output in several of the industries resulted in comparatively low internal resources and in spite of the substantial assistance provided by the institutional agencies, the overall investment activity in the private sector has remained at about the same level as in the previous year. Only a few new ventures were taken up during the year and even continuing activities came under considerable strain due to additional rupee resources required after devaluation. This resulted in a substantial draft on the institutional agencies which had to take on rescue operations to honour the commitments made by industrial units. The overall assistance provided by the institutional agencies to private industries during 1966-67 was of the order of Rs 120 crores, a substantial step-up compared to the previous year.

Industrial outlay in the public sector was also comparatively low, in relation to the overall investment envisaged for the fourth Plan. In view of the general constraint on resources, provision could only be made during 1966-67 for continuing projects and projects of high priority. The actual outlay in 1966-67 is somewhat higher than the provision made in the Plan, the increase being partly on account of certain new schemes taken up in the fertiliser industry and partly on account of the additional rupee resources that had to be provided on account of devaluation.

As a consequence, several of the targets given in the annual Plan for 1966-67 were not actually realised. A comparative statement indicating the targets for 1966-67 and the actual capacity and output realised is given on pages 329 and 330.

Controls Relaxed

Several measures were taken during the year to relieve the problems faced by the industrial sector. In order to provide the necessary flexibility to utilise capacity in the best possible manner, control under the Industries Development and Regulation Act was to a considerable extent relaxed; 42 industries were exempted from the licensing provision of the Industries Development and Regulation Act. In addition, industries were permitted to increase their production up to 25 per cent beyond the licensed capacity, subject to certain conditions, without securing fresh licences. It was decided to continue the current decontrol on cement. The steel industry was completely decontrolled in May, 1967. In the 59 priority industries, considerable freedom for import of raw materials and components through liberalised imports was provided. The full effect of these measures, however, will be felt only over a period of time.

Although the production during 1966-67 has been low, there has been a substantial increase in the production potential in terms of additional capacity created during the year. Given favourable conditions, this additional production potential is an asset which should bring about more rapid increase in production in future years. The industries in which substantial additional capacity was brought into production during 1966-67 are electric power generating and transmission equipment, e.g., hydro generating units, switchgear and circuit breakers etc., power boilers, power transformers, aluminium, agricultural tractors, steel forgings, sulphuric acid, cement and paper. Capacity to produce generating sets was set up for the first time and the capacity to fabricate heavier machine tools was established.

In the public sector, a number of new projects were commissioned during the year. These include the Heavy Machine Tools project, Ranchi, the Raw Film project, Ooty, the Instruments factory at Kotah, and the expansion of Bhilai Steel Plant except the wire rod mill. The first stage expansion of the steel plants at Rourkela and Durgapur is nearing completion and the construction at Bokaro is in progress. The Cochin Refinery went on stream. The two-million-ton stage of Koyali as well as that of Barauni refinery was also commissioned. The construction work on the Antibiotics and Synthetic drug projects was in advanced stages. In the field of fertilisers while the construction of the projects at Namrup and Gorakhpur is in progress, new projects were started at Madras, Cochin and Durgapur. In the state sector, the Cherrapunji cement factory in Assam went into production and work on Baragarh cement factory in Orissa was completed.

The industrial and mineral programmes for 1967-68 have been drawn up keeping in view the overriding considerations

of maintaining the growth in capacity and production in priority industries within the framework of the draft outline of the fourth Plan. At the same time, the constraints imposed on account of the shortage of financial and physical resources arising from the general sluggishness in the economy in the past year have necessitated a careful consideration of the relative priorities in the selection of projects for inclusion in the annual Plan. In the allocation of resources, a strict scrutiny of individual projects in terms of its contribution to meeting the needs of the economy has been necessary. It has been possible to make financial allocation primarily to projects which were already under implementation and to a limited number of new projects of high priority for which foreign exchange has been or is expected to be satisfactorily arranged. Particular attention has been given to better utilisation and diversification of existing capacity in realising increased production. In short, within the limitations imposed by the shortage of resources in the current economic situation, a judicious deployment of available resources has been attempted without significant sacrifice of long-term objectives.

Break-up of Expenditure

The overall outlay proposed in the public sector for 1967-68 is Rs 520 crores, as against the anticipated expenditure of about Rs 542 crores during 1966-67. The bulk of this investment will be in the central sector. A broad break-up of the outlay between centre, states and union territories for 1966-67 and 1967-68 is given below:

			(Rs. crores)	
			1966-67	1967-68
Centre	...	...	509.49	483.02
States	...	...	32.77	36.53
Union territories	...	...	0.25	0.40
Total	...	...	542.51	519.95

Out of the provision of Rs 483 crores in the central sector, approximately Rs 480 crores are intended for continuing schemes. The new projects proposed to be taken up during 1967-68 are the three new fertiliser projects, viz., Barauni and expansions of Trombay and Namrup, the aromatic project in Gujarat, the expansion of Travancore Titanium Products, the second cable project and the Haldia refinery. In addition token provisions have been made for a fabrication shop for fertilisers and chemicals, agricultural tractors project, pumps and compressors project and for a newsprint paper project being undertaken in the public sector during the year.

On the basis of the broad sectoral programmes, the allocation for the central sector provide Rs 139 crores for investment in steel, Rs 87 crores in heavy engineering and machine building industries, Rs 74 crores for mineral development and non-ferrous metals, Rs 76 crores for oil exploration and refineries and Rs 29 crores for fertilisers. In addition provision has been made to the extent of Rs 40 crores for budgetary support to financial institutions. This provision is substantially lower than the allocation during 1966-67. As in the public sector, private sector programme requiring assistance from financial institutions will have therefore to be scrutinised with a greater degree of care in order to ensure that the limited resources are channelled to industries of a basic character relevant to immediate needs.

The provision in the state sector is essentially for meeting the commitments of the Industrial Development Corporations and for some measure of expansion of infrastructure facilities through the creation of industrial area. As in the central sector, state programmes will also be limited to schemes which have already been initiated. Hardly any new projects are ex-

pected to be taken up in the state sector during 1967-68.

As a result of the completion of schemes initiated in the earlier years, substantial addition to capacity is expected to be achieved during 1967-68. Significant additions to capacity are expected in aluminium, alloy steels, steel castings, steel forgings, steel wire ropes, cast iron pipes and steel pipes and tubes, electrical equipment, cables and wires, nitrogenous and phosphatic fertilizers, pesticides, caustic soda and soda ash, plastics and synthetic fibres. Partly as a result of this addition to capacity and partly through better utilisation of capacity, it is expected that the unsatisfactory trend in industrial production in the recent past will be checked during 1967-68. To a significant extent this will be facilitated by improvement in the availability of raw materials, both domestic and imported. With the increase in the production of ferrous and non-ferrous metals and higher output expected in the agricultural sector, the overall availability of industrial raw materials is likely to be considerably better than in the previous year. The extension of the liberalised import programme should further ensure improved supply position of imported raw materials including components. This should lead to a spurt in industrial production during 1967-68. The trend in industrial production in the last quarter of 1966-67 indicates that the beginning of such an improvement is already in sight. It is further expected that with greater reliance on indigenous consultancy and more intensive effort to secure capital equipment from domestic sources, the demand trend for capital goods should also significantly improve during 1967-68 as to make it possible to achieve a better utilisation of the engineering capacity. The main industries in which substantial increase in output is envisaged are steel, alloy steel, fertilisers, pesticides, electrical machinery, motor cars, motor cycles and scooters, agricultural tractors, aluminium, zinc and cement. The jute and cotton textile industries are also expected to recover from the low level of production achieved in 1966-67.

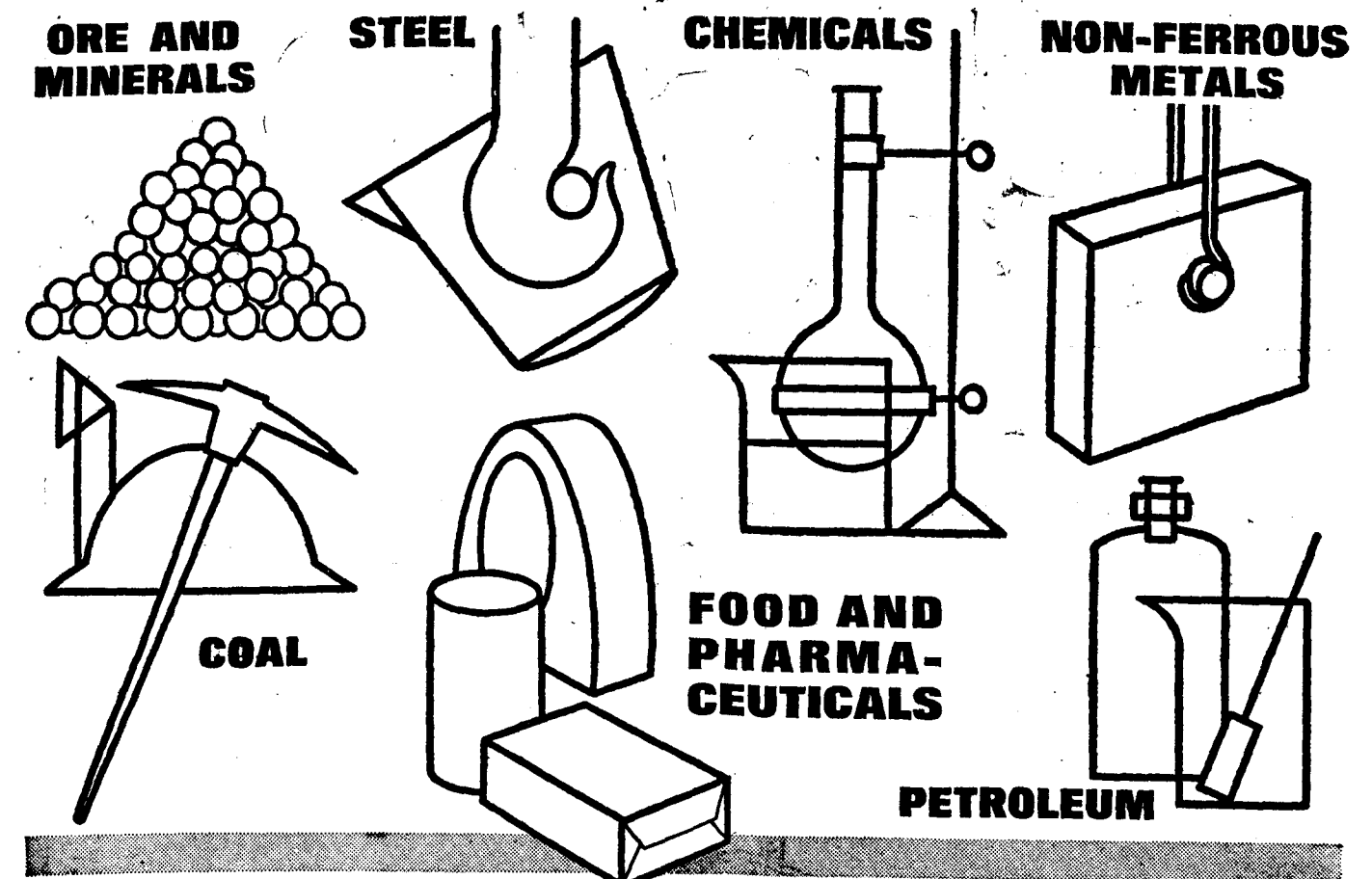


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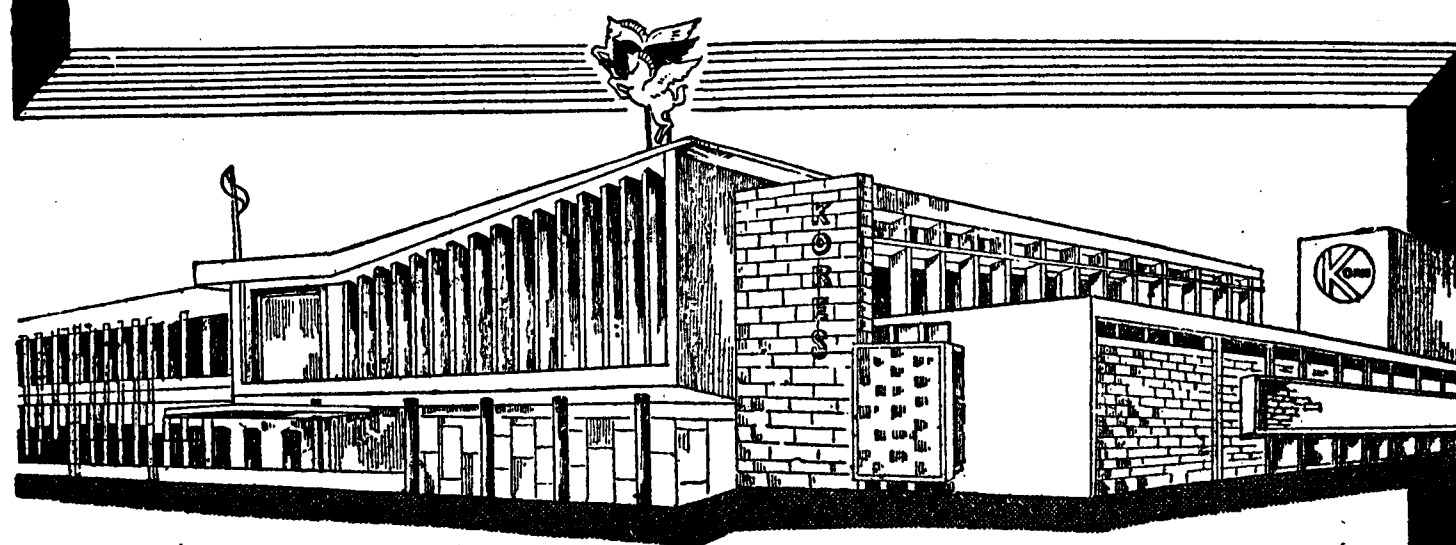
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INDUSTRIAL PRODUCTION: 1965-66 to 1967-68

Name of the industry	Unit	1965-66 (Actual)		1966-67 (Targets)		1966-67 (Estimated achievement)		1967-68 (Targets)	
		Cap.	Prod.	Cap.	Prod.	Cap.	Prod.	Cap.	Prod.
Steel and non-ferrous metals									
Iron and Steel									
Steel ingots	Million tonnes	6.7	6.5	8.9	7.0	7.0	6.6	8.9	7.5
Finished steel	"	5.1	4.5	6.7	5.2	5.4	4.4	6.2	5.7
Pig iron for sale	"	1.2	1.2	1.5	1.3	1.2	1.0	1.2	1.2
Alloy, tool and stainless steel	'000 tonnes	40.0	40.0	50.0	40.0	50.0	40.0	90.0	70.0
Aluminium	"	88.5	67.0	113.0	100.0	93.5	83.0	113.0	113.0
Copper	"	10.0	9.4	10.0	9.6	10.0	9.3	10.0	10.0
Zinc	"	Nil	5.0**	Not indicated		20.0	2.2	23.5	12.5
Lead	"	5.4	2.6	5.4	2.5	5.4	2.5	5.4	3.0
Engineering Industries									
Steel castings including alloy & steel castings	"	170.0	60.0	170.0	80.0	170.0	54.5	182.0	75.0
Steel forgings	"	71.0	68.9	140.0	75.0	108.8	52.0	132.0	60.0
Cranes	"	18.8	8.2	Not indicated		19.5	8.5	25.6	10.0
Steel wire ropes	"	21.8	12.9	—do—		21.8	12.3	34.4	15.0
Cast-iron pipes	"	308.5	258.4	Not indicated		382.5	223.0	500.0	270.0
Steel pipes and tubes including black & galvanised tubes, seamless & RW tubes	"	366.7	266.4	—do—		378.7	297.2	484.0	408.0
Ball and roller bearings	Million nos.	11.6	8.3	12.0	12.0	12.1	9.2	14.0	12.0
Industrial Machinery									
Metallurgical and other heavy mechanical equipment	'000 tonnes	30.0	11.0	80.0	19.5	80.0	14.3	100.0	20.0
Coal and other mining machinery including drilling equipment	"	30.0	5.1	45.0	7.8	45.0	6.2	45.0	10.0
Cotton textile machinery	Rs. crores	40.0	24.2	40.0	35.0	40.0	18.0	40.0	20.0
Jute machinery	"	5.0	3.5	5.0	4.5	5.0	4.0	5.0	4.0
Paper machinery	"	6.1	1.7	7.3	3.5	6.5	2.3	6.5*	3.0*
Sugar machinery	"	12.4	8.1	17.5	12.0	15.9	8.7	10.0*	8.0*
Cement machinery	"	19.0	4.9	17.8	8.0	23.0	6.1	10.0*	10.0*
Printing machinery	"	0.3	0.1	Not indicated		0.5	0.1	0.5	0.2
Dairy machinery	"	2.6	0.6	—do—		2.6	0.9	2.6	1.0
Machine tools (organised sector) including accessories	"	30.1	25.8	35.0(c)	35.0(c)	45.3	29.9	45.3	29.0
Construction equipment									
Excavators and shovels	Nos.	100	81	Not indicated		100	66	130	75
Road-rollers	"	1626	1279	—do—		1626	1110	1686	1110
Industrial boilers	Rs. crores	7.6	5.3	Not indicated		10.0	3.8	10.0	4.5
Industrial and scientific instruments									
Precision instruments	"	8.0	5.4	19.0	10.0	20.0	6.1	21.0	10.0
Hospital and X-ray equipment	"	2.3	1.0	2.6	1.3	2.6	1.2	2.9	1.9
Automobiles									
Commercial vehicles	'000 Nos.	57.0	35.3	57.0	41.0	57.0	35.0	57.0	40.0
Passenger cars	"	30.0	25.0	30.0	24.5	30.0	29.5	34.0	34.0
Jeeps and station wagons	"	10.0	10.3	10.0	10.0	10.0	10.0	12.0	10.0
Motor cycles, scooters and mopeds	"	53.0	48.9	53.0	53.0	53.0	53.0	80.0	75.0
Agricultural Machinery									
Power driven pumps	"	275.0	261.0	300.0	300.0	300.0	308.6	350.0	325.0
Diesel engines (stationary)	"	100.0	93.1	150.0	100.0	125.0	112.0	125.0	125.0
Agricultural tractors	"	6.8	6.3	15.0	8.0	10.0	8.8	15.0	13.0
Railway wagons (in terms of 4-wheelers)	"	40.0	33.5	40.0	27.0	40.0	22.0	40.0	27.0
Electrical Machinery									
Turbines—steam	Million K.W.	...	...	0.6	0.2	...	...	0.8	0.1
Turbines—hydro	"	...	...	0.5	0.2	...	...	0.5	0.1
Generators—thermal	"	...	...	0.6	0.2	0.6	0.1	0.8	0.1
Generators—hydro	"	...	...	0.5	0.2	0.5	0.1	0.5	0.1
Electric motors 200 HP or above	Million H.P.	2.4	0.5	...	...	2.5	0.7	2.6	1.3
Electric motors below 200 H.P.	"	1.8	1.8	Not indicated		2.2	2.1	2.5	2.5
Transformers 33 KV or below	Million KVA	3.0	3.0	4.0	4.0	4.0	3.0	4.0	4.0
Transformers above 33 KV	"	...	...	4.0	4.0	4.5	2.6	5.0	3.0

** Metal received from Japan in return for concentrates produced in the country.

(c) Without accessories.

* For the year 1967-68 the capacity and production targets for paper, sugar and cement machinery have been shown only for machinery specific to industry, i.e., exclusive of major bought out items like boilers, electrical equipment etc.

INDUSTRIAL PRODUCTION: 1965-66 to 1967-68 (Contd.)

Name of the industry	Unit	1965-66 (Actual)		1966-67 (Targets)		1966-67 (Estimated achievement)		1967-68 (Targets)	
		Cap.	Prod.	Cap.	Prod.	Cap.	Prod.	Cap.	Prod.
Light Engineering Industries									
Electric fans	Million Nos.	1.5	1.4	Not indicated		1.5	1.3	1.6	1.3
House service meters	"	1.2	1.1	—do—		1.3	1.0	1.3	1.0
Radio receivers	"	0.6	0.6	—do—		0.8	0.8	0.9	0.9
Electric lamps									
GLS and others	"	67.8	67.8	—do—		80.0	78.6	85.0	85.0
Fluorescent tubes	"	4.5	4.4	—do—		4.5	4.5	7.0	7.0
Dry batteries	"	289.5	283.3	—do—		358.8	358.8	450.0	450.0
Bicycles	'000 Nos.	1679.0	1539.6	2000.0	1800.0	1679.0	1654.5	2000.0	2000.0
Typewriters	"	66.0	41.1	100.0	90.0	66.0	41.6	66.0	52.0
Storage batteries	"	708.5	708.5	...	...	752.0	752.0	900.0	900.0
Chemical and Allied Industries									
Fertilisers									
Nitrogenous (in terms of N)	'000 tonnes	585.0	233.0	666.5	400.0	585.0	310.0	894.0	520.0
Phosphatic (in terms of P205)	"	237.0	121.6	400.0	200.0	237.0	145.0	395.7	266.0
Pesticides									
D.D.T.	'000 tonnes	2.8	2.7	Not indicated		2.8	2.7	2.8	3.0
B.H.C.	"	7.2	7.4	—do—		10.3	8.0	26.5	12.0
Heavy Chemicals									
Caustic soda	"	270.0	217.0	400.0	300.0	296.0	226.0	400.0	312.0
Soda ash	"	362.8	331.0	430.0	360.0	362.8	350.0	431.0	370.0
Sulphuric acid	"	1481.8	654.0	1400.0	1000.0	1353.0	700.0	1450.0	850.0
Calcium carbide	"	58.5	50.0	Not indicated		66.0	52.0	80.0	65.0
Sodium hydrosulphite	"	7.1	4.2	—do—		7.1	3.4	7.1	5.5
Dye stuffs	"	9.9	6.7	12.0	10.5	11.3	7.3	12.0	8.5
Carbon black	"	26.8	14.3	Not indicated		26.8	17.5	31.5	24.0
Petro-chemicals									
T.V.C.	"	9.6*	12.2	Not indicated		9.6*	10.8	21.6	20.0
Polyethylene	"	11.5*	13.5	—do—		18.5	14.0	28.5	14.0
Polystyrene	"	5.4	5.6	—do—		10.0	6.0	17.5	16.0
Synthetic rubber	"	30.0	14.3	—do—		30.0	15.6	30.0	16.0
Paper and paper board	"	669.0	560.6	700.0	580.0	711.0	585.0	723.0	650.0
Newsprint	"	30.0	30.3	30.0	30.0	30.0	29.5	30.0	30.0
Cement	Million tonnes	12.0	10.8	14.8	12.5	12.6	10.9	15.5	13.2
Rayon									
Filament including tyre cord	Million Kgs.	47.5	45.6	Not indicated		47.5	46.0	50.0	50.0
Staple fibre	"	26.0*	38.0	—do—		26.0*	42.5	26.0*	50.0
Synthetic fibres									
Nylon filament/staple	Million Kgs.)								
Nylon tyre cord and other industrial yarn	")	1.6	1.5	Not indicated		1.6	2.0	3.4	3.0
Polyester fibres	"	2.0	1.2	—do—		2.5	2.5	4.5	3.5
Drugs and pharmaceuticals	Rs. crores	N.A.	150	—do—		N.A.	175	N.A.	190
Paints and varnishes	'000 tonnes	106.0	68.0	—do—		106.0	70.9	106.0	80.0
Rubber Manufactures									
Automobile tyres	Million Nos.	3.3	2.3	3.3	2.8	3.3	2.5	3.3	3.0
Bicycle tyres	"	20.5	18.0	Not indicated		20.5	20.0	20.5	20.0
Glass	'000 tonnes	529.8	296.5	—do—		566.9	292.0	566.0	300.0
Jute	"	1219	1354	1219	350	1219	1163	1219	1400
Cotton textiles									
Yarn	Million Kgs.	15.5†	900.7	16.9†	1000	16.3(†)	900	16.7	900
Cloth (mill sector)	Mill. metres	205 (b)	4401	215 (b)	4800	208 (b)	4200	208 (b)	4200
Woollen cloth	"	43.6	10.1	43.6	13.7	43.6	10.9	43.6	16.0
Sugar	Million tonnes	3.2	3.5	3.3	3.4	3.4	2.2	3.4	2.2
Vanaspathi (inclusive of oil)	"	5.9	4.5	Not indicated		5.9	4.1	5.9	4.1
Minerals									
Coal	Million tonnes	...	70.3	...	72.0	...	71.0	...	72.5
Iron ore	"	...	23.0	Not indicated		...	25.0	...	26.5
Crude oil	"	...	3.5	—do—		...	4.8	...	6.0
Petroleum (in terms of crude throughput)	"	10.5	10.1	—do—		15.1	11.9	15.5	14.2

* Licenced capacity; but actual installed capacity is substantially higher.

N.A.=Not Available

† Million spindles.

(b) Thousand looms.

EASTERN ECONOMIST

AUGUST 25, 1967

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Good but Not Good Enough

THE SUGAR policy for the next season, announced last week by the Food and Agriculture Minister, Mr Jagjivan Ram, is welcome because it is a definite improvement over the rigid policy pursued hitherto. If the government had been stubborn and had not altered its foolish, out-moded policy, it would have worsened the present crisis of the sugar industry. The Minister had the good grace to openly admit that if no change was made in the old policy, the output of sugar during the next season would be drastically reduced and, according to his estimates, would not exceed 1.5 to 1.6 million tonnes—less than half of the output in 1965-66 and nearly three-fourths of the production in the current season.

The sugar mills have suffered from a serious disadvantage in the sense that they had to compete with khandasari and gur producers on highly unfavourable terms. The minimum price of sugarcane which the industry was expected to pay to the cane growers was fixed by the government. Also, the price at which sugar was sold to the consumers was dictated by the government while its competitors, i.e., khandasari and gur producers, were free to offer any price, according to market conditions, to growers and were also free to realise the market price for their products from the consumers. In this uneven competition, the bulk of sugarcane meant for sugar mills got diverted to khandasari and gur producers, with the result that output of sugar was sizably reduced. In the current season the total output of sugar was no more than 2.2 million tonnes as against 3.6 million tonnes in the last season.

The industry had repeatedly appealed to the government that it should be allowed to compete with khandasari and gur producers on equal basis if it were to utilise its full capacity but the government had turned a deaf ear to its pleading. The prospect of a further reduction in sugar production in the next season, if the policy was not changed, forced the hands of the government to adopt a realistic attitude and to initiate partial decontrol in the hope that the next season's production would not fall below the current season's level. Unfortunately, the output of sugarcane in the next season is likely to be reduced by 15 to 20 per cent because of the drop in area under this cash crop. It is a foregone conclusion that there will be a scramble for sugarcane in the next season when all the three producers would compete. It will obviously result in a sharp increase in sugarcane prices. The new policy does not provide complete freedom to the sugar mills to buy sugarcane at the market price. The government has fixed a notional minimum price for sugarcane at Rs. 2.75 per maund as against Rs. 2.12 per maund in the last season. Of the sugar to be produced by the factories in the next season, 1.3 million tonnes equivalent to 60 per cent of this year's output will be purchased by the government for distribution in rationed areas at prices to be fixed on the basis of the Rs. 2.75 per maund notional sugarcane price. The mills will, however, be free to dispose of the rest of their output at the market prices.

Current estimates show that the price of sugarcane may jump to Rs. 4.50 per maund. In order to make up for the increased cost of sugarcane, the government has provided two incentives, besides partial decontrol. The excise duty on sugar has been reduced by Rs. 8.35 per quintal. In respect of production which will be in excess of 80 per cent of this year's output, the basic excise duty would be halved. Taking both these concessions into consideration and the supply position of sugarcane, it is certain that the sugar mills will have to pay much higher prices for sugarcane than the notional price fixed by the government. Whether the cane price will go up to four rupees (or even more) per maund will depend upon a number of factors including the pressure from khandasari and gur producers.

It is expected that the limited competition which has been allowed to the

sugar mills may increase the output of sugar which the most optimistic estimates do not put beyond 2.5 million tonnes. What is disturbing is that the free market price of sugar will be significantly higher than the price at which rationed sugar will be distributed by the government. But this is the price which the consumers must pay today for the past follies of the government. We are of the opinion

Wanted: A Pool for Power

A CURIOUS situation is developing in the power position in the southern region. This may give rise to serious problems relating to the effective utilisation of available capacity in the next two or three years unless there is a co-ordinated approach and vigorous advance planning for creating distribution facilities. With a favourable south-west monsoon, Madras and Kerala states are in the happy position of making the best use of their hydel reservoirs while there will be no difficulty at all in running the sets of Sharavathy project. Difficulty, if any, will arise only after six or more sets had been commissioned.

In Andhra Pradesh, too, larger hydel capacity will come into being in the current and next year and the anxiety on account of low storage, as experienced in 1965-67 in the Tungabhadra and Machkund projects, may not be felt again. The Madras and Kerala state electricity boards will be able to increase the generation of power from their own sources as the hydel storage in the former state will be capable of supplying a record quantity of power in the current year while in Kerala, the Sabarigiri and Sholaiyar projects will be helped to operate all their sets on an optimum basis before the end of 1967, thanks to the heavy rainfall in the catchment areas and the commissioning of four more sets under both projects. Madras state has the additional advantage of utilising profitably the irrigation discharge of the Mettur Dam and the four units under the Tunnel scheme are now providing power on a ridiculously cheap basis, the daily supply amounting to well over two million units for some time past. In Mysore, the state electricity board is feeling rather embarrassed as the third and fourth giant generating units are being got ready with no firm demand from Madras and Kerala, and with no facilities for exporting large blocks of power to Andhra Pradesh. A situation will present itself sooner or later where it may be found necessary to postpone the installation of additional sets in Sharavathy.

With the necessity to utilise the free flows in the rivers when they are in floods and the anxiety of the state electricity boards to reduce purchases from outside sources, the main problem relates to the operation of thermal capacity continuously on a profitable basis. The Madras State Electricity Board would be thankful if the Neyveli Lignite Corporation, which came to the help of the former in an impressive way during the crisis of last year, could reduce its export in the next four months and help the electricity board to effect a saving in its expenditure on purchases from outside services. There has no doubt been a satisfactory increase in consumption in Madras state in the past year and more. Even with the recessionary trends noticeable in

that it would have been much better if the government had completely decontrolled sugar instead of dabbling in limited decontrol. The present precarious condition of the sugar industry has clearly demonstrated that controls inhibit growth and the sooner they are done away with, the better it is for all concerned.

several parts of the country, the daily consumption is averaging well over 12 million units while Andhra Pradesh, Mysore and Kerala put together are absorbing only about 90 per cent of the total of Madras state. This is indeed an eloquent testimony to the outstanding achievements of the Madras state in the past decade. The high priority accorded to the implementation of power schemes and the construction of a vast network of transmission lines, along with the active support extended to the industry and for the installation of pump-sets, has helped the regional economy to develop on sound lines. The per capita consumption in Madras state is very much higher than the all-India average.

On the other hand, even with large hydel potential in Kerala, Mysore and Andhra Pradesh, rapid progress has not been made until recently. Even after the construction of large projects, careful attention is yet to be paid to the utilisation of the newly created capacity as there was no prior planning and the transmission network had not been created in time. There is a real problem of absorption of power in Mysore. Kerala may not have a serious headache for some time as its hydel capacity is not very large and there was also an unsatisfied demand of the industrial belt in the Cochin-Alwaye sector and elsewhere. Indeed, but for the scope for availability of power supply from the neighbouring states, particularly Mysore, a difficult situation may arise in Kerala in the late 'sixties. That is why it has been urged that the Idikki project should be given high priority and some power must be generated from this source by 1970-71.

Under these circumstances, any decision in regard to the construction of new schemes has to be taken on an integrated basis. Having regard particularly to the vast unutilised capacity of the Sharavathy project, Mysore too is busy with the formulation of new schemes and the construction of a large network of transmission lines which will enable the interior areas to use electricity for all purposes. As the irrigated area in Mysore is only a fraction of the total cultivable land, the emphasis should be, as in Madras, on the installation of pump-sets and the use of underground water resources to the maximum extent.

The major irrigation projects like the Upper Krishna, Ghata Prabha and other schemes will take quite a number of years to be completed. There should thus be no delay in implementing a crash programme for rural electrification. This will be helpful in building up a sizable load on account of the agricultural and small industries sectors while the

establishment of a large-sized aluminium smelter, big cement and fertilizer units and other electro-chemical industries may be reflected in a rapid growth in power consumption in the early 'seventies. Even so, for quite some time, Mysore will have to be a sizable exporter of power and it will be possible to use power generated by all the 10 units in the Sharavathy project in the next five years only if the regional grid is fully integrated and is in a position to export and receive large quantities of power from one end to another in all the four states. The Kalinadi, Hogenekal and Srisailem projects will ultimately have to be constructed but an expert study should be made to find out how the phasing of their construction should be undertaken and how the existing capacity and new capacity that will be created in the next four years will be able to take care of the requirements of the region and how fresh capital outlay can be made to go a longer way.

It is very necessary to examine thoroughly the scope for co-ordinated generation and consumption as unplanned development might well lead to uneconomic investment which will be costly from the national angle and which may also compel some state electricity boards to operate at a loss for a long time. As the state grids are not fully inter-linked and there has been no disposition so far to think on

Outlook for Engineering Exports

THOUGH DEVALUATION has not helped the country in augmenting the earnings of foreign exchange, it seems to have contributed in increasing exports of at least some non-traditional items. For instance, the total export of engineering goods in 1966-67 was Rs. 47.41 crores which, on conversion to the pre-devaluation rate of exchange works out to Rs 31.94 crores indicating an increase of 30 per cent over 1965-66. According to the Engineering Export Promotion Council, exports to all the regions recorded an increase in 1966-67 as compared to the previous year, as shown in the following table:

EXPORT OF ENGINEERING GOODS				
(In Rupees Lakhs)				
Region	1966-67		Post Dev.	Contribution to total export of Rs. 47.41 lakhs
	1965-66	Pre-Dev.		
1. South-east Asia	900.16	1204.02	1834.44	39%
2. West Asia	632.66	753.95	1109.04	24%
Sub-Total Asia	1532.82	1957.97	2942.48	63%
3. Africa	445.41	489.58	694.42	14%
4. East Europe	151.63	235.70	348.88	8%
5. West Europe	193.65	225.53	318.68	6%
6. America	64.01	216.47	331.71	7%
7. Others	55.70	68.82	104.31	2%
Total:	2443.22	3194.07	4741.48	100%

a regional basis, there is the anomaly of unutilised capacity in Mysore and irregular utilisation of the capacity of the Neyveli thermal station while Andhra Pradesh has been obliged to think in terms of expanding its generating capacity in a big way in order to meet its needs from its own sources. There is no doubt that the inter-state grid can be firmed up only with the installation of thermal capacity, as is taking place at Neyveli, Kothagudem and Kalpakkam. But without a pooling of generated power and the drawing up of tariff rates on a regional basis, it may so happen that power will be costly in some regions and cheap in others. Without a correct understanding of the problems relating to the export of power, it will not be possible to create generating capacity on a regional basis and achieve the much desired economies. As matters stand, between the Idikki, Sharavathy and the thermal stations in Madras state and Andhra Pradesh, power cuts in the summer months can be safely avoided in future. At the same time, the opportunity will be afforded to formulate new schemes eschewing parochial approaches. Will it be too much to expect that a sincere effort will be made to derive the maximum advantage out of the present situation which offers excellent scope for operating on a pooled basis? At a time when there is a dearth of physical resources we cannot afford their wasteful employment.

The increase in exports was achieved only in about 26 items, the more important being M. S. pipes, tubes and fittings, electric wires and cables, cast iron products including steel castings, railway coaches, locomotives, wagons and parts, telephone equipment, textile machinery and tea machinery. In the case of 45 other items, there was a decline in exports. For example, the export of bicycles and parts fell from Rs. 114.97 lakhs in 1965-66 to Rs. 90.06 lakhs in 1966-67, diesel engines and parts from Rs. 126.20 lakhs to Rs. 84.62 lakhs, electrical accessories and appliances from Rs. 32.16 lakhs to Rs. 28.78 lakhs, railway track materials from Rs. 18.94 lakhs to Rs. 8.89 lakhs and razor blades from Rs. 15.61 lakhs to Rs. 5.58 lakhs. (All the figures for 1966-67 are in pre-devaluation rate of exchange).

It is noteworthy that our engineering goods have made headway even in highly sophisticated markets such as the UK and the USA. Exports to the UK in 1966-67 were valued at Rs. 1.95 crores and to the USA Rs. 2.69 crores. These figures are, of course, quite small in relation to the total import of engineering goods by these countries but even so, we have reason to be proud of this performance in view of the stiff competition we have to face from the advanced countries. It is significant, for instance, that we exported to the UK in the last year cast iron manhole covers valued at over Rs. 26 lakhs.

What about the export prospects for the current year? The Government of India seems to think that the recession is likely to stimulate the export of engineering goods by compelling manufacturers to seek foreign markets, but exports are unlikely to increase substantially unless, in the

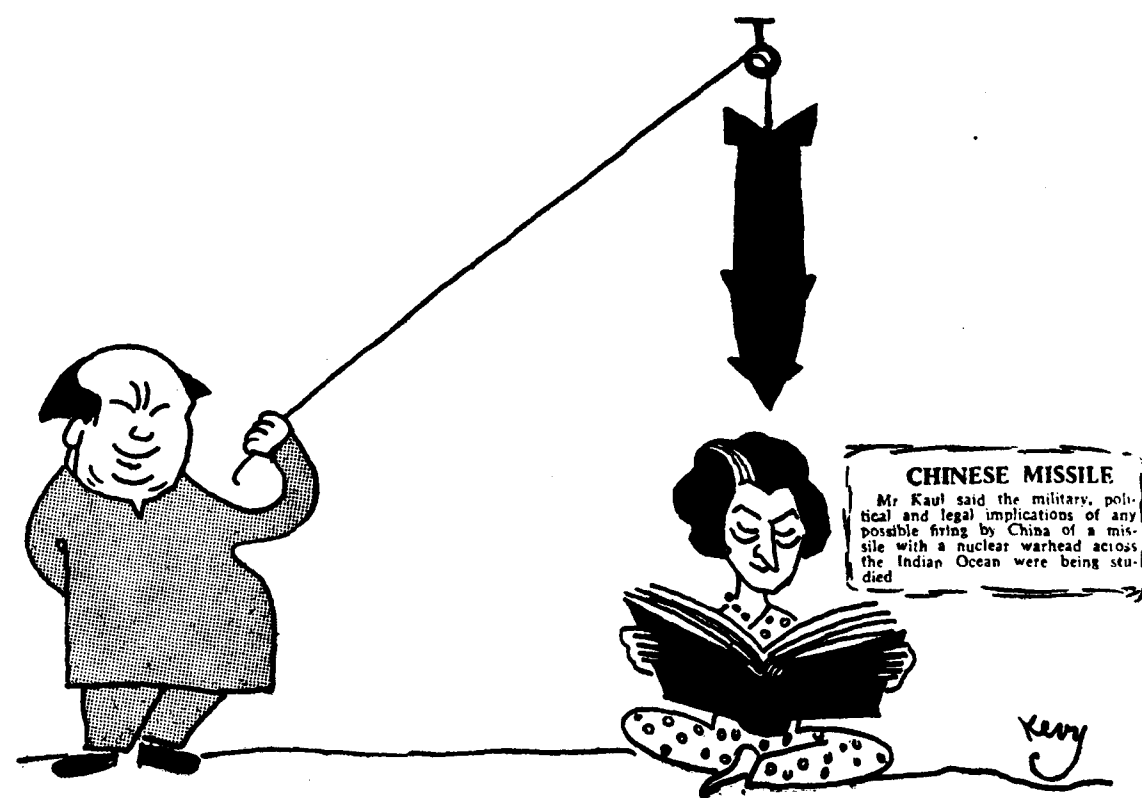
first place, the engineering industries are helped to increase their production and offer their goods at competitive prices. Many engineering industries continue to work far below their installed capacity. The liberalisation of imports of raw materials and components and the recent decision to offer export credit on a cheaper basis have been helpful to some extent. But these are not enough. It is important that the engineering industries and, indeed, the entire economy should be able to function at a high level of efficiency in order to have a big impact on export promotion.

There are also some other obstacles to export promotion. Some of these were discussed at the seminar held in Kanpur in July this year; it was sponsored by the Engineering Export Promotion Council of the Northern Region. The seminar referred to the difficulties created by the customs department in regard to the prices quoted by exporters (it was stated that there was always a certain amount of suspicion in the minds of the customs authorities that the exporters were over-invoicing or under-invoicing); delay in the disposal of applications for cash subsidy as well as in getting the draw-back rates fixed. The seminar also expressed dissatisfaction with the arrangements made by the Government of India for participation in fairs and exhibitions. It was complained that the notice given was short, that adequate care was not taken in selecting the goods for display from this country and that no proper study was made about the import restrictions and market conditions in other countries. The seminar suggested that the problems relating to the fixation of draw-back rates should be

referred to a high-powered committee to recommend improvements.

As regards exhibitions, the view of the seminar was that the Federation of Indian Export Organisations, Indian Council for Trade Fairs and Exhibitions and the Exhibition Directorate should jointly devise measures in order to ensure our effective participation.

Neither these difficulties nor the recommendations are new. Many of them have been voiced before not only by the industry and trade but also in the reports of official committees and trade delegations. It appears that action on them has been slow and half-hearted. The time has now come for exporters and the government to co-operate with each other actively. Apart from West Asia, where the recent conflict has opened up opportunities for our goods in the Arab countries, there are several areas where our engineering products have hardly made any impression such as the countries of South America. A major difficulty in selling to this region is the high and discriminatory shipping freight rates and the lack of regular shipping facilities. It has been suggested that direct sailings should be arranged from Bombay to the ports in West Indies, West Africa, Libya and Ethiopia with a view to reducing the incidence of high freight rates as well as the delay and damages involved in transshipment. Among non-traditional exports, engineering goods have the best potential and with energetic and sustained efforts on the part of the industry and the government, it should be possible to raise their export earnings to substantially higher levels.



Age of learning!

Jute Crisis to Continue?

THE NEW jute policy announced by Mr Dinesh Singh, the union Commerce Minister, in the Lok Sabha on August 10, has understandably disappointed the jute industry. Faced with an unprecedented financial crisis, the industry had suggested a four-point programme for rehabilitation. The proposals included temporary curtailment of production during August-December by laying off workers on each Saturday, suspension of futures trading in jute goods, creation of a jute goods buffer stock association, and fixation of minimum prices of jute goods for internal consumption. The Commerce Minister has agreed to set up a buffer stock association for jute goods of standard constructions, and to suspend futures trading in jute goods for one week which may be extended from time to time. But he has rejected the suggestion to close the mills on the ground that it would involve hardship to labour and reduction in production. He has also turned down the proposal to fix a minimum price for jute goods on a statutory basis. He thinks this is not necessary in view of the creation of the jute goods buffer stock association.

The jute industry is not happy about this decision because it feels that in the absence of a temporary and judicious cut in production, the formation of a jute goods buffer stock association will not be of much help to stabilise prices. The industry has put forward its proposals as an integral scheme and it feels that to accept some of them and to reject the others will not help to improve the situation. The industry has expressed the view that the measures announced by the Commerce Minister are "completely inadequate", and that the present crisis will continue "with wide ramifications on the country's foreign exchange earnings and will lead to individual closure of mills, consequent unemployment and labour problems". Such a situation will, of course, be most unfortunate and the government therefore should see to it that the jute industry is helped to function on healthy lines. The Commerce Minister has said that the existence of the jute goods buffer stock association will make it easier for the industry to take such reasonable steps, by way of voluntary discipline, as may be necessary to stabilise the price level in the long-term interests of producers, sellers and buyers. It is not clear how exactly the government hopes to achieve this objective and in what manner it expects the industry to co-operate in this respect. Perhaps, the government's idea is that the jute goods buffer stock association should conduct its operations in such a way as to regulate production in order to avoid serious fluctuations.

The Commerce Minister assured the Lok Sabha that the government was committed to provide minimum support for raw jute at Rs. 40 a maund for Assam Bottom delivered at Calcutta and he added that steps had been taken to ensure that this commitment was fulfilled. The industry has already agreed to adhere to the official support price but has asked for revision of the differentials of various grades. It has reiterated its view that the industry's capacity to maintain these price levels will depend on its ability to sell the finished products at prices commensurate with the prices of the raw material. The production of raw jute this year has been good in West Bengal and also in Orissa,

Bihar, Tripura and Assam; and the total crop is estimated at 9.5 or 10 million bales compared to our requirements of about 8.4 million bales. The area under jute is at present estimated at 1.4 million acres. In view of this encouraging progress in the production of the fibre, it is important to ensure that the jute industry is restored to its usual vigour.

It is a matter for regret that the official policy towards the jute industry continues to be somewhat lukewarm. The union Finance Ministry, for instance, still maintains the export duties at unrealistic levels. Recent trends have shown that the export duties have made our jute goods, especially sacking, uncompetitive in foreign markets. The Calcutta Jute Fabrics Shippers Association claims that suitable adjustments in export duties will help in making our jute goods attractive to overseas buyers, which will stabilise prices at increased levels. The Finance Ministry, however, does not seem to realise that in the absence of an increase in exports, its expectations of large revenues from export duties will not, of course, materialise.

The Commerce Minister has advised the jute industry to turn to the production of new varieties of goods since the main competition is not from Pakistan but from synthetics. In fact, the jute industry in recent years has been making vigorous efforts in this direction. The IJMA, in co-operation with the Council of Scientific and Industrial Research, has set up the Indian Jute Industries' Research Association. In 1962 the IJMA commissioned the Fabric Research Laboratories of the USA to undertake research and product development investigations. Substantial progress has already been made and a new process for bleaching and fast dyeing of jute fabrics has been evolved. This has been described as "a great step forward," which will enable the industry to enter into the decorative fabric markets in the USA, the UK and the continent of Europe. The industry has also done valuable work in improving the quality of woolpacks. The industry's complaint is that the government shows little appreciation of its achievements and potentialities. As the chairman of the IJMA said recently, "the jute industry is better placed than almost any other industry in the country to serve our needs in earning more foreign exchange. An established industry such as ours, with its vast resources of equipment, manpower and expertise and its world-wide trading connections, has the potential for quickly augmenting the country's foreign exchange earnings, something which cannot be achieved by newer industries".

The development of carpet backing has been a notable achievement of the jute industry. The export of this item amounted to over 130,000 tonnes in 1966 compared to a negligible quantity in 1956. In 1966 carpet backing earned Rs 500 million in foreign exchange. But at present in several mills, the carpet backing looms which had worked to full capacity on three shifts during 1966-67 are presently working below capacity as sales have declined due to recession in the USA and competition offered by synthetics. Labour relations in the industry are also far from satisfactory. All this is hardly helpful for the industry to play its proper part as the country's largest earner of foreign exchange.

Cessation of Curbs on Cotton

AUGUST 10, 1967, will go down in the annals of India's cotton trade as a memorable occasion. On that day, the Government of India announced its decision to lift the statutory control on the ceiling and floor prices of raw cotton with effect from September 1, 1967. Thus ends a price control that began over 24 years ago as a war-time measure in 1943-44—"to supply the British troops cheap cloth at the cost of the Indian farmer", to quote a prominent cotton merchant, Mr Manubhai N. Amersey, who has taken a particularly keen interest, especially since his election to Parliament in February last, to bring this about. But the agitation for removing control on cotton prices is ancient, if we may say so, for the demand has been there for several years now. Seldom has there been such unanimity on an issue of this nature. The Indian Cotton Mills' Federation, the East India Cotton Association, the Cotton Advisory Board, the Export Group, growers' societies and last, but not least, the Agricultural Prices Commission, have all been repeatedly urging the abolition of ceilings for the obvious reason that although the ceilings continued to be religiously imposed year after year, they were hardly effective. As Mr Ramdas Kilachand, Vice-President of the East India Cotton Association has observed, owing to various inherent difficulties, price control on cotton could not be implemented during years of short supply, whereas it was redundant during years of satisfactory supplies.

Two significant assurances were given by the union Commerce Minister, Mr Dinesh Singh, along with his statement on this historic decision. The first concerns cotton growers who have been told that, in case the price of cotton falls too much, the government would purchase cotton at minimum support prices. For the standard variety of raw cotton, i.e., Vidarbha M. P. Virnar 27/32" fine, for instance, these support prices at Rs 990 per candy are five per cent above the present level. For other varieties, excepting Bengal Deshi, the support prices are to range between five and ten per cent above their respective floor prices for the current year. These may be lower than the current ruling prices which the growers wanted to be constituted as support prices, but no one in his senses would accept the present high prices as normal, let alone reasonable. We do not think the growers have reason to grumble, because not only are they assured of a reasonable minimum price but also of substantial stability, perhaps for the first time. To maintain stable prices the government has not only retained control over sale, purchase, stocking and movement of raw cotton, but has further promised to manipulate credit restrictions either way. Stable agricultural prices are a desideratum to be devoutly wished for.

The second assurance concerns the consumers of controlled varieties of cloth, who have been assured that they would continue to get them at the controlled prices. Perhaps, in the prevailing circumstances, or rather with the temper of the consumer being what it is today, Mr Dinesh Singh could not but hold out such an assurance, although even after applying the Textile Commissioner's formula for fixing controlled cloth prices, it is a moot point whether these prices can be held at the present level. For the re-

cent increase in dearness allowance alone, according to the Chairman of the Indian Cotton Mills' Federation, calls for an increase in these cloth prices of some four per cent. In other words, stabilisation of raw cotton prices is only a partial solution of the problem of rising prices. The cost of raw material is but one item, albeit a very important one, of the overall cost of cotton cloth production. Not until the prices of all the items that enter into the picture can be held would it be possible to hold the prices even of the controlled varieties. Nor would it be fair to the cloth producers. As it is, we are told, mills have been losing anywhere up to 15.5 per cent (taking into account the latest rises in dearness allowances) on controlled cloth! It is, therefore, only a matter of time before the authorities themselves are compelled to relent and accede to the demand of mill interests to raise cloth prices. If Mr Dinesh Singh did not, or rather could not, do this simultaneously with the removal of control on cotton prices, notwithstanding the Export Committee's specific recommendation that the controlled variety of cloth should be reduced to 25 per cent and that there should be an immediate rise in its price, he must have had tactical, if not good reasons. For one thing presumably, he must have felt that the cotton mill industry would soon be able to curtail its outlay on cotton purchases and thereby bring down its losses—a negative consolation though.

Anyway, now that so much hope is being laid on the 1967-68 cotton crop, it is worth examining the prospects thereof. If the rains behave, that is, if they are just enough and not too much in all the cotton-growing areas, our cotton output is estimated to touch 5.2 million bales. Together with the carry-over from the current (1966-67) season of about 1.8 million bales and the anticipated imports of around 0.9-1.1 million bales, total supplies would be around 9.0 million bales, as compared to the overall supplies of less than 5.8 million bales this season (1966-67). As against the probable comfortable supplies as above, total demand, including mill consumption on a liberal estimate of, say, around 7.0 million bales and exports and extra-factory consumption of about 0.7 million bales, is not expected to exceed 8.0 million bales. So the optimism of the union Commerce Minister about total cotton supplies in 1967-68 and, therefore, of reasonable cotton prices is not too far-fetched.

The success of the new policy rests on several assumptions, but granting that all these assumptions eventuate, can we say the problem either of raw cotton or of the mill industry would even approach the stage of permanent solution? For that to happen not only must we plan for maintaining, nay augmenting, the present level of cotton output by adopting the several measures about which we have ceaselessly been talking so much, but we must also enable our mill industry to modernise and our mill workers to raise their productivity. These are the irreducible minima if this country is to regain its position as an important, if not leading, exporter of cotton textiles. That this country badly needs to export more of cotton textiles, along with more of our so-called traditional items of exports, fortunately needs no undue stressing today.

Foreign Aid in India's Development—I

MANUBHAI SHAN

ECONOMIC DEVELOPMENT through planning was first envisaged as early as 1933 by Sir M. Visvesvarayya, an early champion of industrialization, who prepared a ten-year plan for doubling the national income of the country. In 1938, the Indian National Congress established a national planning committee to draw up a programme for national development. In 1944 eight leading Indian industrialists issued a plan known as the Bombay Plan, which proposed the doubling of per capita income and trebling of national income in 15 years.

The authors of the plans mentioned above looked for resources for development only within the country. The idea of external assistance for national development programmes was never thought of seriously then. For one thing, there was no international opinion for such assistance at that time. Channels for the flow of international private capital particularly to under-developed countries had not been well established and opinion for assistance on government-to-government level had yet to build up.

The idea of international co-operation and assistance for economic development is largely of postwar origin. The UN Charter and the ECOSOC and particularly the establishment of the International Bank for Reconstruction and Development marked a beginning in international co-operation on the economic front. It found massive expression in the Marshall Plan designed to put the war-shattered European economies on their feet. The idea of helping the newly independent under-developed countries had still to gain currency and support. The Colombo Plan for co-operative economic development in south and south-east Asia launched in 1950 was the first concrete effort to help raise living standards in south and south-east Asia. This plan for the first time recognised the role that external finance could play in the task of development of under-developed countries.

Imperative of Economic Freedom

Among the developing nations which achieved political independence after World War II, our country was the first to accord recognition to the imperative need for economic freedom. The need for foreign capital in the development of the country's resources was also stressed by Jawaharlal Nehru in his policy statement on participation of foreign capital in India. Speaking in the Constituent Assembly on April 6, 1949, he observed: "Indian capital needs to be supplemented by the foreign capital not only because our national savings will not be enough for the rapid development of the country on the scale we wish, but also because in many cases, scientific, technical and industrial knowledge and capital equipment can best be secured along with foreign capital".

This country received the first instalment of economic assistance from the World Bank in 1949 in the form of small quantities of hard loans for specific projects. The assistance under the Colombo Plan was received from the UK, Canada, Australia and New Zealand in the form of grants and loans for financing imports of wheat, wheat flour, metals such as copper and aluminium, equipment for specific projects and technical assistance. In June 1951, this country got a loan of about Rs 90 crores from the US government to finance purchase of two million tons of US wheat. In June 1952 the foundation of an organised programme of assistance from the USA was laid with the signing of the Indo-US technical co-operation agreement.

The first five-year Plan did not make any substantial demand on the country's foreign exchange reserves. Nor did it necessitate large assistance from abroad. It was a very modest plan of Rs 3,800 crores of which Rs 2,300 crores were for public investment and another Rs 1,500 crores were for private investment. The second five-year Plan was a bolder effort. It

emphasised the importance of heavy industries for economic growth and made a beginning by developing some of them. It estimated the balance of payments deficit for the five-year period at Rs 1,100 crores. It allowed for a withdrawal of Rs 200 crores from the country's foreign exchange reserves; the balance was expected to be found from abroad. In the first two years of the second Plan, the country's foreign exchange reserves declined sharply in excess of the anticipated amount of reserves earmarked for use during the entire plan period. The Plan's foreign exchange requirements were found to be under-estimated and in May, 1958 the Plan had to be pruned in accordance with the availability of foreign exchange. The existence of a large volume of sterling balances held abroad and the desire to use them quickly also conditioned the government's attitude to the question of balance of payments. No concrete thought was, therefore, given to the problem of external assistance.

Aid Consortium

Opinion in the western countries and the USA was beginning to crystallize in favour of our efforts to develop the economy and the need for external help in this endeavour. In 1958, the World Bank took the initiative to form the Aid India Consortium consisting of countries where our country had placed most of the orders for the second Plan projects. The consortium had its first meeting in August 1958 to consider assistance for our immediate needs. The original members of the consortium were Canada, Japan, the UK, the USA, West Germany and the IBRD. In 1961 France and the IDA joined it. In 1962 Austria, Italy, the Netherlands and Belgium also became members. The consortium which meets from time to time to discuss our aid requirements, has had fourteen to fifteen meetings so far.

In the initial stages of the working of the consortium aid was pledged on an annual basis. However since 1963-64, this country began to impress on the aid-givers that since development was a long-term and continuing process, it was necessary to have an assurance of aid on a continuing basis for a fairly long period. This country and other important developing countries had also been urging that development assistance had to take into account not merely the requirements of particular projects but also of the developmental programme as a whole. In partial recognition of this view the World Bank sent out early in 1960 a team of three well-known bankers viz, Mr Herman Abs of West Germany, Sir Oliver Franks of the UK, and Mr Allan Sproul of the USA. The bankers, who visited both this country and Pakistan, covered some of these points in their letter to the President of the IBRD. They observed that (i) "these countries required and deserved substantial government-to-government aid for considerable period on an easy and long-term basis to avoid cuts in consumption and to minimize the burden of debt servicing, (ii) the policy of the aid-providing governments with respect to the scale, form and terms of assistance provided should be adequately co-ordinated to avoid waste of resources and effort and unnecessary international frictions, and (iii) India and Pakistan should have reasonably advance assurance of aid for the period of their plans". As regards the terms of assistance, the bankers added that "if the assistance required were made available entirely in the form of long or short loans on normal commercial terms, the resulting debt service liabilities would almost certainly impose an intolerable strain on the Indian and Pakistani balance of payments. This means that a substantial proportion of any aid provided would have to take the form of grants or loans not made on strictly commercial terms". The recommendations of the bankers were reflected in the declaration issued by the participating governments and institutions of the Aid India Consortium after its meeting in Washington in May 1961. The declaration said: "It

is recognised that the continuing requirements of Indian economic development make it necessary that external capital should be provided on terms which would impose the least possible burden on India's balance of payments". For this purpose, it was proposed "that the standard terms should be similar to those proposed for financing by the International Development Association".

The World Bank communique mentioned that "additional aid should be committed by its members during the first two years of the Plan in order both to provide an immediate support for India's balance of payments and to enable India to proceed in an orderly manner with the placing of new orders for the third Plan". India was assured of assistance totalling Rs 1,081 crores for the first two years of the third Plan. This had given rise to hopes that aid would be assured on a long term basis. These hopes, however, remained unfulfilled largely because of the opposition to such a long term commitment of aid from the legislatures of aid-giving countries, especially the US Congress. The consortium reverted from 1964 onwards to the earlier practice of year-to-year pledges.

Resources for Development

In the development effort, our country has relied more on its own resources and self-help than most of the other developing countries. While net investment in the economy rose from 5 per cent of national income in 1950-51, to 14 per cent in 1965-66, domestic savings also rose from about 5 per cent before the first Plan to about 11 per cent in 1965-66. To finance outlay in the public sector a substantial programme of borrowing and additional taxation was put through. For instance, during the third Plan period alone, additional taxation by the centre and the states was of the order of Rs 2,830 crores as against Rs 1,710 crores originally envisaged for the plan period. Taxation as a proportion of national income was raised from about 7 per cent at the beginning of the first Plan to the present level of about 14 per cent. The following table shows the growth of investment, savings and taxation in our economy since 1950-51:

	1950-51	1955-56	1960-61	1965-66
Investment as per cent of national income	5.0	8.0	11.0	14
Domestic savings as per cent of national income	5.0	7.0	8.5	11
Tax revenue as per cent of national income	6.6	7.7	9.6	14

In its ceaseless quest for making better life possible for its teeming millions, this country has had the advantage of financial assistance from the outside world as well as liberal access to advanced technical knowledge through technical-financial collaborations which were made possible due to the foreign policy of non-alignment, resulting in friendly ties with countries of both the west and the east. As against this, we had to contend with the growing pressure of population—a fateful outcome of our familiarity with modern medicine and other health facilities which brought down the death rate sharp-

ly without any impact on the birth rate. In addition, we had also to contend with problems arising out of our choice of combining development with democracy and social justice.

While this country has received substantial foreign assistance, its volume has by no means been adequate in relation either to population or the requirements of development. Net* external assistance absorbed by the economy during the first Plan period amounted to only five per cent of net investment under the Plan. This proportion rose to 12.3 per cent during the second Plan period and further to 15.2 per cent during the third Plan period. Taking the three plans as a whole, net foreign aid has financed 12.7 per cent or about one-eighth of net investment under the plans. The balance of seven-eighths has been financed out of the country's own resources. Our country has also been making vigorous efforts to increase its export earnings. Exports rose from Rs 600 crores per year in the first and second Plans to Rs 820 crores in 1964-65.

India's Share

During the period of the three plans and particularly the second Plan, this country had also to draw heavily on its foreign exchange reserves which declined from Rs 1,030 crores towards the end of March 1951 to a low level of Rs 290 crores towards the end of 1965. It should, however, be emphasised that the reserves need to be rebuilt from this low level in the interest of smooth and efficient functioning of the economy. It is necessary that the donor countries take this additional important factor also into account in determining the volume and type of aid extended to us in future. We received much smaller aid than most of the other developing countries. Commenting on the present distribution of assistance, the OECD Report "Development Assistance Efforts and Policies—1965 Review" observes:

"A striking feature of the present distribution of assistance is the marked tendency for the smaller countries to receive more assistance per capita than larger one. During the period 1960-63, a number of less developed countries with a population of less than two million inhabitants received on average an annual amount of \$14 per capita. This is far above the average for the less developed countries as a whole, which is about \$6 per capita per year. On the other hand, assistance to India for example, though it may seem unduly large when compared with the quantities received by other countries, is considerably below the average on per capita basis. In fact one can say that big countries are likely to be penalised for their size to a degree not justified by any special advantages which they may have (large market, varied resources) or by performance or absorptive capacity. A reconsideration of allocation policies might well support the view that there are large unsatisfied assistance requirements, particularly, in certain of the large developing countries". (P. 57).

The total amount of foreign loans and grants authorised and utilised ending March 31, 1966, by this country are as given in the table below.

The gap between aid authorisation and utilisation needs to be explained. The delay arises both from the pattern of aid

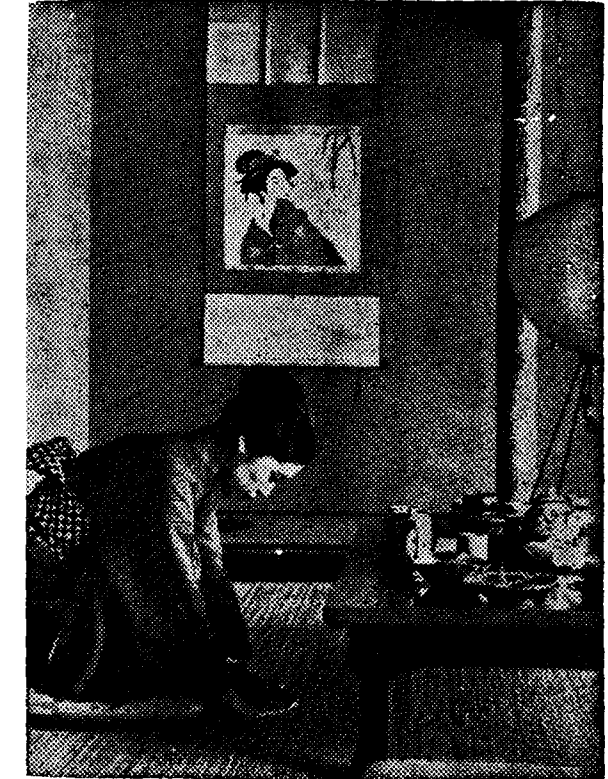
EXTERNAL ASSISTANCE—AUTHORISATIONS AND UTILISATIONS

	Loans and credits repayable in				(Rs. crores)	
	Foreign Currency	Rupees	Grants	Total	Assistance under US PL 480/665 etc.	Grand Total
A. Authorisations.						
Total, up to the end of the third Plan period, i.e., March 31, 1966	3,578.73	294.33	401.30	4,274.36	1,598.28	5,872.64
B. Utilisations						
Total, up to the end of the third Plan period, i.e., March 31, 1966	2,498.54	275.50	337.97	3,112.01	1,403.10	4,515.11

* After deducting repayments and excluding US assistance under PL 480 and 665.



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and from the various steps relating to the use of aid. To the extent that a substantial portion of aid is project-based (that is earmarked for the establishment and completion of specific projects in our plans), its disbursement depends on the time taken to engineer and construct the project, to obtain deliveries of equipment from abroad (which in turn take time to fabricate) and to test-run the project for 'proving time' in order that final payments to foreign suppliers may be made. In the case of major projects these processes could and do run into five years or more. Disbursement of aid, therefore, naturally gets spread over that period. However, where aid is non-project in nature, i.e., where it is not committed to a particular project but is available for being put to various alternative uses according to the needs of the economy, the utilisation is naturally quicker. But here also, much depends on the nature

of the non-project aid. Where it is a question of debt refinancing or reimbursement of practically any payment made in the aid-giving country in the course of normal imports, non-project aid can get utilised in the year of pledge itself. However, where it is to meet the cost of fresh orders yet to be placed, its flow is dependent on the time taken for the licence or the order to materialise in the shape of physical imports.

Other factors responsible for lags in aid utilisation are procedures for conversion of pledges of aid into aid commitments which involve detailed negotiations often lasting several months. Delays are also caused by the time taken in inviting bids, in their evaluation and in placing orders. Even the placing of orders becomes time consuming because of the requirement of consultation with the aid-givers.

(To be concluded)

Management of Public Sector Steel Plants

S. N. MISHRA, MP

THE GOVERNMENT of India is reported to be considering radical changes in the management pattern of the steel plants in the public sector. A proposal which has been seriously mooted and is being actively considered is that the present unified management under Hindustan Steel should be discontinued and the steel plants working under it should be made separate entities with or without an apex body co-ordinating and supervising their activities. It is difficult to understand either the reasoning behind the proposal or its timing especially when the Committee on Public Undertakings (COPU) and the Pande Committee which have had the advantage of closely studying the working of the public sector steel plants, have pleaded against such a move and have recommended that the present unified structure should not only be continued but should be strengthened further so as to achieve the objectives of a multi-plant organisation as explained in the third five year Plan.

Since the government has not as yet made it clear as to why it is thinking of opting for decentralisation, we are left guessing. Is the present recession a provocation for this step? Perhaps not, because the present recession is not likely to last long. Moreover, how will trifurcation help the steel plants in meeting the challenge of recession? Perhaps it is thought that trifurcation will introduce a spirit of healthy and vigorous competition among the various units which will make them better fitted to withstand the market crisis. This argument is, however, fallacious both on grounds of facts and logic. The product-mix of each steel plant is so specialised that competition among the steel plants is ruled out. In any case, even where there are overlaps in product-mix it cannot certainly be the objective that the steel plants, say at Bhilai and Durgapur, should undercut and ruin each other. In fact it would be a tragedy if steel plants either in the private or public sector begin undercutting and harming each other.

Competition among the steel plants can however mean rivalry in respect of reduction in costs, better salesmanship and production of quality goods. Such a competition is desirable and should certainly be encouraged. But is it necessary to trifurcate Hindustan Steel for this purpose? Cannot this objective be achieved by increasing the profitability of each plant under present management?

There are two important elements which go to make up costs—overhead costs and works costs. It is obvious that overhead costs would increase because of separate managements. Costs on this account would go up for the reason that there would be separate governing boards, headquarters, chairmen, purchase and sales organisations including stockyards spread over the whole country and separate transport, shipping and engineering organisations. Besides, other costs will also go up on account of the separate inventories of spares and the formulation of different policies regarding wages, bonus, training and recruitment.

In respect of works costs the Mahatab Committee had made

many suggestions which have been accepted by the government. It is not known to what extent these recommendations are actually being implemented. If they are seriously implemented, cost of manufacture would certainly come down.

In regard to works costs it is important to keep in mind the distinction between controllable and non-controllable costs. Wages, freight, excise and raw material costs go up on account of decisions which are outside the control of internal management. Wages are generally determined by wage boards, coal prices are determined by the government (and now, after de-control, by the organised body of the coal trade) and ore prices by the MMTC. We do not see how separate managements would help in all these areas. In view of this, where is the scope for reduction in cost through separate managements? Moreover, when each plant becomes a separate unit, who will perform the function of comparing results in each plant in respect of yields and costs and urge the individual plant managements to emulate the better examples? Which organisation will lay down the norms of physical or budgetary performance?

Surely it cannot be the intention of the government to take these functions upon itself because, in that case, it will have to directly manage the plants.

Correction of Deficiencies

The deficiencies of each plant, whatever they may be, can be corrected only in a larger framework and under some sort of unified management at a level midway between the government and the steel plants and not either at the level of the government or a weak unifying level or by each plant going its own way.

The advantage of a multi-plant unit is that it can offset the disadvantages of the one by the advantages of the others by coming to one another's rescue in times of need. The HSL, for example, is in a better position to negotiate on behalf of the units under its care in matters of purchase of raw materials and other facilities from within as well as abroad. There is no doubt that its combined authority would have a greater impact in such negotiations than when these functions are performed by the individual units. The individual plants would certainly be played about by organised parties, national or international. It is not only in respect of purchases that this advantage can be taken by each individual plant but also in respect of export, in which case, the HSL has of late done well. The necessity of a unified front is important in this area of activity for the reason that the export trade has to face international cartels having much larger resources at its back than even the combined strength the HSL can muster at present.

It is possible that the present reorganisation is being thought of to correct some of the deficiencies in the management of the HSL which might have come to the knowledge of the government. But what are they? The COPU and the Pande Committee have drawn attention to some of them. The

cause of the deficiencies in the organisation of the HSL as pointed out by these two committees was mostly attributable to excessive decentralisation in 1963. The remedy is, therefore, to be found in terms of the diagnosis made by these two committees. They have recommended that, while the present form of organisation be maintained, two steps must be taken immediately: (a) that management relations between the plants and the headquarters should be clearly defined and (b) that the division of functions between the two should be such that although the plants should have full powers over operation, they should also simultaneously be placed under the overall technoeconomic discipline of the headquarters in respect of matters which legitimately belong to the headquarters. These matters refer to overall co-ordination, control and initiation of policies.

Two other issues that are generally raised in connection with the reorganisation of the HSL are its size and the alleged centralisation of powers at the headquarters which, it is said, cripples initiative at the plant level. Only the former issue need be discussed at this point as the latter has already been analysed earlier.

The fear about the size is misplaced in the situation of the compelling imperatives of technology, central planning and the needs of integrated administration. In fact, with regard to the problem of size we ought to take a lesson from Britain where on July 28, 1967, 14 major steel companies were merged into one under the unified control of the recently formed British Steel Corporation, thus creating one of the largest organisation in the world with capital assets of £1,400 million commanding an annual turnover of £1,000 million and employing a work force of about 270,000.

The Minister of Power, Mr Richard Marsh, in a message to the Chairman of the British Steel Corporation, Lord Melchett said: "The government's aim in bringing this vast complex into public ownership is not to create an industrial mammoth for its own sake, but to promote the greater efficiency which economies of scale of this kind can make possible and to enable this great basic industry to play its proper positive role in national and regional economic planning." The problem is, as the British example has rightly emphasised, not so much to have economically viable separate units as to have a nationally viable unit.

Areas of Authority

There is need to demarcate areas of authority definitely and, after it is done, the organisation should be allowed to operate freely. We should select the chief executive of the HSL with great care and thought and give him both five-yearly and annually quantifiable objectives. For this purpose, procedure could be laid down for annual exercises for the determination of the rate of return and other norms of performance. The annual reports submitted by the HSL should be tested against these norms. This will ensure management by objective. The annual report to the Parliament should be based on these norms and not on the requirements of company law. According to the present system, the nation does not know what it is gaining or losing and who is responsible for what.

It may be that the proposal for the reorganisation of the HSL is connected with the idea of having 'local boards' at each plant. The concept of local boards is generally advocated both on the assumption of improved efficiency and the increased association of representatives of the state government. Our steel plants are one of the finest examples of national integration and that is why they have broadly representative national boards. This aim is achieved by the cosmopolitan character of personnel and geographical inter-dependence in the supply and demand of raw materials and finished goods. They are also instruments in the hands of the centre for the mobilisation and allocation of resources, price control and regional development. In this respect, the concept of local boards would appear to be regressive. It is not that the state governments are unpatriotic or less patriotic than the central government but the point is that it would be difficult for them to transcend the

pressures of undesirable local interests. Moreover the claim that each 'local board' would function more efficiently is not particularly impressive for it can do nothing more than is already being done. On the one hand, we complain that there is paucity of talented persons to man our various boards and on the other we advocate their proliferation. Both these cannot simultaneously be true.

If there is to be an apex board over local boards—as it seems the new scheme of reorganisation postulates—local impulses by local boards would once again be difficult to moderate in the broader national interest. The idea of a common chairman which is sometimes seriously suggested appears to be ridiculous as he would always be in the air trying to attend meetings of one board after the other. In any case, what can such a chairman do in the present circumstance except be a figurehead?

It is possible that two local boards might not move in unison and the apex board, if any, might find itself stifled for lack of decision due to divergence of opinion in the two boards. This might prove to be a cost-pushing rather than cost-reducing mechanism. In the proposed changes, it seems there would be built-in features for delayed decision rather than quick decision.

Unhappy Experience

It must be mentioned here that our experience of the various boards has not been particularly happy. There are hurried meetings of these boards with congested agenda to which the members are not able to do full justice. The attendance at the meetings of the boards is not satisfactory and quite often quorum is not complete with the result that board meetings have to be postponed.

The lesson to be drawn therefore is that in reconstituting the board care should be taken to select such men as have faith in the objectives of public enterprises in the country and have time to devote to their affairs. We have neglected these considerations in the past; it is time that in the appointment of chairman and members of the board we exercise more care.

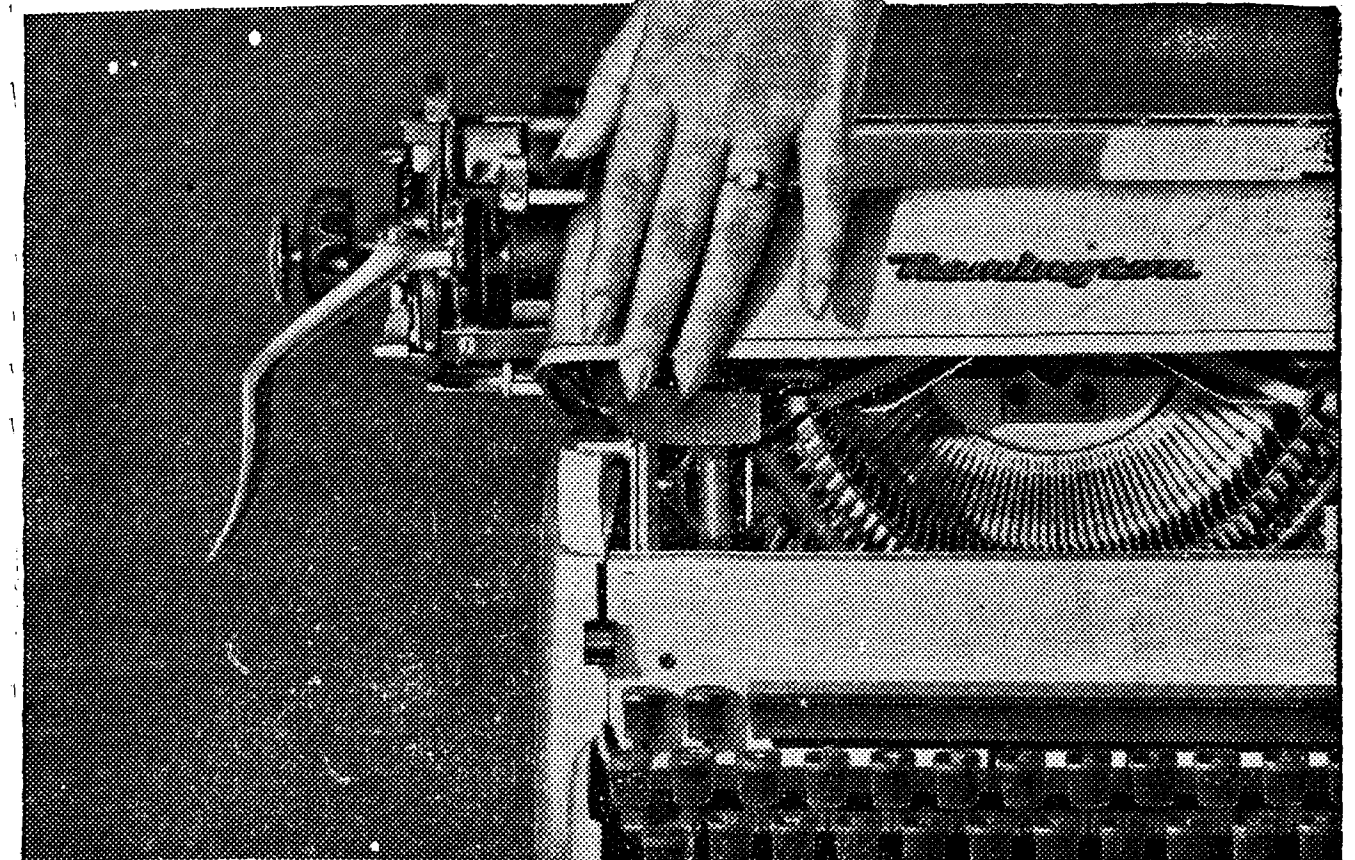
The HSL and other similar multi-plant organisations which were established in the past, are great national institutions not only for the reason that they exercise control over massive productive capacity (important as this function in itself is) but also for the reason that they provide sure and secure economic bases for achieving the objective of national integration.

In so far as the HSL is concerned, changes in management in the past have been frequent—rather too frequent. Doubtless, it is the prerogative of the government to organise and reorganise institutions which it sets up on behalf of the nation. Yet it is a matter of concern when these changes are introduced at brief intervals. With each change of a minister, there is a change in the HSL; there have been seven such changes since 1956. In such a situation the general impression created is that these changes are more due to differences in views (or shall we say whims of particular ministers) rather than due to any serious analysis of the situation. This is harmful not only for the enterprise in question for the reason that it does not allow stability in administration but also because the general image of the public sector suffers grievously.

The issues regarding the organisation or reorganisation of the HSL are matters of great national interest for, among the public enterprises in this country in the manufacturing field, it is the largest and therefore the most spectacular of them. A little more seriousness in approach in respect of this organisation is therefore called for.

It is possible that everything is not right with the HSL. There are quite a few deficiencies in this organisation and the government would be justified in asking it to correct them and also in taking such steps as are thought proper with reference to the facts of the situation. The important point is that remedies suggested should be with reference to the facts of the situation and should not follow fancy ideas either borrowed from outside or improvised within.

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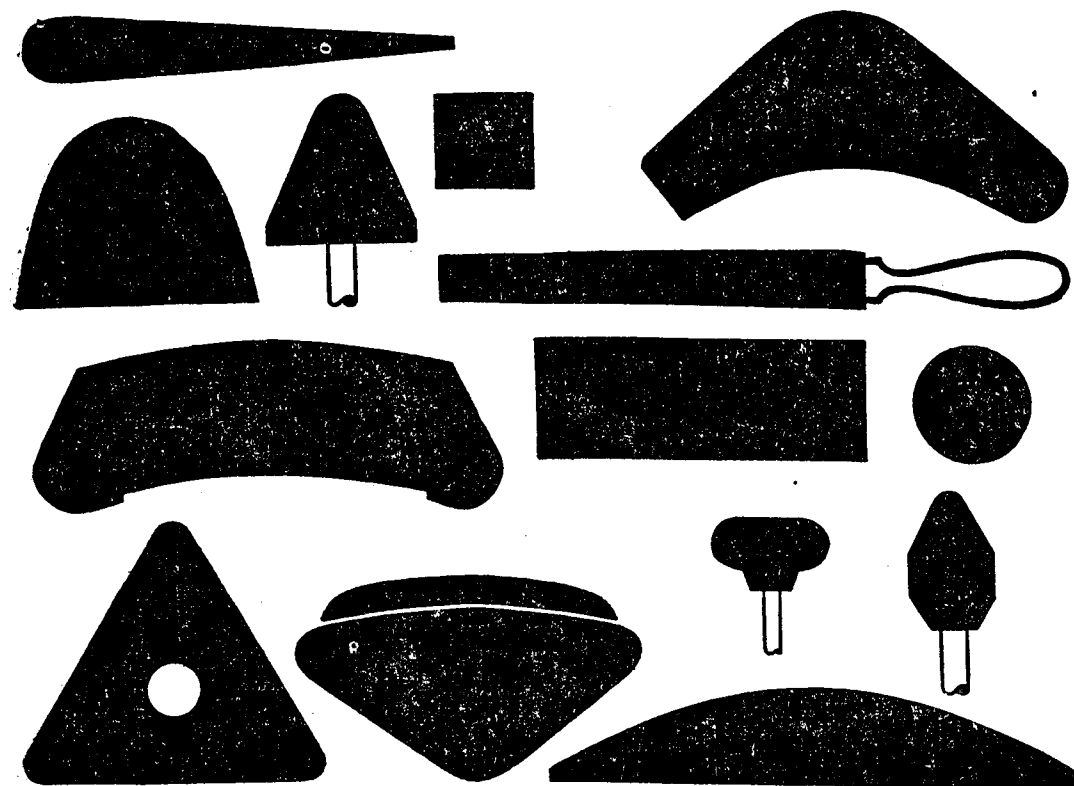
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US Interest Rates and Sterling

PAUL EINZIG

AFTER MUCH hesitation President Johnson has at last decided to carry out the long-overdue increase of taxation required for mitigating the inflationary effect of the Vietnam war. It had been one of the most inexplicably unintelligent decisions to lower taxation at a time when business was prosperous and the balance of payments was persistently adverse. For the sake of making business even more prosperous, the chances of an early balancing of the international accounts of the US were sacrificed. The economy was stimulated by cheap money and lower taxation at the moment when the situation called for deflationary measures.

It was with the utmost reluctance that the Washington administration allowed itself to be persuaded by the Federal Reserve authorities to raise taxation. Had the decision been taken a few months earlier, the increase in interest rates during the last few months could have been avoided. That increase, in addition to affecting American business prospects unfavourably, has been detrimental to sterling and to other currencies.

During earlier months this year sterling benefited considerably by the lower interest rates in New York. Indeed it may be said without undue exaggeration that at least 90 per cent of its improvement during the spring was due to the influx of funds to London caused by lower New York interest rates and, indirectly, by the covering of various short positions in sterling caused by its firmer trend resulting from the change in the London-New York interest differential. Since the firmer trend of New York interest rates developed during the last ten weeks or so, sterling has become distinctly weaker. Admittedly the Middle East troubles and the deterioration of the UK balance of payments in May and June have also contributed towards accentuating sterling's weak trend. Had it not been for the firmer trend of New York money rates and the accompanying firmer trend of Euro-dollar rates, sterling would have been able to resist the adverse influences more effectively.

Favourable Effect

The decision to raise taxation—always provided that it will be endorsed by the US Congress—will enable the Federal Reserve authorities to lower interest rates. How is this likely to affect sterling? Its immediate effect is of course likely to be entirely favourable. Short-term funds which found their way to London during the spring and which were inclined to be withdrawn from sterling during the summer will be switched back once more into sterling, especially if, thanks to official intervention in support of the forward sterling rate, the cost of forward covering of such funds continues to be kept artificially cheap. But if we take a longer view, the effect of higher taxation in the US is likely to be unfavourable to the UK balance of payments and therefore to sterling.

Had New York interest rates continued to rise, the effect on sterling would have discouraged the British government from proceeding further with their various reflationary policies. There could be no question of any further reduction of the Bank rate; indeed it might have become necessary to defend sterling against a late summer or early autumn crisis by raising the Bank rate once more. Such a step would have discouraged wage demands which are now likely to be forthcoming by the dozen during the autumn. It would have discouraged an increase of domestic consumption and it would have stimulated exports. It might even have discouraged the government itself from engaging in an untimely spending spree on social services.

As it is, lower New York money rates, made possible by higher American taxation, will obviate the necessity to check or reverse reflation in Britain. There might even be a cut in the Bank rate, and in the absence of an acute threat to sterling there will be little inducement for the government to im-

plement its promises to keep down public spending. This is likely to result in a revival of domestic demand and a decline in exports as well as a further increase in imports.

Nor is this all by a long way. Higher taxation in the US is likely to discourage private spending and its curtailment is likely to affect British exports to the US. Other countries, too, whose exchanges are liable to be affected adversely by the deflationary effects of higher American taxation, might be in a less favourable position to import British goods. All this is liable to affect the UK balance of payments to such an extent that the effect of a return of foreign funds to London on sterling would soon be offset, and considerably more than offset. In any case, the influx of such funds merely increases Britain's external floating debt. It merely finances the increase in the import surplus.

Are the British authorities likely to realise the long-term effect of the change in the US, or will they believe that the higher American taxation is a cause for rejoicing in Britain? They have been recklessly optimistic in recent times, seizing every excuse for making optimistic pronouncements in order to persuade the public, or to persuade at least their good selves, that all is well. Should they repeat that performance on the present occasion they would soon be confronted with a new sterling crisis. After all, the Middle East situation is still obscure and so is the extent to which the relaxation of the wage restraint will be followed by a wages spree. If, on top of all that, domestic spending should come to be stimulated by reflationary measures encouraged by lower interest rates in New

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York, pressure on sterling might well come to assume serious proportions.

In spite of discouraging experience of recent years, many quarters are still unaware that an influx of foreign balances attracted by interest rate differentials and by artificially fav-

Credit Policy for Busy Season

SAGITTARIUS

THE GOVERNOR of the Reserve Bank, Mr L.K. Jha, has begun his new career in an imaginative manner with the formulation of package measures for liberalising credit facilities and it augurs well for the future. Though it might be said that the monetary authorities will have to undergo a severe test when attempting to combat the recessionary trends, what is significant is the preparedness of the officials of the Reserve Bank to adopt a flexible attitude and make the necessary changes in credit policy in the light of developments and having regard to the difficulties experienced by bankers in implementing the new directives. Mr Jha has gone so far as to suggest that there should be a standing council of bankers which would be available for consultation for evolving new policies and that bankers should not hesitate to come to him if they had any grievances or encountered special problems. The readiness on the part of the monetary authorities to make the desired adjustment and clarifications relating to package measures quickly is an indication of a new awareness and anxiety to adopt a helpful attitude.

In a recent communication addressed by the Reserve Bank to member banks, it has now been made abundantly clear that the policy of credit squeeze, which did so much harm in the past three years and which accelerated the recessionary trends, has been left behind. Just as there was a multi-tier system of penal rates to discourage borrowing in earlier years, there will be a differential system of discounting rates with the specific objective of cheapening credit for priority groups. At the meeting of the Governor of the Reserve Bank on July 31 with the chairmen and chief executives of leading banks, it was pointed out that the new policy of credit liberalisation would not yield the desired results if the restrictions relating to the grant of credit to traders were not removed and it was not also made clear that the advances extended to the priority groups on a special basis would be excluded for the purposes of computing the liquidity ratio. It has now been stated that the directive of October last year, which stipulated that fresh advances to industry and trade should be in the ratio of 80:20, is no longer in force and that fresh advances in excess of the average for April—October 1966 and November—March 1967 granted to the priority groups specified by the Reserve Bank will not be taken into consideration for determining the liquidity ratio.

Ceiling to be Observed

It has, however, been pointed out that the ceiling of six and eight per cent in respect of advances for specified purposes will have to be observed even if member banks did not take advantage of the discounting facilities provided by the Reserve Bank and the Industrial Development Bank. The mandatory character of the new ceiling rates on advances is the first significant step towards a cheapening of credit for a large sector of industry and agriculture. If the advances discounted happen to be large with a revival in economic activity following a good monsoon, the process of recovery may be hastened. The availability of cheaper credit by itself may have a stimulating effect in some directions as it had been complained that the marketing of some commodities and sales of commercial vehicles had been made difficult by the lack of proper credit facilities for those in the distributive trades.

ourable forward rates is no solution to the sterling problem. While it is useful to be able to meet a crisis by means of attracting foreign funds, that device should not be misused for pursuing a policy of over-spending or even for omitting the adoption of measures needed for restoring the equilibrium of the economy and of the balance of payments.

The banking system will naturally be obliged to lend on a cheaper basis to the priority groups and it may be pointed out that this compulsion will lead to a reduction in gross earnings. But the scope for using funds during the slack season will prove to be advantageous as there will be surplus resources which might otherwise have to be invested in treasury bills. The more enterprising bankers have now been offered an opportunity to augment their resources significantly and earn even larger incomes as the new discounting facilities will in effect mean the availability of fresh "deposits" at 4½ per cent and six per cent for unlimited amounts and for specified purposes. If it is expected that there will be a contraction in advances in the remaining weeks of the slack season and additions to deposits as well, it may not be surprising if many bankers decided to invest sizable amounts in gilt-edged securities even anticipating additions to deposit for several months ahead and take full advantage of the discount facilities for granting advances to the priority groups.

Bankers Satisfied

The leading bankers have expressed their satisfaction with the recent measures adopted by the Reserve Bank. But it is stated that the discount facilities will be even more effective if, in a difficult situation, member-banks could be allowed to exclude medium-term loans already discounted by the Industrial Development Bank to a specified extent when determining liquidity ratios. Till the onset of the next busy season no serious problems may be encountered as with lower prices for raw jute, declining stocks of sugar and the likelihood of large sales of consumer goods during the festive season, funds locked up in inventories might be released in a big way. But during the 1967-68 busy season, there may be an unexpected demand for funds from the "non-priority" groups as a result of the necessity to market bigger cash crops and a recovery in industrial production. If there was no impressive growth in deposits and a difficult situation was likely to arise, the Reserve Bank should not hesitate to formulate a policy for the busy season which will prevent an undue rise in short-term rates and which will make available to genuine borrowers their full credit requirements on a reasonable basis.

It is needless to point out that even the liberalised policy adopted in the last season, which made available to the banking system a large quota at the Bank rate, failed to yield the desired results and the inter-bank call rate was quoted as high as 12-15 per cent during the peak of the season. Since interest charges as an item of cost have assumed serious proportions and have had an inflationary effect on prices, Mr Jha should not hesitate to reduce the Bank rate to five per cent before the policy for the next busy season is announced.

At the same time, he should agree to provide discounting facilities for usance bills at the reduced Bank rate for large amounts and penal rate should not be attracted, where the stipulated quotas had been exceeded, on a cumulative basis. It is hoped that there would be a distinct improvement in the agricultural situation in the next few weeks and it would be possible for the monetary authorities to decide on a positive policy of credit reflation which is so badly needed for reversing the recession.

FROM THE CAPITAL'S CUPBOARD

Kandla Free Trade Zone Makes Little Progress

THE KANDLA Free Trade Zone scheme has run into rough weather. Out of the 110 entrepreneurs whose applications for establishing various industries in the zone were approved by the government, only one has so far set up its unit (a stainless steel utensils factory) and begun production while only four others have made progress with the construction of their units. The free trade zone which was inaugurated a few years ago with the purpose of promoting exports and earning additional foreign exchange has not proved to be as attractive to entrepreneurs as it was expected to be.

The scheme provides for the supply, on a duty-free basis, of plant, machinery, components and raw materials to industries in the zone. Also, the goods manufactured by these industries are exempted from excise duty. These concessions have ceased to be attractive in view of the liberalisation of imports and the cash assistance allowed to certain industries in other parts of the country following devaluation. Further, many of the intending investors have found that they would be greatly handicapped in operating their units because of lack of ancillary facilities and skilled labour in and around the zone. The government has so far spent over Rs 70 lakhs in developing the zone, but obviously no thought had been given to these essential requirements of industry. Another factor inhibiting the approved applicants is that while they are under an obligation to export all their production, they do not have any priority in regard to the allocation of foreign exchange, which is available to industries elsewhere.

COCHIN SHIPYARD

Few projects have passed through the vicissitudes that the Cochin Shipyards scheme has and it is by no means certain that these are over now that Dr V. K. R. V. Rao has announced that the government has "finally approved" the project. Finality has eluded it hitherto. As soon as it approached the stage of finality in the past it was usually found that some of its aspects needed re-examination or the project required modification. Very few projects have been subject to so many and so diverse studies: inter-departmental committees, technical consultants, working groups and individual experts have all made their contributions to the mass of material that exists on this project. There is, however, something doughty about this scheme for during very nearly a decade it has stood the test of many studies and has had only short spells on the shelf. The milestones it has crossed so far show the tortuous route it has taken to reach its present position.

As early as 1959 the cabinet approved the proposal to build a shipyard at Cochin subject to the condition that the results of soil investigation should prove satisfactory. Nearly three years later, Mitsubishi Heavy Industries Ltd, functioned as approved technical consultants; it was not until 1965 that firm contracts with this reputed Japanese concern were signed for the preparation of a project report and a preliminary design. The following year Mitsubishi submitted its project report and a working group of the government, which examined it, suggested modifications to prune some expenditure in view of the financial stringency in the country.

Then the Planning Commission came into the picture and after considering the modified project it put forward the view that a further detailed study regarding the types of ships to be produced, the size of the project and the question of management, should be undertaken. It directed the Transport Ministry to work out "definite proposals" for its approval after completing the study. An officer-on-special-duty in the mini-

stry accordingly went into these matters and submitted three reports in March, May and June this year.

Based on the recommendations of this officer, a revised proposal for the establishment of the shipyard was drawn up for the approval of the cabinet but as it was about to be presented to the cabinet, it was discovered that the report had not gone into the very issues that it was expected to deal with, viz., type and size of ships, scope of the project, capital costs, etc. It was, therefore, decided that the working group which had been earlier constituted should consider these matters and prepare another report. The working group submitted its recommendations about the middle of this year and the Cochin Shipyards scheme, as now approved by the cabinet, is more or less based on them.

This may not be the last milestone in the marathon course on which the Cochin project has been launched. In view of the attenuated scope of the project and the progress made in the indigenous production of machinery and equipment, the terms of collaboration with Mitsubishi will have to be renegotiated and revised. Nobody knows how long it will take and how many more studies will be undertaken to settle the ticklish problem of collaboration.

THE COAL CRISIS

Why is the government fighting shy of making known the results of the official assessment of the impact of the Coal Wage Board's recommendations on coal prices? Apart from the Tariff Commission, the government's cost accounts officers have made detailed studies of this matter. Is it because their assessment more or less corresponds with the industry's? The average cost of implementation of the wage board proposals, as estimated by the industry, is Rs 6.20 per tonne. It is reliably learnt that the Tariff Commission has assessed that the impact will range from five to eight rupees per tonne.

The industry has announced an increase of Rs 7.08 per tonne, effective from September 1, after providing for an element in the price structure for developmental and other purposes but it is in a predicament. The railways, which are the largest consumer of coal, have said that they would be prepared to consider payment of higher prices only after October 1. The other major consumers such as the steel plants and power stations have also demurred. The dilemma of the industry is what it should do in the intervening period: should it refuse to supply coal unless higher prices are paid or sell at the existing prices until an agreement is reached with the major consumers. According to the spokesmen of the industry, the second alternative will have such grave financial consequences for many units that they will have to close down. Is it that the results of the official investigations into the price structure of coal in the context of the wage board proposals, if made known, will queer the pitch for the government?

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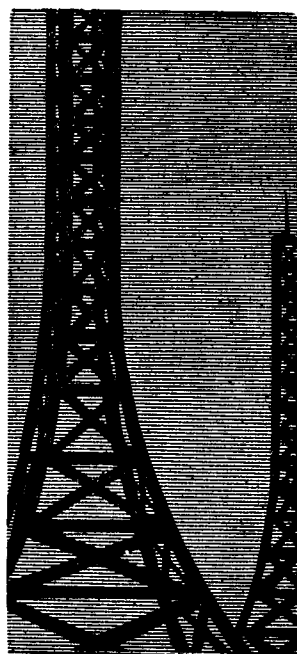
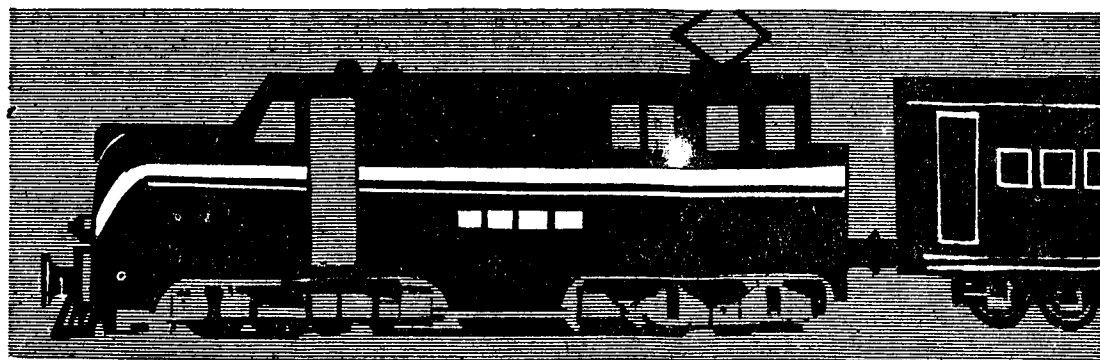
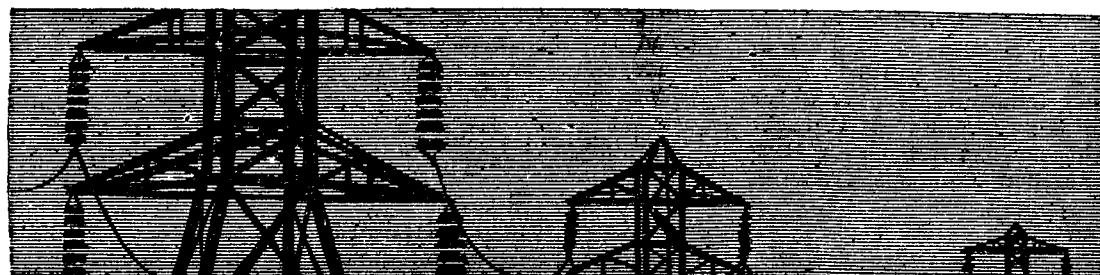
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FROM THE PRESS GALLERY

A Bill to Curb Monopolies

Our Parliamentary Correspondent

NEW DELHI: Monday.

BEFORE THE Rajya Sabha adjourned sine die on Friday, the Minister for Industrial Development, Mr Fakhruddin Ali Ahmed, fulfilled his promise to introduce the Monopolies and Restrictive Trade Practices Bill.

This bill, which is designed to ensure that the operation of the economic system does not result in the concentration of economic power to the common detriment and to prohibit such monopolistic and trade practices as are prejudicial to public interest, basically follows the recommendations of the Monopolies Inquiry Commission, but certain additional provisions have been made in it with a view to vesting the government with greater authority to check economic concentration than envisaged by the commission.

The provisions of the bill relating to concentration of economic power will apply to "dominant undertakings" which have assets of one crore of rupees or more or which together with their inter-connected enterprises have assets of over Rs 20 crores and produce, supply or distribute, either directly or indirectly through exercise of control, one-third of any category of goods or services. Prior consent of the central government will be necessary for any new enterprise to be set up within an inter-connected group. Similarly, expansions, mergers, amalgamations or take-overs of dominant or inter-connected undertakings will have to be cleared formally by the government. The bill also empowers the government to appoint directors of dominant undertakings.

The bill proposes to set up a Monopolistic and Restrictive Trade Practices Commission, consisting of a minimum of three and a maximum of nine members. The chairman of the commission will be a person who is or has been or is qualified to be a judge of the Supreme Court or a high court. The commission will have mandatory powers in respect of restrictive trade practices and advisory powers in respect of cases concerning monopolistic practices or concentration of economic power. The commission will advise the government in latter matters on a reference made to it. The decision in such cases will lie with the government. In acting upon the advice from the commission, the central government will have to take into account several factors such as discouraging of regional imbalances in development, efficiency and economy in production, need for technical improvements, expansion or opening up of new markets, the most rational use and distribution of materials and industrial capacity and control of material resources for the benefit of the community.

Restrictive Practices

In relation to restrictive practices, the bill envisages appointment of a registrar with whom all commercial agreements which have restrictive aspects will have to be registered.

The Standard Weights and Measures (Extension to Koliima and Mokochung Districts) Bill was adopted by the House after a brief debate. This bill sought to enforce the metric system of weights and measures in the two districts of Nagaland. The controversial Central Industrial Security Force Bill and the Unlawful Activities (Prevention) Bill were referred by the House to joint select committees. The Central Industrial Security Force Bill seeks to set up a special force to protect certain industrial undertakings. The Unlawful Activities (Prevention) Bill seeks to confer on the central government

powers to adequately deal with the secessionist tendencies threatening the security and integrity of the country. The debates on these bills, quite acrimonious, generally followed the trend of the discussions on them in the Lok Sabha.

An important non-official bill, moved in the Lower House by Mr Nath Pai (PSP), which seeks to establish Parliament's right to amend any part of the Constitution, including the fundamental rights, was also referred by the House to a joint select committee after a marathon filibuster attempt by a Jana Sangh member, Mr V. M. Chordia. Mr Chordia quoted chapter and verse from the Constitution to eulogise it and hardly repeated himself. His valiant effort was cut short by the Deputy Chairman putting to vote the motion of referring the bill to a joint select committee in accordance with a decision taken earlier by the House on Mr Bhupesh Gupta's initiative.

Growers' Interests

Among the important discussions held this week were those on the recently announced policies in respect of sugar, jute and cotton. It was generally felt by members, both belonging to the opposition and the treasury benches, that in the formulation of these policies, the government had not given adequate attention to the growers' interest. It was urged that growers should be ensured remunerative prices by substantially increasing the minimum cane price and raising the support prices for cotton and jute. In the interest of raising output of the three commodities, it was also emphasised that along with ensuring remunerative prices, the government should make available to agriculturists essential farm inputs in adequate quantities and at proper time.

Some opposition members called for energetic efforts for eliminating such malpractices in the jute export trade as under-invoicing. It was also emphasised that the future of the jute industry largely depended on diversification of its products. The government, it was urged, should provide adequate credit for this purpose. The proposal of the government that the industry should set up a jute buffer stock association came in for severe criticism at the hands of Mr R. P. Khaitan (Cong). In regard to cotton, it was generally stressed that imports from abroad should be gradually stopped. One member suggested that imports of cotton should be linked with exports of cotton cloth. The new sugar policy, it was feared by many, would hit the consumers hard.

Replying to the debate on the jute and cotton policies, the Minister for Commerce, Mr Dinesh Singh, urged the jute industry to agree to the proposal of creating a buffer stock of jute goods. He promised all help from the government for this purpose. The industry's suggestion that production should be curtailed did not find favour with the Minister. Such a step, he said, would lead to unemployment and reduce exportable surplus. Mr Dinesh Singh stressed that the government wanted production to go up and in no circumstances closure of mills would be agreed to. Mr Dinesh Singh shared the concern of members over ensuring of remunerative prices to jute and cotton growers, but pointed out that the interest of growers was linked with that of manufacturers. He, however, warned that the restrictions recently removed would be reimposed should these be found necessary to protect the grower. Mr Dinesh Singh called upon the state governments to make available to agriculturists all the essential farm inputs in increasing quantities so that production of both jute and cotton could go

up. Expressing regret at the delay in introducing the bill to set up a central corporation to take over the "sick" textile mills, the Commerce Minister referred to some technical difficulties, but assured the House that till the time the new bill was enacted, the existing powers of the government for the take-over of "sick" textile mills would continue to be used. The bill, he added, would give only some additional powers to the government to take over the "sick" mills on a permanent basis.

In his reply to the debate on the sugar policy, the Minister for Food and Agriculture, Mr Jagjivan Ram, observed that the main aim of the policy was to stimulate production. Without the incentives of partial decontrol and excise duty rebate on production in excess of 80 per cent of this year's output, he feared, sugar output next year could not be more than 1.7 million tonnes, as against even the greatly reduced 2.2 million tonnes output this year. The new policy, Mr Jagjivan Ram felt, would enable the mills to pay higher prices for cane. The Rs 2.75 per maund minimum price, he said, have been fixed only for the purpose of calculating the price of sugar; it was only a notional price. The mill-owners would have to pay much more than this price as they would have to compete with khandasari and gur producers in the open market. The permission to sell 40 per cent of the sugar output in the open market, the Minister felt, would compensate the manufacturers for the higher prices they would have to pay for cane. The concession of excise duty was expected to provide an incentive to manufacturers to produce increased quantity of sugar. Mr Jagjivan Ram asserted that the average consumer would not be affected by the new policy as the government would continue to distribute sugar at the existing prices or at slightly higher prices. Only the commercial consumers, he observed, would have to depend upon the open market.

To the recent persistent demand for an inquiry into the affairs of the Birla group of industries was added another plea this week for looking into the alleged attempt of cement manufacturers to influence the fourth general election through massive contribution of funds to political parties.

Question Hour

Technical Consultants: The Minister for Education, Dr Tri-guna Sen, revealed in the Rajya Sabha on August 18 that some directors of national laboratories and institutes had been permitted to act as technical consultants to private industries and to accept remuneration. The question of stopping this practice was now being considered. Pending this consideration, the directors of laboratories had been advised to enter into consultancy agreements with industrial firms on an institutional basis in accordance with government orders.

Export Trade: The Minister for Commerce, Mr Dinesh Singh, informed the Rajya Sabha on August 17 that certain proposals for assistance for the export of cotton textiles have been received by the government from the Cotton Textile Export Promotion Council and the Indian Cotton Manufacturers' Federation. These proposals were receiving government's attention. The Minister admitted that there had been decline in exports of cotton cloth after devaluation.

Mr Dinesh Singh also disclosed that discussions had been recently initiated with representatives of certain other industries—rubber tyres and tubes, engineering and tea industries—on their export problems and it had been agreed that each of these industries should plan to balance its imports and exports over a period of time. Targets of exports were being fixed for the next and subsequent years. The discussions were continuing at an official level and were expected to be over by the end of this month.

Another important disclosure made by the Commerce Minister was that a committee would be set up soon to make recom-

mendations for a limited number of awards in the form of shields for outstanding export effort. Exporters with outstanding export performance as well as other institutions making significant contribution in the field of export would be considered for awards.

In regard to trade with Arab countries, Mr Dinesh Singh stated that neither any new credits had been asked by the Arab countries in the recent past nor had any credits been agreed to. Some barter trade, he added, however, could be considered with countries having difficulties in payments.

Industries at Kandla: Mr Dinesh Singh also told the Rajya Sabha on August 17 that out of the 380 applications received for setting up industrial units in the Kandla Free Trade Zone, as many as 110 had been approved already by the selection committee set up for the purpose. Construction plans had been approved in the case of 25 factories. Two units had already started production and one of these had exported goods worth Rs 8.96 lakhs so far. Three more factories were nearing completion.

Fertilizers: The Minister of State for Petroleum and Chemicals, Mr K. Raghuramiah, disclosed in the Rajya Sabha on August 16 that a proposal had been received by the government from Salzgitter Industriebank of West Germany for constructing a fertilizer plant at Paradeep in Orissa. The proposal was being considered by the government. Mr Raghuramiah further revealed that the International Finance Corporation had decided to invest in fertilizer plants in India. The corporation would be participating in the equity shares of Indian Explosives Ltd and would also grant loans to this company which was setting up a fertilizer manufacturing unit at Kanpur. The total investment of the Kanpur project was estimated at Rs 61.86 crores. The IFC would purchase equity shares of the value of Rs 2.15 crores. The loan it had offered to the company was Rs 6.45 crores.



"Food ships can defect too!"

WINDOW ON THE WORLD

Sweden in Perspective

JOSSLEYN HENNESSY

employed as much as 44 per cent of the labour force in 1920 shows the transformation that the economy has experienced.

I HISTORICAL BACKGROUND

LONDON:

SWEDEN TODAY is an advanced industrialised country with the highest living standard in Europe. But it is less than seventy-five years ago that she had so underdeveloped an economy that, despite the small numbers of her population, a continuing number of Swedes found it necessary to emigrate to North America or elsewhere in search of a reasonable living.

The industrial revolution, which got under way in the 19th century in the UK, spreading thereafter to France, and Germany, only reached Sweden around the turn of the century. Thanks to her resources in iron ore and in timber, Sweden already had an important metallurgical industry which supplied more than one-third of the world's iron and steel products, but when from the end of the 18th century a better process of coking was evolved, Sweden could not maintain her leading position in metallurgy for lack of coal. Sweden thus found herself at a disadvantage at the very moment when the discovery of innumerable uses for coal was about to launch the UK and other western countries on the road to ever intensifying industrialisation.

It was only in the course of the last thirty years of the 19th century that Sweden's economy began gradually to catch up. Her timber industries led the expansion, boosted first by increasing needs of timber for housing construction, notably in the UK where towns were growing by leaps and bounds into cities and eventually into conurbations. Then towards the end of the century when Northcliffe realized that spreading literacy was opening up vast new markets for popular daily and weekly papers, the demand for newsprint soared so rapidly that within a few years Sweden went to the top of the league of world pulp exporters and has remained there ever since.

Foundation of Economic Power

The development of the timber industries has laid the foundation of Sweden's economic power. The construction of a vast network of railways allowed industrialisation to be extended and diversified, and the exploitation of her natural water power enabled her to build up hydro-electric supplies which provided a great part of the power required. In particular, engineering and machine industries, which eventually became amongst the most important in the country, began to develop simultaneously with the initiation of the spread of hydro-electric power. Foreign investment capital speeded the development of Sweden's economy but the outbreak of the 1914-18 war, by diverting the industries of the combatants away from peacetime goods into war products, gave Sweden's exports so tremendous a boost that she was enabled to repay the greater part of foreign capital previously borrowed. The world depression was felt less in Sweden than in most other countries and once more the outbreak of world war in 1939 gave neutral Sweden's economy another tremendous boost.

But having thus made up for her late start in the 19th century, Sweden has since World War II experienced only a moderate growth rate, attaining between 1950-60 an average of 3.4 per cent per annum. Since then the rate has tended to rise and is at present nearing five per cent. Growth was slowed by scarcity of labour due to a fall in births to one of the lowest rates in Europe. Increased productivity has compensated only in part for this labour shortage. Ten per cent of the labour force of 3,400,000 (about half the total population) is employed in agriculture and 44 per cent in industry. That agriculture

II

SOCIALISTS & ENTREPRENEURS CO-OPERATE

Sweden's mixed economy combines socialism and free enterprise. Characteristic of socialism is the substantial redistribution of income by means of taxes and allowances. Equality of income in Sweden has been pushed further than in any other west European country. Income tax and wealth tax exist side by side and are both steeply progressive. It looks, however, as though Sweden, like a growing number of other countries, is beginning to realise the disadvantages of high taxes on income because in recent years the government has preferred to raise additional revenue by increasing indirect taxes which now represent more than half tax receipts.

Although heavily taxed, entrepreneurs nevertheless retain freedom to exercise their role in an economy which in the aggregate does function as a free enterprise market economy. The state controls the railways and mines and is important in electricity, but in other sectors its intervention in the market is consciously restricted.

Long term planning has only limited possibilities in a country like Sweden whose economy, because of the substantial role of foreign trade, is particularly sensitive to world trade cycles. Outside railways, mining and electricity, planning only applies to agriculture and housing construction. In all other sectors, the state seeks to avoid excessive alternations of Stop and Go in order to maintain full employment and, as far as possible, stability of the currency. A permanent Long Term Planning Commission was set up in 1962 in which representatives of the state, industries, professions and trade unions, are expected to offer five-year forecasts, subject to constant revisions leading to new projections. The planners do not give directives to which private enterprise is compelled to conform, but confine themselves to indications of general aims and possibilities.

If Sweden's tax system is socialist in its application to individuals, it is, by contrast, extremely liberal towards enterprise. Rapid depreciation of plant, material and stock valuations below cost price, have contributed appreciably to the modernisation of Swedish industry. Further, enterprises are allowed to accumulate tax-free resources to be set aside for investment in case of a recession. These reserves can go up to 40 per cent of net annual profits before tax, but 46 per cent of these reserves must be deposited in the central bank and they cannot be used without official approval, although enterprises may freely use 30 per cent of reserves deposited over five years. This system, which has allowed surplus funds to be withdrawn from circulation in periods of expansion and to be called on in periods of recession, gives the government considerable flexibility of control over the economy.

Role of Trade Unions

The trade unions and co-operatives created at the end of the 19th century to defend particular private interests, have, without any government intervention, developed from their original limited purpose into an integral part of the national economic structure.

The workers' unions eventually federated themselves into a powerful organisation, the "Landsorganisation i Sverige" (LO), which today has more than 1.5 million members, i.e., 90 per cent of industrial workers. The LO is directed by an

executive committee of thirteen members, who are elected for periods of no less than five years, and entrusted with wide discretionary powers, enjoy great authority and prestige. The unions of white collar workers and of civil servants are federated in the "Tjanstmannens Centralorganisation" (TCO) with more than 500,000 members. The employers' associations are grouped in the "Svenska Arbetsgivareforening" (SAF) which includes more than 24,000 enterprises employing more than a million workers. The workers' unions and employers' associations were for long at violent loggerheads, but the last thirty years have witnessed a transformation of their relations into a degree of collaboration which is unique in the world.

The widespread development of consumers' co-operatives is another special characteristic of Sweden's economy. These co-operatives are federated in a Co-operative Union (CU) whose original object was merely informative, but which quickly developed into a central buying organisation. The striking growth which followed evoked such opposition from traders and manufacturers that the Co-operative Union was compelled to undertake the manufacture of numerous products. The co-operatives thrived and succeeded in imposing substantial price cuts which led to higher levels of consumption.

The number of co-operative societies has for some years been decreasing in order to obtain the economies of concentration, but the number of members and the annual turnover rise year by year and, indeed, are expected to develop even more rapidly in the next few years. There are at present some 300 co-operative societies controlling 3,900 shops. They do 17 per cent of retail trade of which 26 per cent is in food products and their membership numbers more than 1.32 million, compared with 830,000 in 1947. Although industrial workers still constitute the majority of the members, these societies attract increasing membership from all classes.

Numerous consumers' co-operatives have sales substantial enough to enable them to manufacture many goods, particularly food products. The Co-operative Union itself is in industry in a big way by means of new specialised companies which it owns. The CU manufactures a wide range of consumer goods including, notably, nine-tenths of cooking oil, 50 per cent of electric bulbs, and about one-third of fats and margarine. It supplies not only its affiliated co-operatives but also independent retailers and even foreign importers. With a turnover of Kr. 446,000 million in 1965, the CU is in fact today Sweden's greatest single enterprise. It is extending its activities into services, insurance and the distribution of petrol.

Sweden's forests produce four per cent of GNP and are the basis of numerous industries. Forests under exploitation cover more than half the country. Standing trees are estimated at 2,500 million cubic metres of timber. Careful forestry has led to a steady annual increase which runs currently at 68 million cubic metres. Most forests are privately owned.

III

CHARACTERISTICS OF SWEDISH INDUSTRY

Industry is chiefly found in (1) the centre of the country near the iron ore mines, (2) the cities, and (3) the densely populated coastal areas of the south-west, i.e., in places where either raw materials or labour supplies are abundant. Sweden is, however, fortunate in having no "black country" or vast industrial conurbations. Many factories are dotted about in small localities and even in rural areas where they were built near waterfalls at the time when the transport of power was expensive and they could use rural labour during the winter.

Another characteristic of Swedish industry is the small size of most of its enterprises. Firms with less than 200 workers use more than half the industrial labour force. The system of subcontracting which I described here on July 21, 1967, is widespread and helps to keep small firms viable. Even so, in the last ten years the trend has been towards integration and between 1954-61 mergers led to a 10 per cent decrease

in the total number of enterprises. The overwhelming majority of enterprises are private. The state's share in industrial production is only six per cent and that of the co-operatives four per cent.

The expansion of industry attracted a steady exodus from the countryside, but this source of labour is now drying up; the growth of population is slow and immigrants are few. The length of the working week has been substantially reduced. All this means that the real obstacle to the further expansion of Swedish industry is the rising scarcity of labour. State policies encourage the mobility but the main hope is to increase productivity. Technological progress is indispensable if industry is to maintain competitive prices despite the rise in production costs, of which wage rises—due to the labour shortage—constitute a large part.

Mechanical and electrical engineering is the dominating sector of Swedish industry to which belong the five biggest enterprises in the country. Expansion has been rapid and turnover is equal in value to that of about one-third of all industries (excluding housing construction), although it amounted to only one-tenth in 1900. Such growth has only been possible by considerable increases in exports which now absorb nearly 30 per cent of production, although the percentage is much higher in certain branches, e.g., automobiles, ships and office equipment.

Foreign Trade

The development of Sweden's foreign trade since 1900 for long kept pace with that of the economy as a whole but it has gathered speed in the last fifteen years following the steady increase in policies of liberalisation in the OECD and other advanced industrial nations. In consequence, Sweden's dependence on foreign markets, which had always been considerable, has risen still further. Sweden's balance of trade is generally in deficit. The extent of cover of imports by exports which previously averaged 90 per cent, improved between 1961-64 to above 94 per cent, but recessionary conditions which began in many parts of the world in 1965 have reversed this trend for the time being.

Sweden's geographical situation, plus the growth of her foreign trade, laid the foundations for her merchant navy which, totalling 1.5 million gross tons before the war, now stands at 4.1 million tons of which one-third are tankers. She has one of the most modern fleets in Europe since 39 per cent of total tonnage consists of ships less than five years old (compared with 31 per cent in the UK and 26 per cent in France).

Shipping services contribute substantial sums towards the balance of payments even though the yield has been more or less stationary during the past few years owing to the fall in freight rates. The contribution of shipping, around \$ 300 million in 1965, offset the growing deficit in other services, notably in tourism, so that the balance of services remained favourable at about \$ 125 million. It follows that, except for 1965, which witnessed a strong increase in the volume of imports, the current balance of payments (goods and services) is generally in mild deficit (averaging a mere \$22 million between 1956-65) covered by net inflows of capital.

Sweden's monetary authorities have not done too badly in avoiding violent alternations of Stop and Go and in promoting saving and investment. They have, of course, had a far easier job than the UK authorities because the stability of Sweden's currency has never been seriously threatened and Sweden has never had balance of payments deficits large enough to compel short term Stops at the expense of long term expansion. If, moreover, you are managing a currency which is not widely held in substantial amounts throughout the world as a reserve currency, you can put up with a degree of inflation which the British cannot afford.

Post-war prices and costs have risen in Sweden at about

the same average as elsewhere. The annual increase in the cost of living, as in many other European countries, has been 3.5 per cent since the end of the Korean war.

The most constant pressure on the currency has been due to the rise in incomes in consequence of the labour shortage, particularly in housing construction in which demand is especially strong. In recent years annual hourly industrial wages have risen on average by eight per cent; this is above productivity; although the productivity increase of 4.3 per cent per working hour attained was no mean achievement. To promote the mobility of labour the National Labour Office offers allowances for retraining and for changes of residence.

The gross rate of fixed capital formation, in relation to GNP, was over 23.5 per cent in 1965. The rise in industrial investment has been, together with the growth of exports, one of the chief factors of Sweden's post-war expansion. Progress was particularly good between 1957-61 when new investments (in constant values) rose by 70 per cent. They fell slightly owing to credit restrictions after 1961, but are again on an upward trend.

Post-war Sweden has relied hitherto on ploughing back profits for investment growth. This practice has now created difficulties for the export industries whose profit margins are squeezed by keen competition in foreign markets and by the rise in domestic costs. Thus at a moment when investment is more and more necessary to improve productivity, the possibilities of self-finance are diminishing. On the other hand funds should be more freely available on the capital market because rising incomes are promoting individual savings.

Sweden's export industries have made extraordinary efforts to consolidate positions won in foreign markets. Since they export mostly finished goods, their first aim has been to build up vast distribution networks in innumerable markets in order

Time to Relax

E. B. BROOK

VIENNA.

USUALLY AUGUST, still the peak holiday month of the year in Europe despite growing challenges in mid-winter and spring, is a quiet, slack period when there is scarcely a reportable thing worth mentioning. Not so this year; and it is a sign of the times that as August gradually loses its holiday monopoly to December and April more and more important developments occur when even the politicians are quiet. Possibly this can be interpreted as indicating a loss of influence also by the politicians—to the technicians and business people. Certain it is that this August proves itself a most useful time to stand still briefly and look around at what is happening. Some of it is surprising even to those always with their eye on the current scene.

The principal background scene emerging is that Europe, continental Europe, has evidently decided to remain itself. Three or four years ago it appeared to be still possible that the great post-war division of Europe into east and west had come to stay. Backed particularly by NATO and the Common Market, western Europe was emphasized as a political, economic and defensive entity. In the east, Comecon and the Warsaw Pact were similar counter-organisations but, rather than acting as unifying factors they were merely machineries working for a unity established on a political philosophy and, more especially, on a distinctive political apparatus.

It looked four, and even three, years ago as if the so-called "Iron Curtain" of Stalin's terminology might become the most definitive frontier in Europe and that those who dreamed of a durable continuation in peace of the wartime Atlantic alliance between the old and new worlds of basically European civilization were making a reality of their concept.

But all this is proving not to be the case and events so far this year have emphasized this point. Europe, acting very often and very largely through France, has relegated NATO

to ensure efficient after-sales service. Secondly, many Swedish industries have exported themselves in order to produce locally by means of subsidiaries, either to meet more closely the specialized demands of individual markets or to avoid customs duty, or to find adequate labour supplies and to lower costs swollen in Sweden by the high level of salaries.

The burden of wages and salaries on Swedish costs of production creates serious problems for export industries which must maintain competitive prices. Hitherto they have solved the problem by raising productivity by constant improvement of plant and equipment. This has required heavy investment which, up to the present, enterprises themselves could finance without undue difficulty because export conditions were favourable. Many enterprises have moreover invested heavily in their overseas subsidiaries. But it is likely that this policy of heavy investment will henceforth encounter difficulties. The labour force is growing more slowly because of the rising proportion of people reaching retirement age and a fall in young people entering the labour force. With less labour available, more capital invested is likely to be less productive than before, because it will no longer be possible to combine new investments with additional labour supplies. In other words, the real return from additional capital input, and hence presumably also the rise in output per person employed, will be less in future than it has been. This is a problem which is not peculiar to Sweden. It faces several leading industrialised countries, including West Germany. The solution is basically the same as for West Germany, which I analysed here in detail on August 18.

Sources and Acknowledgments: My report is based on an exhaustive study of Sweden's economy in the latest issue of the "Economic Review" published (in French) by the Banque Nationale de Paris. I have also drawn facts and figures from the OECD's annual surveys on Sweden and the "Economist" Intelligence Unit's Quarterly Reviews.

to what will prove to be an honourable retirement in Brussels. Europe, in its economic core, the Common Market, has given no welcoming sign to the British who, having for three centuries increasingly divorced themselves commercially from the European continent while binding close links—now mostly loosened—with Asia, Africa, Australasia and the American continent, finds it extremely difficult to reorientate and realign itself again. Looking at the matter from the continental standpoint, Britain is essentially not (rather than non-European) while eastern Europe is essentially Europe. "Europe from the Atlantic to the Urals" is not an ageing politico-soldier's vision; it is an historic fact, part of Europe's essential being. Europe is fully, persistently and quietly intent on preserving it, no matter what else falls apart.

The history of this century, particularly of two world wars, the League of Nations, the United Nations and of developments following the resuscitating effects of Marshall Aid since 1950, emphasizes the durability of Europe. There is much misconception outside Europe over this continent. Europe is durable because it is conservative. In many ways it is positively backward though no European will admit it and would be offended at the suggestion.

But the fact remains. It is well, in many ways, that it does remain. The jewel-like piazzas of northern Italy, the calm skyline of Paris, the ponderous grandeur of Germany have resisted and repelled the American skyscraper, the US fast traffic road complexes—in general, the American way of life. So far from Europe adopting British measures it is Britain that is slowly going metric and adopting European time. Europe, with its often cumbersome and laborious ways of doing things, continues by the simple process of just carrying on.

So, far from the great east-west politico-economic schism

surviving, it is rapidly breaking down, trade increases, the cold war thaws and, in a few years when the last of the old revolutionaries will have joined the great majority, the new men of east and west Europe, preserving their own politics, will be trading and generally living together more freely and more easily. The violent form of revolution will be left to Asia and America; in Europe the liberal and the communist traditions will mingle more easily and naturally.

It is true there is much US business in Europe by direct investment and by association. But even this process is by no means all one way; there is, for example, considerable French capital in a number of prominent US business concerns. Europe learns techniques from the USA but often improves on them. There is no question of an American "take-over" of western Europe; nor is the so-called "brain drain" all one way nor so serious a matter as some would seek to imply.

While ideology is declining in Europe, probably faster than in the USA, Europe's technicians and problem-solvers are impressive. Britain has in Aubrey Jones a businessman-politician running its Prices and Incomes Board. The director of economic affairs at the French Foreign Ministry is the brilliant Jean-Pierre Brunet. Ota Sik, Czechoslovakia's economic reformer, is an outstanding original thinker as is the Spanish economist Jose Ramon Lasuen. Europeans have forsaken, if they ever seriously followed, the intensive American drive for an ever-more productive professional life. They are more con-

cerned with working out the methods of an agreeable, comfortable life.

Planning commissions, so important for economic targets even three years ago, continue, like NATO, to work and to produce statistics and studies but they are no longer taken as irrefutable truth that must not be ignored. On the contrary, the OECD was recently very sharply slapped back by the French Finance Minister who told the experts not to treat governments like small children. De Gaulle and Giscard d'Estaing upset the French economists' plan with a ruthless programme of price-curling. In Holland, pressing need to cope with price inflation upset all the planners' equations.

Above all, despite the unifying economic codes of the Common Market and of the EFTA, despite lowering of tariffs and common membership of many international bodies, national barriers and individualities remain strong. Europe continues to be a complex of sovereignties which has proved to Washington and to Moscow that each nation will still manage its own affairs in its own way and, in general, will have its own foreign policy.

And inside their frontiers, the Europeans are increasingly intent on avoiding and correcting traffic jams, air pollution and on creating more pleasure and (leisure) rather than more work time for more production. It is not the least sign of the times that holidays are now taken three times a year, that travel and tourism are the biggest growth industries on the continent and that big financial names now figure among the largest investors in hotels, travel and catering.

5 $\frac{3}{4}$ PER CENT MAHARASHTRA STATE DEVELOPMENT LOAN, 1979

ISSUE PRICE RS. 99.00 FOR EVERY RS. 100.00

OPEN ON FRIDAY, THE 1ST SEPTEMBER 1967

The loan will be closed as soon as the total amount of Rs. 20 crores has been subscribed and in any case not later than the close of business on the 9th September, 1967.

The applications for the loan will be received at:—

- (a) the offices of the Reserve Bank of India, Bangalore, Bombay (Fort & Byculla), Calcutta, Kanpur, Madras, Nagpur and New Delhi,
- (b) the branch of the State Bank of India at Patna,
- (c) the branch of the State Bank of Hyderabad at Hyderabad,
- (d) the branches of the State Bank of Hyderabad conducting Government treasury work within the State of Maharashtra,
- (e) the branches of the State Bank of India within the State of Maharashtra except at Bombay and Nagpur and at places covered by item (d),
- (f) the Government treasuries and sub-treasuries in the State of Maharashtra at places not covered by items (d) and (e).

Full particulars can be obtained at any of the offices mentioned above.

Trade Winds

SHIPYARD AT COCHIN

THE MINISTER for Transport and Shipping, Dr V. K. R. V. Rao, announced in the Rajya Sabha recently the government's approval of the proposal for a second shipyard in Cochin. Dr Rao expressed the hope that it would be possible to turn out the first ship from the Cochin yard by 1974 or 1975. For the next five years thereafter, the shipyard would build at the rate of one vessel of 66,000 DWT a year. It would start building two ships of the same capacity every year only after 1980. He proposed to expedite the negotiations with the Japanese collaborators, M/s. Mitsubishi Heavy Industries Ltd., so that work on the project could commence soon. Dr Rao pointed out that it might not be necessary for the project report to be prepared de novo. Only certain adjustments and changes might be necessary. In his statement, the Minister told the House that it was proposed to invite Mitsubishi for technical collaboration with the Government of India for setting up the yard and operating it for the first five years.

Accordingly, it has been decided that the shipyard would build only one class of ships, namely 66,000 DMT bulk carriers instead of the earlier proposal to have ships of both 53,000 DWT and 33,000 DWT built at Cochin. By 1981, the total number of ships on the Indian registers was expected to increase by about 150, of which about half would be bulk carriers and tankers. Of these, 30 would be bulk carriers of 60,000 DWT and more. Therefore, there was need for a dry dock which could receive ships of 60,000 DWT and above so that the bulk carriers and tankers of this size could be repaired locally. Similarly, it had been decided to construct the repair dock at Cochin with capacity to accommodate ships up to 85,000 DWT. This ship repair potential of the yard would be about 1,000,000 GRT a year. Based on the revised scope of the project and on an up-to-date assessment of the indigenous availability of machinery and equipment, it was now estimated that the project would cost Rs. 36 crores, inclusive of a foreign exchange component of Rs. 5 crores at the current level of prices.

RUBBER PRICES

The union government has fixed the price of Indian-grown rubber at Rs 415 per quintal. In a statement laid on the table of the Rajya Sabha, Mr Dinesh Singh, Commerce Minister, announced by way of interim relief to small growers on holdings up to two hectares, a cash subsidy not exceeding Rs 175 per hectare. Growers with holdings above two and up to four hectares will get a cash subsidy of not more than Rs. 150 per hectare for one year.

STATE LOANS

Fifteen state governments have announced the issue of new loans for amounts aggregating Rs. 114.75 crores. All the loans carry interest at 5 $\frac{3}{4}$ per cent. The subscription list will open on September 1 and close on September 9 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the state governments reserve their right to retain subscriptions up to 10 per cent in excess of the notified amount. The details are as follows with the issue prices in brackets. Andhra Pradesh Rs. 10 crores (Rs. 97), Assam Rs. 2.50 crores (Rs. 97), Bihar Rs. 5 crores (Rs. 97), Gujarat Rs. 10 crores (Rs. 99), Haryana Rs. 2.75 crores (Rs. 97), Kerala Rs. 4.50 crores (Rs. 97), Madhya Pradesh Rs. 5.50 crores (Rs. 97), Madras Rs. 17 crores (Rs. 98), Maharashtra Rs. 20 crores (Rs. 99), Mysore Rs. 6.50 crores (Rs. 97), Orissa Rs. 4 crores (Rs. 97), Punjab Rs. 3 crores (Rs. 97), Rajasthan Rs. 4 crores (Rs. 97), Uttar Pradesh Rs. 12 crores (Rs. 98), and West Bengal Rs. 8 crores (Rs. 98). The loans will be redeemable at par after 12 years, that is on September 1, 1979, and interest will be paid

half-yearly on March 1 and September 1 each year. Securities of the maturing state government loans in the current year will also be accepted at par for conversion into the new loans of the respective state governments. Interest on securities accepted for conversion will be paid at the rate of 4 per cent per annum up to and inclusive of August 31, 1967.

FORWARD TRADING IN JUTE GOODS

An Extraordinary Gazette notification issued recently directed the East India Jute and Hessian Exchange Limited, Calcutta, to suspend entering into forward contracts in jute goods other than (i) transferable specific delivery contracts and (ii) non-transferable specific delivery contracts for a further period of seven days with effect on and from August 18, 1967.

COKE FROM NON-COKING COAL

A 12-tonne per day pilot plant for the continuous production of formed coke from non-coking coals has been commissioned at the Central Fuel Research Institute. It was designed, fabricated and installed by the staff of the CFRI. It consists of three units (1) low temperature carbonisation unit, (2) briquetting plant and (3) a reactor furnace plant for heat treatment of briquettes by the CFRI process. It is claimed that the fundamental and technological researches carried out at the CFRI, over the past few years, have made it possible to develop this technique for production of formed coke from non-coking coal and/or lignites as a substitute for metallurgical coke. The product is claimed to have physical and chemical properties superior to normal metallurgical coke, and being a synthetic product, the properties can be largely controlled. A novel feature of the process is that a fluid-ash coke can be made by this process which should either enable higher ash coals to be used or reduce coke consumption in blast furnaces.

EXPORT INCENTIVE LICENCES

The union government has decided to allow revalidation of import licences issued under the export incentive schemes or under the National Defence Remittance Scheme. In the case of licences whose initial period of validity expires on a date before the end of September this year, the requests for revalidation up to September 30, may be entertained on merits, provided that even in such cases no extension in the period of validity will be granted if the licences have already been revalidated for six months. This applies to licences other than those for machinery and equipment. No extension in the validity period of the licences will be granted in cases where the initial period of validity expires beyond September 30.

Applications for the revalidation of licences will be entertained by the licensing authority which issued the licence or by any regional licensing authority. Such requests for revalidation will be considered by the licensing authorities on merits. The licensing authority will have to be convinced that the request for revalidation is based on genuine difficulty and the refusal to grant extension in the validity period will cause hardship or loss to the licence-holder.

H.M.T. UNIT AT HYDERABAD

The Prime Minister, Mrs Indira Gandhi, declared open the fifth unit of the Hindustan Machine Tools at Hyderabad recently. This unit of the HMT will manufacture special purpose machines which are highly suited to adaptation to mass production technique. The foundation stone of this factory was laid in July 1964 and by December 1965 this Rs. 8-crore project was ready to go into production.

The cutting-off section, sheet metal section and pattern

shop are ready and a modern foundry for production of heavy duty cast iron castings is nearing completion. The very nature of production of this unit—the special purpose machine—calls for a large design office with experienced and well-trained staff. The personnel of the design office will number about 250. This design office will be one of the largest in the country. Special purpose machines are custom-built machines. Each is a design in itself and incorporates features suited to the needs of the customer. The customer discusses his needs with HMT's designers and in the light of these discussions, HMT's design department prepares blueprints of a suitable machine design incorporating features necessary to the rate of production of a particular component. The features of these machines are maximum economy, consistency in output and finish, capacity for diverse operations, adaptation to part or complete automation, economy in floor space, jigs and fixtures, reduction in rejections, etc. The location of this HMT factory in Andhra Pradesh is expected to accelerate industrialisation in the state, which in its wake, will increase employment potential and encourage subsidiary industries. When all the five HMT factories go into full production, the total output is estimated to reach Rs. 25 crores per annum. HMT will then have 15,000 employees on its rolls.

CEMENT PLANT IN UTTAR PRADESH

A cement factory that will depend on indigenous equipment is being put up by the Uttar Pradesh government at Dalla in Mirzapur district. It will be commissioned in the middle of 1968 and will have a 400-ton-an-hour limestone crushing and screening plant. This plant, to be designed, manufactured and supplied by Utkal Machinery Ltd., Orissa, will include vibrating screens, a jaw crusher weighing 110 tons and an impact hammer crusher weighing 45 tons, all to GHH designs. This Indo-German venture of Utkal Machinery entered a new phase in its working in February this year when the day-to-day management of the company passed into the hands of Larsen & Toubro, Bombay. Utkal Machinery is a partnership between Larsen & Toubro and the three West German firms of Gutehoffnungshuette Sterkrade AG, Oberhausen (GHH); Heinrich Koppers GmbH, Essen; and J. M. Voith GmbH, Heidenheim.

INDO-AFGHAN TRADE

Trade delegations of India and Afghanistan which recently reviewed in Delhi the existing trade relations, have agreed upon an arrangement providing for import by this country of fresh and dried fruits, asafoetida, medicinal herbs and cuminseeds in exchange for export from India of textiles, tea, jute manufactures, engineering goods, electrical appliances and a number of other products. The arrangements also provide for transaction on cash basis in respect of imports of cotton and wool from Afghanistan and exports from India of machine tools, automobiles, iron and steel construction material, etc. Trade between the two countries is of the order of about Rs. 15 crores annually.

CREDIT TO CEYLON

India will give a Rs. 5-crore credit to Ceylon for the purchase of capital goods from this country under an agreement signed recently. The credit will finance the purchase of electrical equipment other than cables and fans, telecommunication equipment (excluding cables), industrial machinery and machine tools, commercial vehicles, earth-moving machinery, construction equipment, railway equipment (including rail wagons, tank wagons and coaches), pipes and fittings for water supply and drainage schemes, and a number of miscellaneous items to be settled separately between the two governments. Last month an official delegation came from Ceylon to discuss terms and conditions for the credit. It returned after visiting industrial units in Bombay, Calcutta, Madras and Bangalore

making goods in which Ceylon was interested. The talks were continued through diplomatic channels, resulting in the present agreement. A commodity agreement involving an Indian credit of Rs. 2 crores was signed with the Ceylonese government in February 1965.

INDIA IN LEIPZIG FAIR

India will again be one of the exhibitors at the Leipzig Autumn Fair from September 3 to 10. This is the twenty-seventh time India is participating in the fair in the last 14 years. In this fair, in which over 50 countries will participate, and which is expected to be visited by about 200,000 buyers, India will be represented by 46 exhibitors, displaying, among other things, chemical products, textiles, motor car batteries, food and allied products, jewellery and arts and crafts. Mr Herbert Oehler, GDR's regional trade representative in Bombay, told newsmen recently that trade relations between India and the GDR had greatly improved. Mr M. B. Rao of the Leipzig Fair Agency explained the features of the forthcoming fair.

I.M.F. TEAM'S VISIT

A three-man team of technicians from the International Monetary Fund arrived in Bombay recently to study the latest developments in the Indian economy. The team held discussions with the Reserve Bank. It also visited New Delhi. The visit is likely to last about a month.

PESO DEVALUED

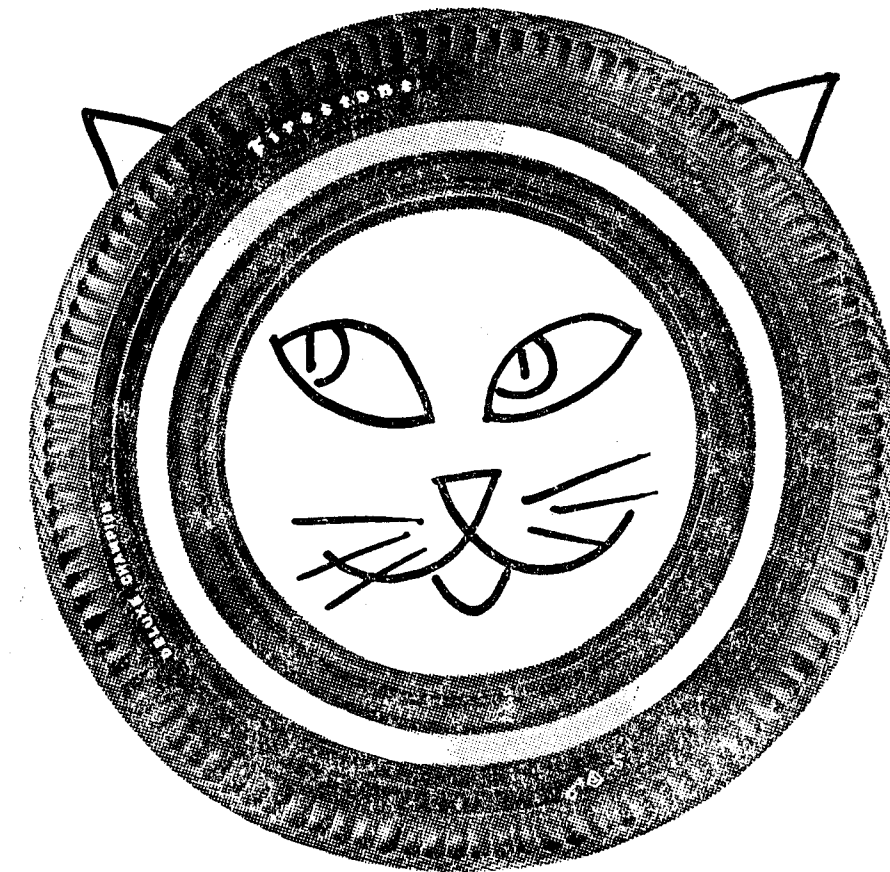
Uruguay announced a 10 per cent devaluation of its peso recently, raising the official exchange rate for one US dollar from 88.30 to 98 pesos.

AN EXPLANATION

Mr D. P. Mandelia, chief executive of Birla Brothers Private Ltd., talked to newsmen recently about the press reports on the discussion in the Rajya Sabha regarding the affairs of what was termed as Birla group of industries. He said Birla concerns no more belonged to the Birla family. They were national concerns as the money was invested by the public and there were hundreds and thousands of shareholders holding shares in these concerns. Referring to the forging of shares of Hindustan Motors, Mr Mandelia said that it was discovered by the company that some people not connected with it had forged some scrips. The company immediately warned all the stock exchanges that some forged scrips had been floated in the market. This was done in the interest of the shareholders. The police were informed and investigations were going on.

Referring to the statement that Century Mills had been making huge profits, Mr Mandelia said the profits were not as high or as satisfactory as the Birlas could wish them to be. The company's shareholders totalled more than 8,000. Out of the total revenue last year, 16 per cent went in excise duty and sales tax, 16 per cent in taxation, 16 per cent in wages and salaries, 25 per cent in cost of raw materials, 4 per cent in administrative charges, 3 per cent in dividends to shareholders and 4 per cent in reserves. The net profit after taxation was about 9 per cent of gross block. On the total equity capital and reserves the net profit was about 25 per cent. Referring to the allegation that Century Rayon was marking underweight on the yarn and thereby saving excise duty, he said excise duty was paid either on the standard weight or actual weight as per rules. In the case of payment by standard weight, if the weight was less, the government would get more excise duty and the company would lose. He said the company had not received any complaint so far of any underweight from any customer.

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the metal for today and tomorrow...

It provides the immense thrust required to send rockets soaring into outer space. It is the substance of electronic brains and computers; the heart of nuclear reactors; the raw material for telecommunications equipment and the substance of delicate scientific instruments... ■ In the changing world of today and tomorrow, ALUMINIUM is sure to play a crucial role.

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COMPANY NOTICE

BIRLA JUTE MANUFACTURING COMPANY LTD.

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 15, India Exchange Place, Calcutta on Friday, the 29th September, 1967, at 4 P.M. for the following purposes :

1. To receive and consider the Report of the Directors and to pass the audited accounts of the Company for the year ended 31st March, 1967.

2. To declare dividends on Preference, Second Preference and Ordinary shares.

3. To elect Directors in place of Shri Rasiklal Maneklal Dalal and Shri Brijratan S. Mohatta, who retire by rotation.

Shri Brijratan S. Mohatta is an Associate of the Managing Agents and as it is desirable to avail of his valuable advice by retaining him as a Director of the Company, the following resolution will be proposed as Special Resolution u/s. 261 of the Companies Act 1956, a special notice of which has been received by the Company and is also hereby given to the Shareholders:—

"RESOLVED that Shri Brijratan S. Mohatta, an Associate of the Managing Agents under the Companies Act, 1956 be and is hereby re-elected a Director of the Company liable to retire by rotation."

4. To appoint Auditors and fix their remuneration.

5. As special business, to consider and, if thought fit, to pass, with or without modifications, the following resolutions :

i) **As Ordinary Resolution**

"RESOLVED that Shri N. K. Kejriwal, a Director of the Company, who retires under Article 138 of the Company's Articles of Association be and is hereby re-appointed as Director."

ii) **As Special Resolution**

"RESOLVED that in Article No. 192 of the Company's Articles of Association the word 'Six' as appearing therein be deleted and the word 'Three' be substituted therefor."

iii) **As Ordinary Resolution**

"RESOLVED that the Company do hereby approve and consent to the following appointments made by the Board :

a) As Regional Distributors for sale of cement manufactured by the Company's Satna Cement Works for the period, on the terms and in the territories as specified against their respective names and stated in the letters of appointment issued to them :

1) **Name & Address**—M/s. Bhartiya Antar Rashtriya Byopari (P) Limited, Civil Lines, Kanpur. From 1-4-67 to 31-3-68. **Territories**—Mainpuri, Shahjahanpur, Etawah, Farrukhabad, Agra, Etah & Hardoi districts of U.P. for sale to stockists at a commission of Re. 1/- per tonne.

2) **Name & Address**—M/s. General Traders & Company, 49/27, Generalganj, Kanpur. From 1-7-66 to 31-3-67 and from 1-4-67 to 31-3-68. **Territories**—Kanpur, Lucknow, Barabanki, Unnao, Sitapur, Hamirpur, Jhansi and Jalaun districts of U.P. for sale to stockists at a commission of Re. 1/- per tonne.

3) **Name & Address**—M/s. Jeetmall Kallomall & Sons, 37, Mirganj, Allahabad. From 1-7-66 to 31-3-67 and from 1-4-67 to 31-3-68. **Territories**—Allahabad, Banda, Fatehpur, Raibareilly, Faizabad, Gonda, Basti, Gorakhpur, Deoria, Azamgarh, Ballia, Gazipur, Varanasi, Mirzapur, Jaunpur, Sultanpur and Pratapgarh districts of U.P. for sale to stockists at a commission of Re. 1/- per tonne.

4) **Name & Address**—M/s. Laxmi Cement Distributors, Hanumantal, Jabalpur. From 1-4-67 to 31-3-68. **Territories**—State of Madhya Pradesh at a commission of Re. 1/- per tonne.

b) As sole Selling Agents for Scandinavian countries for sale of carpet backing cloth, manufactured by the company, from 1-4-67 to 31-3-68 at a commission of 3% of sale price.

M/s. Scandibutor A/S, 10, Overgaden, DENMARK "

iv) **As Special Resolution**

"WHEREAS the following associates of Messrs. Birla Bros. Pvt. Ltd., the Managing Agents of the Company, maintain offices outside India for their own business of acting inter alia as buying and selling Agents in the countries specified below against their respective names for the purchase, sale and supply of goods including plant, machinery, stores and industrial raw-materials and their operations are on a very large scale and WHEREAS the expenses of maintaining their respective offices are stated below and the expenses which can be attributed to the work to be done for and on behalf of the Company would depend upon the volume of business put through each of them in relation to its total business and WHEREAS the following associates have been acting as such agents for and on behalf

of the Company pursuant to the Shareholders' Resolution dated 29th September, 1965. NOW IT IS HEREBY RESOLVED that the said associates of the Managing Agents be re-appointed as buying and selling Agents of the Company in the territories as specified below against their respective names for a period of three years with effect from 1st July, 1968 and that they be paid a commission @ 2½% of the invoice price of any goods as may be sold or purchased through them.

Name of the associates of Managing Agents—East Indian Produce Co. Ltd., London. **Territory of appointment**—U.K., Continent & Other countries. **Annual Expenses of office maintenance**—£1,25,000.

Name of the associate of Managing Agents—American East India Corporation, New York. **Territory of appointment**—United States of America & other countries. **Annual Expenses of office maintenance**—£2,50,000.

Provided that if anything to be done in pursuance of the above arrangement requires the permission of the Central Government or the Reserve Bank of India at any time, the same will be done in accordance with such permission."

v) **As Special Resolution**

"RESOLVED that the Company do hereby consent to the holding of office of profit under the Company of M/s. Rasiklal Maneklal & Co., Bombay, a firm, in which Shri Rasiklal M. Dalal, a Director of the Company is a partner, as underwriters, and brokers in the public issue of 9.3% redeemable cumulative new second Preference Shares being made by the Company."

vi) **As Ordinary Resolution**

"RESOLVED that subject to the approval of the Central Government pursuant to Section 372(4) of the Companies Act 1956, the Company do hereby sanction the investment by the Company in 2,00,000 Equity Shares of Rs. 10/- each for cash at par of Bihar Alloy Steel Limited notwithstanding the limits specified in Section 372(2) of the Act and in addition to the purchase of shares previously approved by the Shareholders."

The Register of Members for Preference and Ordinary Shares of the Company will remain closed from the 13th September, 1967 to the 29th September, 1967, both days inclusive.

By Order of the Board

Per Pro : BIRLA BROTHERS PRIVATE LIMITED,

D. R. Rungta,
Managing Agents.

Registered Office :

15, India Exchange Place, Calcutta-1.

Dated, the 10th August, 1967.

N.B.—(i) The directors have recommended the following dividends for the year subject to deduction of tax under the I.T. Act 1961—

On Preference Shares—@7.5% per annum (increased by 11% under the Preference Shares (Regulation of Dividends) Act, 1960 and after deducting Company's Income-tax).

On Old Second Preference Shares—@ 7.86% per annum. On Ordinary Shares—@ Rs. 1.50 per share.

If dividends on shares as recommended by the Directors are declared at the meeting, the DIVIDENDS WILL BE PAID ON AND AFTER 7TH NOVEMBER, 1967, TO THE REGISTERED SHAREHOLDERS whose names are on the Company's Register on the 29th September, 1967, or to their order or to their Bankers.

(ii) The Directors have also sanctioned the payment of following interim dividends subject to deduction of tax under the I.T. Act, 1961 to be paid to such Shareholders whose names appear on the Company's Register in respect of such shares on 29th September, 1967 or to their order or to their Bankers.

On 1,00,000 Old Second Preference Shares @ 7.86% per annum from 1-4-67 to 30-9-67. On 1,056 New Second Preference Shares subscribed for in cash @ 9.3% per annum from 1-6-67 to 30-9-67.

The aforesaid dividends will also be paid on and after 7th November, 1967.

(iii) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

(iv) AN EXPLANATORY STATEMENT IN RESPECT OF THE ABOVE ITEMS OF SPECIAL BUSINESS IS BEING FORWARDED TO THE MEMBERS OF THE COMPANY ALONG WITH A COPY OF THE CONVENING NOTICE OF THE MEETING.

Company Affairs

BIRLA JUTE

ALTHOUGH JUTE industry is passing through a financial crisis of an unprecedented nature, Birla Jute Manufacturing Co. Ltd, has fared extremely well during the year ended March 31, 1967. The gross profit was a shade higher at Rs. 3.44 crores as against Rs. 3.42 crores in 1965-66. The results would have been much more encouraging but for the uneconomic working of the jute mill division and the delay in the start up of the cement plant at Chittor due to power shortage. The directors propose to maintain the dividend for 1966-67 at 15 per cent on a capital as increased by the issue of bonus shares in the ratio of one share for every four shares held.

Out of the gross profit, the directors have transferred a sum of Rs. 130.00 lakhs towards depreciation reserve as against Rs. 112.00 lakhs in 1965-66. The managing agents' remuneration claimed Rs. 20.97 lakhs as compared with Rs. 24.08 lakhs in the preceding year. The allocation to development rebate reserve was stepped up from Rs. 19.27 lakhs to Rs. 75.78 lakhs while taxation absorbed Rs. 40.50 lakhs as against Rs. 86 lakhs in the previous year. The appropriation to general reserve was reduced by Rs. 39 lakhs to Rs. 16 lakhs while an amount of Rs. 20.27 lakhs was set apart towards Satna Cement Works' expansion reserve as compared with Rs. 5.38 lakhs in 1965-66. The allotment to dividend equalisation reserve was maintained at Rs. 40 lakhs. A sum of Rs. 15,778 has been carried forward to the next year's accounts as against Rs. 7,487 brought in from the previous year. The proposed dividends, equity and preference, will be paid out of the dividend equalisation reserve.

The staple fibre division worked satisfactorily during the year and the expansion programmes have been implemented. The cement plant at Satna improved its performance but the working results of the calcium carbide division were not quite encouraging.

The company proposes to issue redeemable cumulative new second preference shares worth Rs. 75 lakhs. The shares will be carrying an interest of 9.3 per cent per annum. Out of the present issue, 4,237 shares have been subscribed by the existing shareholders of the company. The remaining 70,763 new second preference shares of Rs. 100 each are now offered at par for public subscription. The public issue is fully underwritten. The proceeds of the issue will provide a part of the finance for the redemption of the existing 100,000 (7.86 per cent) redeemable cumulative second preference shares which are to be redeemed at par on September 30. The balance sum required for the purpose of redemption will be met out of the profits of the company which otherwise will be available for dividend.

HINDUSTAN MOTORS

Although the automobile industry is in the grip of a severe recession, Hindustan Motors Ltd had been quite successful in maintaining its record of progress. During the year ended March 31, 1967, the company has earned a handsome gross profit of Rs. 6.77 crores, recording an appreciable rise of Rs. 0.94 crore or an increase of more than 16 per cent over the preceding year. The directors have, however, decided to maintain the equity dividend for the year at 12.5 per cent. The provision for depreciation was raised substantially by Rs. 1.10 crores to Rs. 2.60 crores while taxation absorbed Rs. 0.02 crore as against Rs. 1.12 crores in 1965-66. The appropriation to development rebate reserve was stepped up to Rs. 2.18 crores as against a meagre allotment of Rs. 0.77 crore in the previous year. The net profit, after making these allocations, amounted to Rs. 1.97 crores as compared with Rs. 2.44 crores in the preceding year. After bringing in Rs. 16.23 lakhs from last year's

accounts and taking credit of Rs. 28.82 lakhs being appreciation in foreign exchange on account of devaluation, the total sum available for appropriation came to Rs. 2.42 crores. Out of this, a sum of Rs. 1.25 crores was transferred to general reserve. The same as in 1965-66, while the amount set aside to dividend reserve was maintained at Rs. 1.02 crores. The dividend on equity shares will absorb Rs. 1.02 crores and it will be paid out of the dividend reserve. The surplus of Rs. 15.20 lakhs has been carried forward to the next year's accounts.

INDIAN IRON

Indian Iron & Steel Company Ltd, has suffered a setback in its working during the year ended March 31, 1967, with all round decline in production, sales and profits. Sales dropped from Rs. 71.50 crores to Rs. 70.01 crores while the gross profit was a shade lower at Rs. 10.18 crores as against Rs. 14.27 crores in 1965-66. The directors have attributed the decline in profits to escalation in costs of production and the inadequacy of the approved rise in selling prices of steel. The situation was further aggravated by labour unrest over which the board has no control. In spite of it, the directors have maintained the dividend at the previous rate of 17 per cent since the recommended dividend of 8.5 per cent is payable on the capital as doubled by the one-for-one bonus issue.

Production of salable steel went down to 7.09 lakh tonnes from 7.23 lakh tonnes while the output of steel ingots and castings fell to 8.97 lakh tonnes from 9.70 lakh tonnes in 1965-66. The production of pig iron was, however, marginally lower at 11.76 lakh tonnes as compared with 12.18 lakh tonnes in the previous year. The fairly satisfactory production of pig iron had been due to the availability of better raw materials and improved beneficiation techniques. The percentage of ash content also showed a reduction while the iron content in the ore had increased.

Out of the gross profit the directors have appropriated Rs. 4.49 crores to depreciation reserve as against Rs. 4.41 crores in 1965-66. The allocation to development rebate reserve was enhanced by Rs. 7.32 lakhs to Rs. 35.89 lakhs while taxation absorbed Rs. 1.67 crores as compared with Rs. 4.31 crores in the preceding year. Managing agents' remuneration claimed Rs. 0.31 crore as against Rs. 0.35 crore in the previous year while the transfer to general reserve was slashed by Rs. 1.58 crores to Rs. 1.60 crores. The amount set apart for taxation contingencies reserve was reduced by Rs. 1 lakh to Rs. 11 lakhs.

The work on the collieries development project both at Chasnalla and Jitpur is progressing satisfactorily while at Ramnagar the work is nearly complete. The coal washery and preparation plant at Chasnalla are expected to be completely by the end of next month. The phase I of the further expansion scheme of the company for which a loan was obtained last year from the World Bank has commenced to make headway. International tenders for the main items of the plant have been issued. A beginning has been made in the evaluation of tenders received and orders are about to be released.

The directors have, however, regretted that the government has not met fully the demand of the producers to compensate for the rise in the costs of production. Following the decontrol of steel main producers have been partially compensated by an average increase in the selling price of steel of about Rs. 53 per tonne which will meet barely half of the escalation in the costs of production.

The IISCO Stanton Pipe and Foundry Co. Ltd, its subsidiary, is about to commence production. It has been licensed

to manufacture 60,000 tonnes of spun iron pipes and 3,000 tonnes of ancillary specials and bends. But the lay-out of the plant is such as to permit expansion to double the initial capacity.

MAFATLAL

Mafatlal Fine Spinning & Manufacturing Co. Ltd is embarking on an ambitious expansion of its chemical project. The company is not likely to issue fresh capital to finance this scheme. If necessary, the company will be issuing long-term debentures. An application has already been submitted to the government for getting its approval. The government's decision is expected shortly. This was disclosed by the Chairman, Mr Arvind N. Mafatlal, when he was addressing the annual general meeting of the company held recently in Bombay.

The company's fluorine chemical and fluorocarbon projects are progressing as per schedule. The sulphuric acid plant was commissioned in January 1967 and hydrofluoric acid plant in the following month. The cryolite plant will be shortly commissioned and the end products are expected to be produced thereafter.

The total cost of the fluorine chemical project will now amount to Rs. 5.11 crores including the additional burden of Rs. 56 lakhs on account of devaluation. The company so far has spent about Rs. 4.75 crores on the project.

During the year contracts were given for the civil, structural and other works for the fluorocarbon project. The first shipments of machinery have arrived and installation work will commence shortly. The plant is expected to go on stream by January 1968. The cost of the project is envisaged at Rs. 1.70 crores including the impact of devaluation of about Rs. 31 lakhs.

The company's working during the current year is so far satisfactory. Despite the decline in working hours following shortage of cotton, the company had been able to maintain its production and sales of cloth. Sales in the first four months of the current year had amounted to about Rs. 1.60 crores as against Rs. 6.53 crores for the period of 15 months ended March 31, 1967. The company hopes to make good progress in the second half of the year when the demand for cloth is expected to pick up on account of good monsoon. The cloth sales, according to the chairman, are expected to broaden after Diwali.

TATA MILLS

Tata Mills Ltd, is entering the capital market on August 28, 1967, with a public issue of Rs. 30 lakhs. The subscription list will close on September 9 or earlier at the discretion of the directors but not before August 31, 1967. The company has an authorised capital of Rs. 1.50 crores and an issued capital of Rs. 97.09 lakhs. The subscribed capital amounts to Rs. 96.18 lakhs. The company is now offering for public subscription for cash at par 30,000 cumulative redeemable preference shares of Rs. 100 each, carrying an interest of 9.5 per cent per annum. The amount is payable in full along with the application. The preference shares are redeemable at par at the option of the company at any time after December 31, 1974, but in any case not later than December 31, 1979. The public issue is underwritten by leading firms of stockbrokers and financial institutions.

The company, is a prominent member among the Tata group of industries. It was incorporated as a public limited company in 1913. Since then it has steadily expanded its activities and it is now manufacturing a wide variety of cloths such as drills and twills, chaddars and charsas, long cloth and sheetings, poplins, mulls and voiles, shirtings and suitings, tapestry, bath towels, hand-towels, kerchiefs, bed-sheets, table-cloths, curtain cloths, terene-cotton shirtings and suitings and non-woven fabrics filters and interlinings. The company also caters

to some of the defence departments and exports its products to several overseas markets.

During the past 15 years the company has implemented various schemes of modernisation, expansion and diversification costing over Rs. 4 crores. The manufacturing as well as processing departments have also been extensively modernised with the result that the company is now equipped with 80,192 spindles and 1,810 looms, including 189 automatic looms, and it is claimed to be one of the most modern and well-integrated textile units in the country.

The company continues to pursue the policy of replacing from time to time old and obsolete plant and equipment by modern, up-to-date machinery with a view to reducing the cost of production, improving the quality of products and thereby increasing its profit potential. The mills of the company are situated at Dadar, Bombay.

RANE (MADRAS)

Rane (Madras) Ltd, has earned a higher gross profit of Rs. 17.62 lakhs during the year ended March 31, 1967, as compared with Rs. 15.11 lakhs in the previous year. Sales also went up to Rs. 101.33 lakhs, registering an improvement of Rs. 19.63 lakhs over 1965-66. The directors have proposed a final dividend of 10 per cent. This together with the interim dividend of five per cent makes a total of 15 per cent as against 17.5 per cent declared for the previous year. The dividend for 1966-67 is, however, payable on an increased capital as raised by the one-for-three bonus issue during the year.

The directors have allocated Rs. 4.69 lakhs for depreciation as against Rs. 3.70 lakhs in 1965-66 while the amount set aside for taxation reserve was raised by Rs. 1 lakh to Rs. 5 lakhs. Development rebate reserve claimed Rs. 2.38 lakhs as compared with Rs. 1.52 lakhs in the preceding year. A sum of Rs. 1.30 lakhs was transferred to general reserve as against Rs. 2.03 lakhs a year earlier. The proposed equity dividend will require Rs. 3.68 lakhs for distribution as against Rs. 3.22 lakhs paid in 1965-66, while the preference dividend will absorb Rs. 0.60 lakh, the same as in the preceding year. The company is expected to produce three lakh pairs of tie-rod ends and steering linkage assemblies during the current year as against 2.33 lakh pairs produced last year.

BOMBAY DYEING

The directors of Bombay Dyeing and Manufacturing Co. Ltd have decided to issue bonus shares, subject to the consent of the Controller of Capital Issues, in the ratio of one bonus share for every five equity shares held by capitalising a sum of Rs. 60.23 lakhs from reserves. Last year also the company issued a one-for-five bonus issue by capitalising Rs. 50.20 lakhs from the general reserve No. 2 and raised its paid-up capital from Rs. 250.98 lakhs to Rs. 301.18 lakhs. With the present bonus issue the paid-up capital will be further increased to Rs. 361.42 lakhs.

The directors have also decided to maintain the interim dividend for the current year at one rupee per share on the higher capital of Rs. 3.01 crores. In the preceding year, the interim dividend of one rupee per share was paid on a capital of Rs. 2.51 crores.

CAPITAL AND BONUS ISSUES

Consent has been accorded to nine companies to raise capital amounting to more than Rs. 8.25 crores. Seven of them are to issue bonus shares exceeding Rs. 75 lakhs. The amount of bonus shares ranges between Rs. 3.32 lakhs and Rs. 24 lakhs.

The consents are valid for 12 months. The details are as follows:

New City of Bombay Manufacturing Co., Ltd, Bombay, has

been accorded consent to capitalise Rs. 24 lakhs out of general reserve and issue fully-paid equity shares of Rs. 100 each as bonus shares in the ratio of one for every equity share held.

Coates of India Ltd., Calcutta, is permitted to capitalise Rs. 18,04,590 from share premium and issue fully-paid bonus shares in the ratio of one new share for every equity share held.

Dhampur Sugar Mills Ltd, Bijnor, has been given consent to capitalise Rs. 12,04,900 out of free reserve and issue fully-paid equity shares of Rs. 100 each as bonus shares in the ratio of four for three held.

East India Corporation Ltd, Madurai, has been granted consent to capitalise Rs. 6,12,500 from general reserve and issue fully-paid bonus shares in the ratio of one for every two held.

Shanker Vittal Motor Co., Ltd Mangalore, is permitted to capitalise Rs. 6 lakhs out of free reserves and issue fully-paid equity shares of Rs. 10 each as bonus shares in the ratio of two for one held.

Forest Industries (Travancore) Ltd, Alwaye, has been given consent to capitalise Rs. 3,32,066 out of general reserve and issue fully-paid equity shares of Rs. 2 each as bonus shares in the ratio of one for three held.

Larsen & Toubro Ltd, Bombay, is permitted to issue capital of Rs. 99 lakhs in 9,90,000 equity shares of Rs. 10 each for cash at par. The shares will be offered on rights basis in the ratio of three for eight held.

South India Viscose Ltd, Coimbatore, is also permitted to issue 16 bonds of the total value of 5,423,689,294 Italian Lire (Rs. 650,86,875 approximately) to Mediobanca, Milano Italy. The proceeds will be utilised for financing the cost of the imported machinery and plant being obtained on deferred payment basis for setting up a wood pulp factory.

Madura Insurance Co. Ltd, Madurai, has been accorded consent to capitalise Rs. 5,97,100 out of free reserve and issue fully-paid shares of Rs. 100 each as bonus shares in the ratio of three for every seven equity shares of Rs. 100 each and seven for every five deferred shares of Rs. 10 each held.

LICENCES AND LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the fortnight ended June 17, 1967. The list contains the names and addresses of the licensees, articles of manufacture, types of licences (i.e.) New Undertaking (N.U.); Substantial Expansion (S.E.); New Article (N.A.); Carry on Business (C.O.B.); Shifting—and annual installed capacity.

During the Week ended June 10, 1967

LICENCES ISSUED

Automobiles

M/s. Usha Martin Black (Wire Ropes) Ltd., 14, Princep Street, Calcutta-13. (Bihar, Patna): Various types of control cables for automobiles—500 tonnes. (N.A.); M/s. Automobile Products of India Ltd., Bombay-Agra Road, Bhandup, Bombay-78 (NB). (Bombay, Maharashtra): Clutch facings for automobiles—200,000 Nos. (N.A.).

Sugar Machinery

M/s. Larsen & Toubro Limited, I. C. House, Dougall Road, Ballard Estate, Bombay-1. (Bombay, Maharashtra): Diffusion Plants (Sugarcane Diffusers)—1500/2000 tonnes/day capacity —2 units per annum. (N.A.)

Machine Tools

M/s. Promain Ltd, F-39, New Delhi, South Extension-1, New Delhi-3. (Ballabhgarh, Haryana): Wire drawing machines (Heavy Duty non-slip type)—100 sets; Wire drawing machines (Slip type)—30 sets; Stranding machines: Multi head super speed strander—8 numbers; Tubular stranders—8 numbers; Rigid bobbing and planetary strander—8 numbers; Laying up and armouring machines—6 numbers; Wire Spooling machines—10 numbers. (N.U.)

Organic Heavy Chemicals

M/s. Alkali & Chemicals Corporation of India Ltd, Chowringhee, Calcutta-10. (Rishra, W. Bengal): Chlorinated Paraffin Wax—1500 tonnes. (N.A.).

Man-made Fibres

M/s. Chemicals & Fibres of India Ltd, ICI House, 34, Chowringhee, Calcutta-16. (Thana-Belapur Road, Maharashtra): Polyester Staple Fibre—10,000,000 lbs. (appx. 4.5 Million Kgs). (S.E.); M/s. Wintex Mills, Wintex Road, Surat (Gujarat State) (Surat, Gujarat State): Art Silk/Synthetic fibre fabrics—49 Powerlooms only. (Total capacity of the Mills after expansion will be 296 powerlooms for the manufacture of Artsilk/synthetic fibre fabrics). (S.E.).

Wheat Products

Shri K. N. Khemka, Khemka House, 4, Bhabani Dutta Lane, Calcutta-7. (Vizagapatnam, Andhra Pradesh): Wheat Products—15,000 tonnes (on three shift basis). (N.U.).

LETTERS OF INTENT

M/s. Indian Organic Chemicals Ltd, 28, Apollo Street, Fort, Bombay-1. (Khopoli, Maharashtra): Plasticizers (DOP, DBP, DMP and SEP)—10,000 tonnes. (N.A.); M/s. Indo-Nippon Chemical Co. Ltd, Alice Building, Dr Dadabhai-Naoroji Road, Fort, Bombay-BR. (Ghatkopar, Bombay, Maharashtra): Phthalate Plasticizers—from 2,500 tonnes to 3,600 tonnes. (S.E.); M/s. Excell Industries Ltd, 184-87, Swami Vivekanand Road, Jogeshwari, Bombay-60 (NB). (Oshiwara, Andheri, Bombay, Maharashtra): Chlorinated Paraffin Wax—From 1,000 tonnes to 1,500 tonnes. (S.E.); M/s. Geep Flashlight Industries Ltd, 28, South Road, Allahabad-1. (Allahabad, Uttar Pradesh): Electrolytic Manganese Dioxide—1,000 tonnes. (N.A.).

CHANGE IN NAMES (Owners or Undertakings) (Information pertains to particular licences only)

From M/s. The Indian Yeast Co. Pvt. Ltd, Calcutta to M/s. The Indian Yeast Company Ltd, Calcutta.

LICENCES REVOKED OR SURRENDERED (Information pertains to particular licences only)

M/s. Hindustan Wire Products, Patiala—Wire Enamel; M/s. Continental Plant Machinery Co. (P) Ltd, Calcutta—Electric Detonators; M/s. Indian Rubber Manufacturers Ltd, Calcutta—Bicycle Tubes; M/s. Bharat Tyre and Rubber Company Ltd, Ernakulam—Automobile Tyres and Tubes, and Camel Back.

During the Week ended June 17, 1967

LICENCES ISSUED

M/s. Samla Collieries Ltd, 33, Netaji Subhas Road, Calcutta. (P.O. Pandaveswar, Distt. Burdwan, West Bengal): Coal—1,50,000 tonnes. (S.E.).

Machine Tools

M/s. Indian Sugar & General Engineering Corporation, Yamunanagar, Distt. Ambala, Haryana. (Yamunanagar, Distt.

Ambala, Haryana): Hydraulic Presses of capacity-ranging from 200 to 1200 tonnes—60 Nos. (Valued at Rs. 75 lakhs). (N.A.).

Explosives

M/s. Indian Detonators Ltd, Kukatpalli, Sanatnagar (EI) P.O., Hyderabad-18. (Hyderabad, Andhra Pradesh): Cartridged, ANFO and NCN Explosives—15,000 tonnes. (N.A.).

Chemicals

M/s. Dulichand Omraolal Hindusthan Buildings, 4, Chit-taranjan Avenue, Calcutta-13. (Calcutta, West Bengal): Fatty Acids—2,760 tonnes; Glycerine—240 tonnes. (N.A.).

Jute Textiles

M/s. Vasant Vijay Mills, 470-471, Worli Road, Bombay-18. (Worli Road, Bombay, Maharashtra State): Processing of

COMPANY NOTICE

HOWRAH MILLS COMPANY, LIMITED

Notice of Annual General Meeting

NOTICE is hereby given that the One hundred and forty-second Annual General Meeting of the Members of the above-named Company will be held at the registered office of the Company No. 4, Clive Row, Calcutta-1, on Friday, the twenty-second day of September, 1967 at 12-00 Noon for the following purposes:—

- To receive and consider the audited Accounts for the year ended 31st March 1967, the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
- To declare dividends on the Preference Shares.
- To appoint Directors in place of those retiring.
- To appoint Auditors and to fix their remuneration.
- (As special business): To consider and, if thought fit, to pass with or without modification the following resolution which will be proposed as a special resolution:—

"That pursuant to the provisions of section 370 of the Companies Act, 1956, the Board of Directors be and is hereby authorised, on such terms and conditions as the Board may think fit, to make any loan to any body corporate whether or not under the same management as the Company without any limit.

Provided that the aggregate of the loans made to all bodies corporate shall not exceed without the prior approval of the Central Government—

- thirty per cent of the aggregate of the subscribed capital and free reserves of the Company in the case of bodies corporate not under the same management;
- twenty per cent of the aggregate of the subscribed capital and free reserves of the Company in the case of bodies corporate under the same management.
- (As special business): To consider and, if thought fit, to pass with or without modification the following resolution which will be proposed as a special resolution:—

"That (i) pursuant to the provisions of section 360 of the Companies Act, 1956, the Company hereby approves of the undernoted contracts between the Company and Associates of Jardine Henderson, Limited (drafts whereof have been submitted to this Meeting and which for the purposes of identification have been initialed by the Chairman hereof) being entered into and the Directors are hereby authorised to execute the said Contracts on behalf of the Company:

- A contract with Meameco Limited (an associate of Jardine Henderson, Limited) for purchase of plant and

Jute i.e. dyeing, bleaching, printing and finishing of jute cloth —6 million yards.

LETTERS OF INTENT

Electrical Equipment

M/s. Union Carbide India Ltd, PB No. 2170, Calcutta-1. (West Bengal)—Midget Electrodes—500 million Nos. (S.E.).

Chemicals

M/s. Modi Gas & Chemicals, Modinagar. (Modinagar, Uttar Pradesh): Nitrogen Gas—3,40,000 c.u. metres. (N.A.).

CHANGE IN NAMES (Owners or Undertakings) (Information pertains to particular licences only)

From Undertaking: M/s. Rawanwara Collieries Ltd, Calcutta to Undertaking: M/s. Oriental Coal Co. Ltd, Calcutta; Owner: M/s. Karam Chand Thapar & Bros. (P) Ltd, Calcutta.

machinery, spare parts, engineering stores and other requirements of the Company.

- A contract with Kanknarrah Co., Ltd. (an associate or Jardine Henderson, Limited) for purchase or sale of jute and other raw materials, manufactured jute goods, stores, plant and machinery, spare parts and other requirements of the Company or the Associate.
- A contract with Kamarhatty Co., Ltd. (an associate of Jardine Henderson, Limited) for purchase or sale of jute and other raw materials, manufactured jute goods, stores, plant and machinery, spare parts and other requirements of the Company or the Associate.
- A contract with The Barnagore Jute Factory Co., Ltd. (an associate of Jardine Henderson, Limited) for purchase or sale of jute and other raw materials, manufactured jute goods, stores, plant and machinery, spare parts and other requirements of the Company or the Associate.

(ii) it being a term of the above contracts 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 Associates of Jardine Henderson, Limited within one month of the date of such supply or sale of goods."

Notice is also given that the Register of Members of the Company will be closed from 12th September to 22nd September, 1967, both days inclusive.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself on a poll and a proxy need not be a member of the Company.

By Order of the Board,
JARDINE HENDERSON, LIMITED
A. C. Deaves
Secretary
Managing Agent

4, Clive Row,
Calcutta-1.
July 28, 1967.

NOTE: The dividends if approved will be payable on or after 6th October, 1967 to those members whose names are registered in the books of the Company on 22nd September, 1967.

[The explanatory statement required to be annexed to the notice convening the general meeting pursuant to the provisions of section 173 of the Companies Act, 1956 is being forwarded to the members.]

5 3/4 PER CENT STATE GOVERNMENTS LOANS 1979

State	Amount (In crores of Rs.)	Issue Price per cent Rs.	State	Amount (In crores of Rs.)	Issue Price per cent Rs.
1. Andhra Pradesh	10.00	97.00	9. Maharashtra	20.00	99.00
2. Assam	2.50	97.00	10. Mysore	6.50	97.00
3. Bihar	5.00	97.00	11. Orissa	4.00	97.00
4. Gujarat	10.00	99.00	12. Punjab	3.00	97.00
5. Haryana	2.75	97.00	13. Rajasthan	4.00	97.00
6. Kerala	4.50	97.00	14. Uttar Pradesh	12.00	98.00
7. Madhya Pradesh	5.50	97.00	15. West Bengal	8.00	98.00
8. Madras	17.00	98.00			

All loans will open for subscriptions on Friday, 1st September 1967 and close on Saturday, 9th September 1967 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions up to ten per cent in excess of the notified amounts.

The loans will be redeemable at par after 12 years, i.e., on 1st September 1979 and interest will be paid half-yearly on 1st March and 1st September each year.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

Securities of the following loans will also be accepted AT PAR for conversion into the new loans of the respective State Governments :-

Name of the loan tendered for conversion	Name of the new loan issuable
1. 4% Andhra State Development Loan 1967	5 1/4% Andhra Pradesh State Development Loan 1979
2. 4% Bihar State Development Loan 1967	5 1/4% Bihar State Development Loan 1979
3. 4% Madhya Pradesh State Development Loan 1967	5 1/4% Madhya Pradesh State Development Loan 1979
4. 4% Madras Loan 1967	5 1/4% Madras Loan 1979
5. 4% Bombay State Development Loan 1967/4% Saurashtra State Development Loan (Second Series) 1967	5 1/4% Maharashtra State Development Loan 1979
6. 4% Mysore State Development Loan 1967	5 1/4% Mysore State Development Loan 1979
7. 4% Uttar Pradesh State Development Loan 1967	5 1/4% Uttar Pradesh State Development Loan 1979
8. 4% West Bengal Loan 1967	5 1/4% West Bengal Loan 1979

Interest on securities accepted for conversion will be paid at the rate of 4% per annum up to and inclusive of 31st August 1967.

Applications for all the loans will be received at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Kanpur, Madras, Nagpur and New Delhi, the branch of the State Bank of India at Patna and the branch of the State Bank of Hyderabad at Hyderabad.

Applications will also be received at other places within the respective States as follows :

- i) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work.
- ii) Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work.
- iii) Treasuries and Sub-Treasuries (except in the States of Assam and West Bengal) at places not served by the afore-said branches.

Applications for Punjab and Haryana State Government loans will also be received at the State Bank of India, Chandigarh.

Copies of the Notifications and Application Forms may be obtained at any Receiving Office.

Applicants tendering applications at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Kanpur, Madras, Nagpur and New Delhi 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 still be open for subscription. To avail themselves of this facility, the applicants should complete the "Special Option Form", copies of which can be obtained at any of the foregoing offices of the Reserve Bank of India and tender the form along with their applications.

COMPANY MEETING

THE INDIAN IRON & STEEL COMPANY LIMITED

The following statement by Sir Biren Mookerjee, Chairman of the Indian Iron & Steel Co. Ltd., dealing with the Company's working for the year ended 31st March 1967 has been issued to shareholders. The Annual General Meeting of the Company will be held on Friday, the 8th September, 1967 at 3 p.m. at the Registered Office of the Company, 12, Mission Row, Calcutta—I.

Ladies and Gentlemen,

The Company's accounting year ended 31st March, 1967 has in many senses been one of unrelieved gloom. I am compelled, in the circumstances, to recount a sad tale of woe. In the ordinary course, after the decontrol of Steel and the presentation of the new budget, you might have expected me to paint a brighter picture of the Company's prospects; unfortunately, the reasons which I have set out below preclude me from doing so.

Whatever may be the economic factors responsible, and whatever term—recession or slump—may be utilised to describe the situation, there is no doubt that it is difficult for the Steel Industry in India to dispose of its entire production at anywhere near installed capacity. In the industrialised countries of the world, the Steel Industry, except in times of national crisis such as war, hardly ever operates at installed capacity. The difference between installed capacity and the rate of economic operation in normal conditions is the buffer capacity used when the nation's resources require to be fully mobilised. The concept of operating at maximum and not optimum capacity is no longer applicable in the Indian context where it is already evident that the present production cannot be disposed of. Although export is a possible solution to the problems posed by internal slackening of demand, it must be remembered that since idle capacity is now a universal condition, exports of Indian steel in any large quantities, except at uneconomic prices, is difficult to arrange. In the case of your own Company, I cannot envisage a position arising in the foreseeable future where its total exports of steel can exceed 15% of production. One of the essentials in securing and retaining an export market is to rigidly adhere to the terms of contract in regard to specification, special conditions such as surface finish and the scheduled programme of delivery. All these preconditions require constant supervision at every stage of production, from the procurement and analysis of raw materials to the eventual packing and despatch. In view of the labour conditions prevailing in your Company's works, such supervision, no matter how desirable, has become noticeable by its almost total absence inasmuch as supervisory personnel are precluded from adequately performing their supervisory functions. To illustrate the dilemma with which your Management is faced, there was the case of a recent export order for supply of special quality steel to the U.K. To the best of my knowledge, this was the first such export order obtained by India. Due to the prevailing mood of labour, the issuing of instructions by the supervisory personnel to the workmen is fraught with grave hazard; consequently, the first rolling of this special quality steel had to be withdrawn from shipment due to surface irregularities which the conditions of contract would violate. Eventually, after due rectification had been effected, final export shipments were again interfered with due to the recalcitrant attitude of loading staff. This is one example among a myriad which I could elaborate on to describe the conditions under which day to day operations have to be undertaken in the industrial climate of the Burnpur area. Naturally, foreign buyers cannot be expected to be concerned or interested in the political affiliations of Indian

workmen. Export markets secured by the expenditure of much effort and in the face of severe international competition are therefore in jeopardy.

Reverting now from the particular to the general and in the expectation that the existing labour situation is only ephemeral, the answer to this reduction in demand which will remain a part of India's industrial scene for some time to come appears to me, in the perspective of our own expansion schemes, to be strict enforcement of quality production only. It is only by the quality of our product that we can compete both in indigenous and international markets and still maintain some measure of economic viability. Serious consideration should therefore be devoted to the question of building additional capacity by setting up new steel manufacturing complexes whatever may be the political desiderata for such plants. If the provision of avenues for employment be the prime criterion, since self-sufficiency in steel, relative to the country's present economic growth, has already been by and large attained, there are many labour-intensive schemes other than steel plants, which can be sited regionally to cater to this demand. After all, there is nothing sacred about steel nor does the location of a steel plant confer specific prestige on its neighbourhood.

Statements made by prominent political leaders, as reported in the press, would seem to indicate that all political parties in India have accepted the fact of recession. However, what is exercising their minds and talents seems to be less a question of a solution to the problem than one of affixation of culpability. Whoever may be to blame for the prevailing position of a lack of demand, of the four major participants in economic activity, namely, the investor, the worker, the consumer and the Government, only the workers are being treated as a privileged class. The recession has seriously affected both the consumer and the investor. The Government must be reconciled to a substantial decline in corporate taxes. In the case of your Company, the Government can expect no more than Rs. 168 lakhs in taxes as compared with Rs. 431 lakhs last year. Only the worker continues to be regularly compensated by periodic increases in his dearness allowance and new financial concessions obtained by coercive methods. Motivated no doubt by the dictates of dogma, no political theoretician can countenance with equanimity mass lay-off and retrenchment. This attitude is understandable in the limited context of political promises and commitments, made not to the populace at large, but to a small segment consisting of industrial workers. But I do not imagine that the Indian electorate, after two decades of democracy and five millennia of organised Government, is so naive as to accept political promises at face value. Just as the people have accepted, without recrimination, the broken promises in regard to the provision of rice, so also they will accept the hard economic realities of recession and its concomitant unemployment. Just as the reduced rice ration has been rendered palatable by the knowledge that there is a genuine shortage of rice and that at least some quantity will continue to be available, so also the fact that there is a genuine shortage of work and that the loss of employment for some persons will ensure the retention in

service and gainful employment for the overwhelming majority, will have to be equally accepted.

The State Government has, since its inception in early March this year virtually imposed an embargo on lay-offs and retrenchments even where the employer is prepared to pay full compensation provided by law. The most charitable explanation for this exceptional action is the elusive hope of an early end to recession. This attitude is bolstered by imaginary props of economic logic such as the one that enunciates that past profits earned by industry in West Bengal, ploughed back in the business and shown in the accounts as "Reserves" should now be withdrawn and utilised to provide full wages, for no work done, to surplus labour!

Unfortunately, the intricacies of double-entry book-keeping, which I sometimes feel have been deliberately designed by accountants to confuse the layman, are partly to blame for this fantastic notion regarding Reserves. It is not realised that even the most prudent Company showing substantial Reserves may be unable to meet its liabilities and face bankruptcy for lack of cash resources, if production and sales continuously fall short of outgoings. I do not know if any precept of social justice can advocate or any economic canons can justify the retention, during a period of recession, of surplus workmen on the one hand and during the same period prescribe an increase in their emoluments on the other. I am not advocating an immediate freeze on dearness allowance; but I must strongly emphasise that responsible people should not incite and exhort workmen to prefer other financial demands on their employer without a commensurate increase in productivity. Political dogma cannot for long prevail over inexorable economic forces.

I have referred earlier to the difficulties being encountered by the main producers in maintaining production at levels approaching rated capacity, due to a reduction in indigenous offtake. To relieve the financial pressure caused by the accumulation of stocks of semi-finished and finished materials, we have embarked on a major export drive. You will be happy to learn that in addition to securing export orders for spot lots of pig iron, we have just concluded negotiating a substantial export order of pig iron to Japan at not unfavourable prices. This order secured, perhaps, due to the fortuitous closure of the Suez Canal, will enable us, to a certain extent, to recoup the liquid resources of the Company by consuming the large stocks of coke which have accumulated at your Works. Among orders for steel which we have secured, I must mention an order for special quality steel from Scotland.

I feel, however, that it is necessary to introduce a note of caution so far as export sales are concerned. It would be imprudent to assume that the shortfall in indigenous demand can be made good through indiscriminate exports. Our enquiries have revealed that international demand for pig iron and steel fluctuates very greatly both with regard to periodicity and selectivity. Furthermore, we have to contend at every stage with fierce international competition, as the steel industry, the world over, is operating well below capacity and is therefore as anxious as we are to absorb demand wherever it originates.

In the year 1960/61 the output of your Kulti Foundries for the first time exceeded 200,000 tonnes per annum. Thereafter the rate of production has been maintained well above this tonnage until the year under review. You will have noticed from the Directors' Report that production for the year 1966/67 was approximately 197,000 tonnes. Even so, I would like to remind Shareholders that their Kulti Foundries are the largest single Foundry Unit anywhere in the world excepting Western Europe and the U.S.A.

It has been the practice of your Management to produce

castings against specific orders and not to manufacture for stock, saleable when able. This policy has throughout the years enabled your Management to operate the Foundries with the very minimum of working capital since finished castings are forthwith despatched to customers against open orders. Realising that the impact of the impending recession consequent on the failure of the Third Five Year Plan would seriously affect the purchasing power of customers, efforts were made in the middle of last year to rationalise production in line with the changed pattern of demand. In September/October 1966 a position was reached where manufactured castings began to accumulate at your Works due to cancellation and suspension of orders by intending purchasers due mainly to lack of finance. To offset these adverse market conditions, detailed discussions were held with representatives of the workmen and a scheme of partial rotational lay-off on liberal terms was introduced in the affected sections of your Kulti Works. In essence, the system was to determine weekly production in advance, after discussions with the workmen, and regulate working days accordingly. Thus, depending on work load, the workmen were laid off for one, two or three days per week. That the Management was enabled to introduce such a scheme of partial lay-off demonstrates that the workmen realised the serious economic situation faced by the Company and were willing to co-operate in maintaining production commensurate with off-take. With the radical change in the labour situation in the State since March 1967, this system, which had successfully operated for four months suddenly ground to a halt. Although the order position had deteriorated since the inception of the lay-off scheme, the same workmen who had accepted the justification for partial lay-off now adopted militant measures to frustrate its continuance. The obvious conclusion to be drawn from this is that the workmen's motivation was entirely political since economic conditions had remained unchanged and certainly not improved. Mass movements were launched by the workmen under the guise of numerous unconnected and mostly imaginary grievances to mask the real motive of labour unrest at your Kulti Works which is inter-union and intra-union discord. The tempo of unrest culminated in the assault of the Deputy General Manager of the Company, who is the Chief Executive of your Kulti Works, and several other officials on the 1st of April 1967, leading to their hospitalisation. Since then conditions at your Kulti Works have continued to remain unsettled. Furthermore, as we have been prevented from rationalising production there is an accumulation of finished pipes at your Works valued at about Rs. 80 lakhs. Incidentally, we frequently read minatory statements regarding the use of the Preventive Detention Act against "bad" employers; we have still to hear of the provisions of the Act being made equally applicable to "bad" trade unionists.

The two major Projects now in hand are the Development of the Company's Collieries and the Balancing of its Plant which is expected to increase its steel production by 300,000 tonnes per annum.

The Collieries Development Project is proceeding apace according to its revised schedule, although problems of a non-technical nature have now arisen, when the technical problems

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earlier discovered, have been satisfactorily solved. Unconnected persons are interfering with the Company's land purchases by deliberately misleading the previous owners of the land from whom the Company have effected purchases after payment of prices which can be considered munificent. Shareholders will be aware that it is necessary to purchase small plots of land on which trestles will require to be erected to carry the ropeway from Jitpur to Chasnalla and from Chasnalla to Burnpur.

You may well enquire why the Company is proceeding with its expansion project when I have earlier described to you my apprehensions regarding off-take. In the case of your Company, the proposed expansion is a necessity, as it is only by increasing its total output, and by rigid adherence to quality production, and a wider range of products, that the Company can hope to reduce its cost of production, thereby rendering its output more readily saleable. The expansion project of your Company, as its formal description implies, is really a balancing of plant. The existing major units of production at your Works such as the Coke Oven Batteries and Blast Furnaces, with progressively improving raw materials, already possess installed capacity to produce the additional iron required for the increased production envisaged by the project. Certain items of balancing plant are, however, necessary to utilise this capacity to its fullest extent. Naturally, with increased production, there should be a decline in overheads making your Company's products more competitive. You will appreciate that without the contemplated expansion a position may well arise when increasing costs uncompensated by price increases, will, like an unrelenting boa-constrictor, strangle your Company to economic suffocation.

The Directors in their Report to you have described the harrowing conditions prevailing in your Works due to labour unrest. I do not wish to burden you with a further description of the inhuman brutalities perpetrated in the name of democracy and social justice. But I consider it my duty to apprise you of the grave risk that exists in regard to your investment. It must not be forgotten that apart from the eighteen thousand other shareholders who own the Company's assets, the Life Insurance Corporation and the Unit Trust are two of the largest shareholders whose investment in your Company represents the policies of millions of ordinary citizens and countless small investors in the Unit Trust. The financial involvement of the citizens of India in your Company is therefore not restricted to those whose names appear on the register of shareholders.

The situation prevailing in a Steel producing Works at the best of times can literally be described as explosive because of the high temperatures and inflammable gases which form a part of its operation. If to this is added the constant risk of deliberately engineered sabotage, you will begin to appreciate the unbearable tension under which steel is now being manufactured in your Works. Even an isolated act of deliberate negligence can cause a holocaust which can easily destroy the entire Asansol Sub-Division, reducing the life and property of hundreds and thousands of people to ashes.

The genesis and crux of the problem is such that your Management is helpless in regard to its solution. Basically, the Union that has enjoyed uninterrupted leadership since 1939, is now being challenged by several other Unions of different political affiliations. Whilst the Management can hope to satisfy economic demands, they cannot be expected to resolve questions of political succession. The problem therefore is of such dimensions as to include and concern the national interest.

For those who have a penchant for statistics, I will mention that since March there have been fortythree major Gheraos and innumerable minor ones. But statistics, as usual, will fail to convey the mental agony and physical torture involved.

Before concluding, I am sure, you will all join me in

congratulating your Company's officials, wherever they may be posted, and particularly your General Manager, Mr. J. McCracken, whose steadfastness in times of stress was an encouragement to others, for rendering loyal and invaluable service under most trying conditions. I hope I can assure them on your behalf that our sympathies are wholeheartedly with them in this time of crisis and that all possible avenues are being explored to ensure their safety and the safety of their families.

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

produce more...
export more...
earn more
foreign exchange...

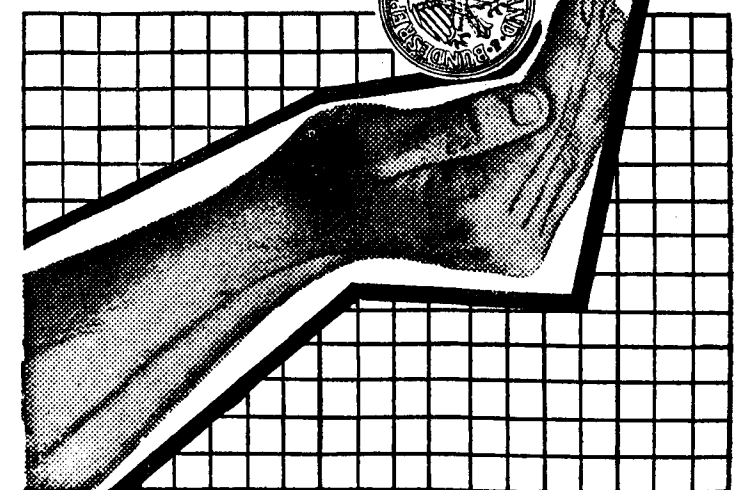
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RECORDS AND STATISTICS

Partial Decontrol of Sugar

THE FOLLOWING is the text of the statement made in the Rajya Sabha on August 17 by Mr Jagjivan Ram, union Minister for Food and Agriculture, on the Government of India's sugar policy for 1967-68 :

The decline in the production of sugar in the current year has been a matter of great concern to this House, the state governments, the industry, the sugarcane growers and the public at large. I had occasion to remark a number of times in the House that the situation which faces the sugar industry was under the active consideration of the government and it was proposed to take measures to correct the adverse trends which had set in.

As the Members are aware, in the current year, i.e., 1966-67, there will be a drop of 14 per cent in the area under sugarcane and of 38 per cent in the production of sugar in the country. The sugarcane crop was generally sown under unfavourable weather conditions and also suffered from lack of rains during the period of growth. Some shrinkage in area under sugarcane is also due to the competition of high-yielding varieties of wheat, rice and millets. To accentuate the situation, there was diversion of sugarcane to gur and khandsari. Due to short production of sugar, the monthly quota of releases had to be reduced from 2.52 lakh tonnes per month to 1.57 lakh tonnes per month. Besides the loss in excise revenue, the industries dependent on molasses, for example, alcohol, synthetic rubber, polyethylene, etc. have been seriously affected.

On the basis of the information so far received, it is estimated that the area under sugarcane crop in the country during the next season 1967-68 may show a further decline of about 17 per cent over that in the current year. The gur and khand-sari prices continue to rule very high. On the basis of the existing pattern of controls, the production of sugar in the coming year is estimated to vary from 15 to 17 lakh tonnes as against 22 lakh tonnes in the current year and 35 lakh tonnes in 1965-66. The situation which obtains today is that while demand for sugar for general consumption and for food products is going up, the production of sugar has come down precipitously and threatens to decline further. It has, therefore, become a matter of vital importance to take effective measures to arrest this serious decline in production so that an adequate supply of sugar for the country's needs may be ensured.

The government has given very careful consideration to the various suggestions made by the honourable Members, the views of the state governments, the industry, the cane-growers and others. The suggestions received covered widely varying approaches to the problem. At one end, it was suggested that the existing controls may be continued with suitable measures added to help improve the competitive position of the sugar industry so that it could offer higher prices for sugarcane. At the other extreme was the suggestion for complete decontrol. A careful examination of the implications of these two extreme measures showed that while complete decontrol was a hazardous step, the continuance of controls in the present form was not likely to meet the situation. If controls were to continue, a much higher price for sugarcane would have to be fixed resulting in a large increase in the price of sugar. Even so, the factories would not be in a position to get cane in adequate quantities in competition with gur and khandsari. The crushing season would be short and there would be under-utilisation of capacity resulting in higher prices of sugar. This alterna-

tive would thus fail to raise production and keep sugar prices at a reasonable level.

The government, therefore, decided to adopt a method under which some quantity of sugar will be available for domestic consumption at a controlled price leaving a portion of the production for sale freely in the market. The scheme which the government has decided to put into effect comprises the following measures :—

- (i) The minimum price of sugarcane will be Rs. 2.75 per maund (Rs. 7.37 per quintal) for a recovery of 9.4 per cent or less with two paise per maund (5.36 paise per quintal) for every increase of 0.1 per cent in recovery above 9.4 per cent.
- (ii) The basic excise duty on factory sugar will be reduced by Rs. 8.35 per quintal and the benefit of this will be given to the consumer in fixing the levy price of sugar.
- (iii) A quantity equal to 60 per cent of the production achieved from October 1, 1966, to September 30, 1967, will be procured from the sugar factories from their production from October 1, 1967, to September 30, 1968, at a fixed levy price. Factories will be free to sell the balance production anywhere in India at the free market price subject to releases from factories sanctioned by the Government of India. The entire stock of sugar from the production up to September 30, 1967, will continue to be controlled as at present and releases will be made on the existing basis till November, 1967. The levy scheme will commence after the current year's production has been exhausted.
- (iv) The levy price will be fixed according to the schedules of the Sugar Enquiry Commission for the five zones recommended by it having regard to the minimum price of sugarcane and reduction in excise duty mentioned above.
- (v) A rebate at a flat rate of 50 per cent of the basic excise duty on sugar will be allowed to factories, on such production of sugar from October 1, 1967, to September 30, 1968, as is in excess of 80 per cent of the production achieved during the period from October 1, 1966, to September 30, 1967. There will be a special provision for new factories or those which did not work in 1966-67.
- (vi) It is intended to remain in the export market particularly for destinations which yield better prices.

The measures which have been outlined above will enable the industry to offer a higher price for sugarcane than the minimum proposed above which will benefit the cultivator. Worked in the proper spirit, this policy may solve not only the problems which face us now but also provide enduring solutions of a long-term nature. This scheme may not provide the ideal solution but there is every hope that it will arrest the adverse trend of diversion of land from sugarcane to other crops by ensuring for the producer a remunerative price and

save the industry from a continuing crisis in the coming years. It is possible that the recovery may be slow and during the period of transition there may not be abundance of sugar, causing some degree of hardship to the consumer but, in the long run, production is bound to pick up and, above all, the grower will be able to secure a fair price for his product, The

consumer is bound to benefit from fuller utilisation of capacity and rising production. In the very difficult situation which faces us today, the success of the new policy will depend upon the willing co-operation of the industry, the cultivators, the trade, the consumers and the others interested. I hope their co-operation and goodwill will be forthcoming.

Foreign Collaborations

(Cases Approved during April-June 1967)

Name of the Indian Party	Name of the foreign collaborator	Item of manufacture
INDIA-USA		
M/s. Kothari & Sons, Madras (F) (to be formed).	M/s. Armour Pharmaceutical International, 401, N. Wabash Ave., Chicago III, Area Cod 312, USA.	Glandular and other pharmaceutical products.
M/s. Bramec-Suri Pvt. Ltd, 1966, S. P. Mukherjee Marg, Delhi-6.	Bendix Corporation (Marshall Eclipse Division), Green Island, Troy, New York, USA.	Brake linings and clutch facings
Dharangadhara Chemicals Works Limited, 15-A, Horniman Circle, Bombay-1.	Wah Chang International Corporation, 100, Church Street, New York, N.Y. 10007, USA.	Beneficiate Ilmenite
Man Radio & Electricals Limited, (F) Station Road, Jaipur.	Transitron Electronic Corpn., Wakefield, Mass, USA.	Silicon Transistors
Prestolite of India Ltd, 2-A/3, Asaf Ali Road, New Delhi.	Dynamic Industries Inc., Detroit, Michigan, USA.	Automobile Switches
Philips Carbon Black Ltd, 56, Jor Bagh, New Delhi.	Philips Petroleum Co., USA.	Carbon Black
Rallis India Limited, Ralli House, (F) 21, Ravelir Street, Bombay-1.	i) M/s. G. D. Searle & Co. Illinois, USA ii) M/s. G.D. Searle & Co. UK.	Steroids and Intermediates
Red Comet (India) Pvt. Limited, (F) 60, Sion West, Bombay-20.	Red Comet Inc., Littleton, Colorado, USA.	Automatic Fire Extinguishers
Shree Ram Silk Manufacturing Co, (F) 14, Netaji Subash Road, Calcutta.	Phitec Inc., USA.	Nylon Yarn
M/s. Singhanía & Kapadia, Manufacturing Co., 1/406, G. T. Road, Delhi-Shahdara.	M/s. David H. Rosenstock Inc., New York.	Plastic Goods
Textile Machinery Corporation Limited, 15, India Exchange Place, Calcutta.	Combustion Engineering Inc., State of Delaware, USA.	Boilers
INDIA-UK		
Ambica Mills Ltd, Post Box No. 112, Ahmedabad.	English Sewing Ltd, UK.	Resin finishing.
Book Centre (P) Ltd, Ranede Road, (F) Bombay.	Frederick Muller Ltd, London.	Printing and Publication of Educational and Scientific Books.
Cooper Engineering Ltd, Construction House, Wittet Road, Ballard Estate, Bombay-1.	Ricardo & Co., Engineers (1927) Ltd, England.	7 HP Air-cooled high speed vertical diesel engines.
Construction Equipment Co. Pvt. Ltd, Construction House, Ballard Estate, Bombay.	Vickers Armstrong (Tractors) Ltd, UK.	Scraper attachments of models other than 15-21.
M/s. Daya Shankar and Associates, (F) A-1/23, Safdarjang Development Area, New Delhi.	M/s. P. E. Consulting Group Ltd, UK.	Consultancy Engineering firm in the field of production engineering.
Indian Sugar & General Engineering Corporation, Yamunanagar, Distt. Ambala (Haryana).	M/s. John Shaw & Sons (Salford) Limited, Wellington Works, St. Stephens Street, Salford, Lancashire, UK.	Hydraulic Presses.

Note: 'F' indicates cases involving financial participation.

FOREIGN COLLABORATIONS (Contd.)

EASTERN ECONOMIST

Name of the Indian Party	Name of the foreign collaborator	Item of manufacture
INDIA-UK (Contd.)		
M/s. S. Kumar & Co. (P) Ltd, (F) 35, Chowringhee Road, Calcutta-16.	M/s. Lines Bros. Ltd, Tri-Ang. Works, Morden Road, Merton, London SW-19.	Educational Toys
Oxford University Press, Oxford House, Apollo Bunder, Bombay-1.	M/s. Clarendon Press, Oxford.	Oxford Dictionary (reprinting of)
Paterson Engineering Co. (I) Pvt. Ltd, (F) Forbes Building, Home Street, Bom- bay-1.	British Berkefeld Filters Ltd., Town Mills, Canon Lane, Tonbridge, Kent, UK.	Berkefeld Filters.
Wheelers Distributors Private Limited, 15, Elgin Road Allahabad.	Sir Isaac & Sons Ltd, London,	Reprinting of Pitman's three books in Hindi.
INDIA-WEST GERMANY		
Aspinwall & Co. Ltd, (Project Deptt.) Cochin-1. (Kerala State).	Karl Fischer Apparate-U Rohrbitungs- ban, Holzhauser Strasse, 161-165, Berlin, 27.	Formic Acid.
Libra Industries, 203, Dadabhai Nauroji Road, Bombay-1.	Murrhardter Waagenfabrik, Gebr. Soehne, Murrhardt, West Germany.	Baby Scales.
Mudran Kala Mandir, 10, Seshadri Road, Alwarpet, Madras-16.	Mr. C. Bertelsmann International GmbH, Gutersloh, W. Germany.	Establishment of a Science Press.
New Standard Engineering Co. Ltd, Carroll Road, Bombay-13.	Trutzschler Maschinen GmbH, 4070, Rheydt-Odenkirchen, West Germany.	Roving Waste Opener and Automatic Waste Cleaner Machines.
INDIA-JAPAN		
Electric Construction and Equipment Co. Ltd, 9, Kaliprasanna Singhee Road, Calcutta-2.	Tokyo Shibaura Electric Co. Ltd, 1, 1-Chome, Utsaiwaicho, Chiyoda-ku, Tokyo, Japan.	Fractional Horse Power Motors and Rayon Pot Motors.
Hivelm Industries Pvt. Ltd, 96-A, Mount Road, Teynampet, Madras-18.	Takaoka Electric Mfg. Co. Ltd, Japan.	220 KV Isolators up to 2,000 amps.
Indian Turpentine Rosin Co. Ltd, (F) P.O. Clutterbuckganj, Bareilly.	Arakawa Forest Chemical Industries Limited, 1, Choma, Hiranowachi, Hegashi-Ku, Osaka, Japan.	Rubber Emulsifier.
Metro Wood & Engineering Works (P) Ltd., Ashram Road, Navrangpura, Ahmedabad-9.	Yamamoto Iron Works Ltd, Tokushima, Japan.	Hydraulic Hot Presses.
INDIA-AUSTRALIA		
Hind Razor & Blade Co. Pvt. Ltd., Industrial Assurance Bldg., Fort, Bombay-1.	Perma-Sharp Pty. Ltd., Australia.	Razor Blades
INDIA-CANADA		
Alembic Chemical Works Company Limited, Alembic Road, Baroda-3.	Connaught Laboratories, University of Toronto, Canada.	Diphtheria and Tetanus Toxoids and Pertussis Vaccine.
INDIA-FRANCE		
Aluminium Industries Ltd, No. 1, Ceramic Factory Road, Kundara (Kerala State).	Delle-Alsthom, 130, Rue Leon Blum, Villeurbanne (Rhône), France.	Switchgear above 32 KV and up to 66 KV.
INDIA-GREECE		
Dunlop Rubber Co. (India) Ltd, 57-B, Free School St., Calcutta-16.	Mr A. G. Petzetakis, Athens.	PVC Spiral Hose
INDIA-SWITZERLAND		
Chemiflex & Co., 504/5, Vithaldas (F) Chambers, 16, Apollo Street, Bombay-1	i) Velcro S.A., Nyon Switzerland. ii) Shri Thakorebhai Patel, East Africa.	Velcro Fasteners
Hindustan Machine Tools Limited, P.O. HMT, Bangalore-31.	i) M/s. Finmotil S.A., Switzerland. ii) M/s. Berg & Co., West Germany.	Power Chucks and Clamping devices.
INDIA-EAST GERMANY		
Shri D. P. Kanudia, 365, Harrisganj, Kanpur.	Chemieausrüstungen Deutscher Innen- Und Aussenhandel, Berlin (G.D.R.)	Rice Milling Plants.

Note: 'F' indicates cases involving financial participation.

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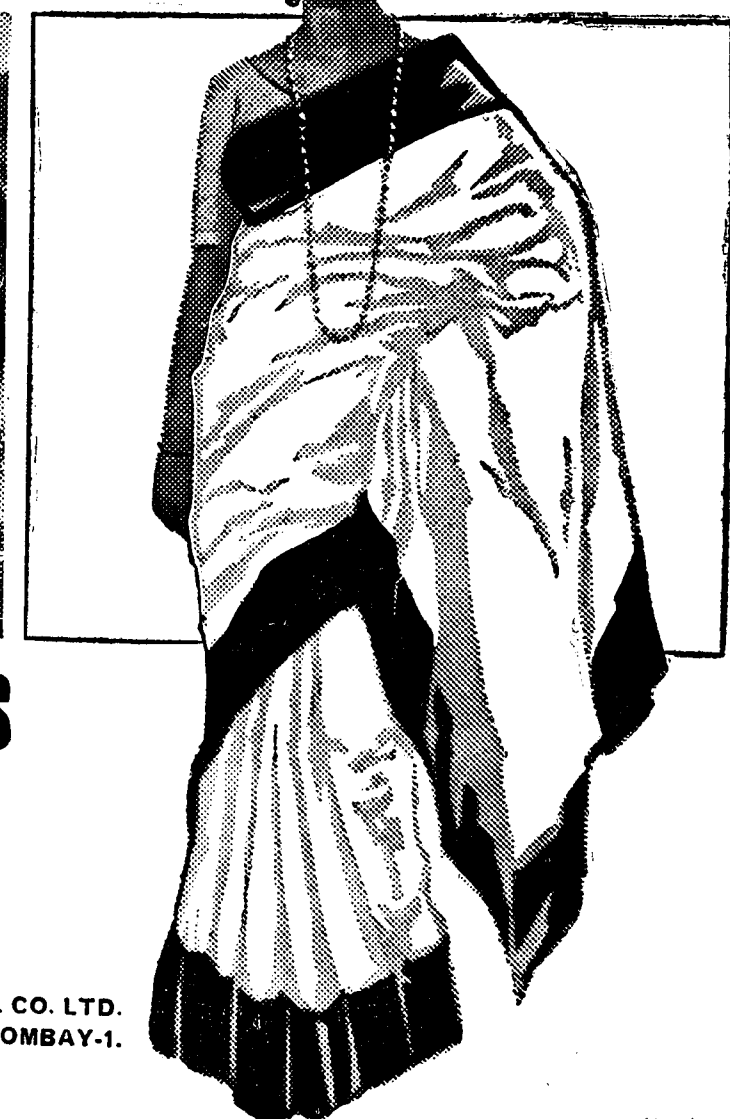
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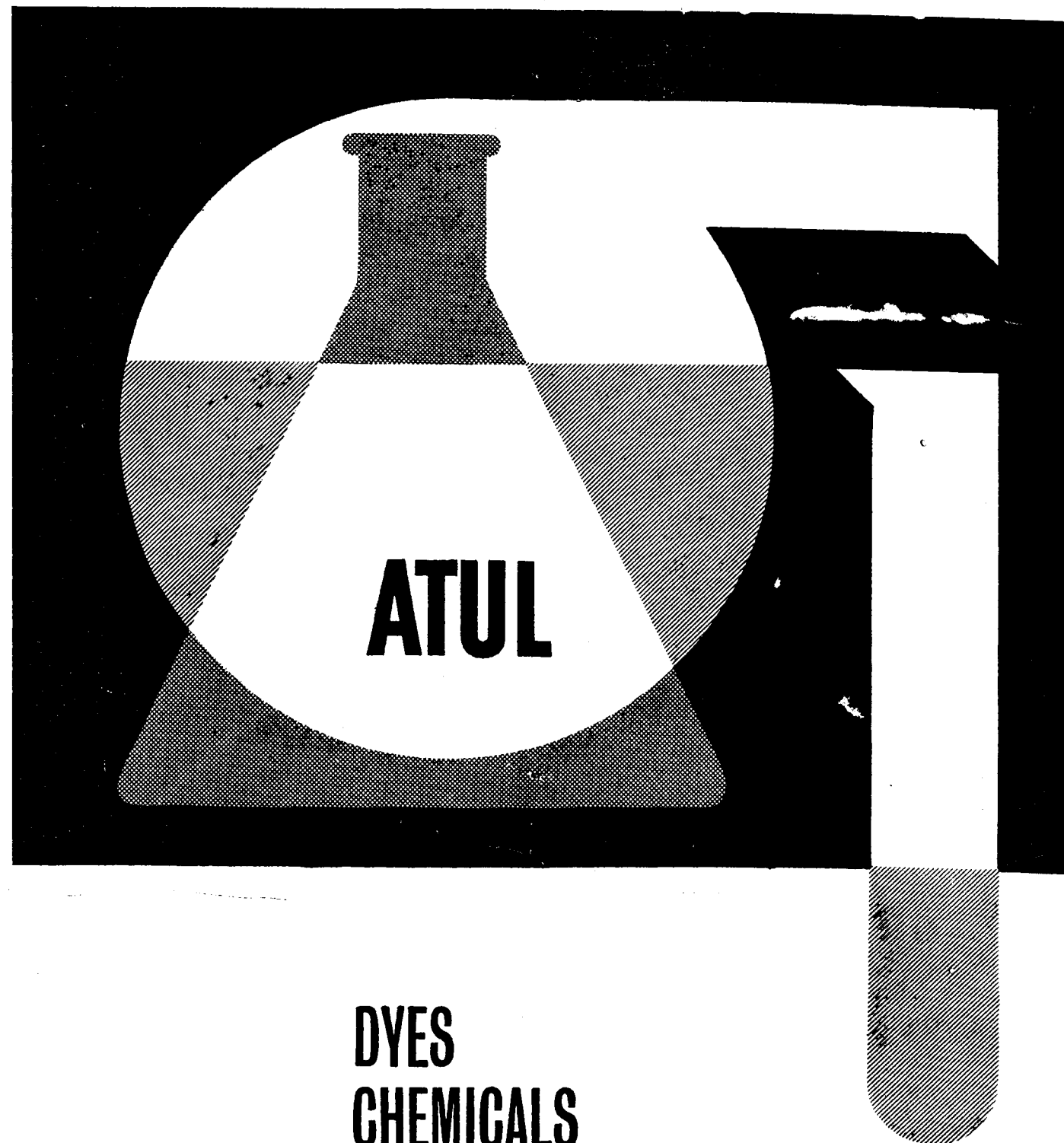


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